

TOWN OF COLONIAL BEACH, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

TOWN OF COLONIAL BEACH, VIRGINIA

ANNUAL FINANCIAL REPORT

**FOR THE YEAR
ENDED JUNE 30, 2023**

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TOWN OF COLONIAL BEACH, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023

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INTRODUCTORY SECTION

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TOWN OF COLONIAL BEACH, VIRGINIA

Town Council

Robin Schick, Mayor

Kenneth Allison, Vice-Mayor
Richard Wood
Krista Brown

Caryn Self Sullivan
David Williams
Vicki Roberson

Town School Board

Michelle Payne, Chair
Patrice Lyburn, Vice Chair

Audra Lucas-Peyton
Terri McClure

Laura Allison

Other Officials

Town Clerk.....	Heather Oliver
Town Attorney.....	Powell Duggan
Chief of Police.....	Gregory Deaver
Town Manager	India Adams-Jacobs
Superintendent of Schools.....	Dr. Clint M. Mitchell

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FINANCIAL SECTION

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Independent Auditors' Report

**To the Honorable Members of the Town Council
Town of Colonial Beach
Colonial Beach, 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, the discretely presented component unit, each major fund, and the remaining fund information of Town of Colonial Beach, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Colonial Beach, Virginia, as of and for the year ended June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Town of Colonial Beach, 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 Town of Colonial Beach, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Required Supplementary Information (Continued)

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Colonial Beach, Virginia's basic financial statements. The accompanying combining and individual fund financial statements and schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory 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 6, 2023, on our consideration of Town of Colonial Beach, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Colonial Beach, 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 Colonial Beach, Virginia's internal control over financial reporting and compliance.

Robinson, Farnum, Cox Associates

Richmond, Virginia
December 6, 2023

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BASIC FINANCIAL STATEMENTS

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Town of Colonial Beach, Virginia
Statement of Net Position
June 30, 2023

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		School Board
ASSETS				
Cash and cash equivalents	\$ 9,778,882	\$ 4,756,516	\$ 14,535,398	\$ 1,130,737
Receivables (net of allowance for uncollectibles):				
Taxes receivable	419,942	-	419,942	-
Accounts receivable	187,517	47,966	235,483	4,317
Lease receivable	219,487	-	219,487	-
Due from other governmental units	118,592	156,656	275,248	230,751
Prepaid items	622	-	622	39,453
Net pension asset	1,119,276	694,198	1,813,474	-
Restricted assets:				
Restricted cash and cash equivalents	3,523	440,832	444,355	-
Capital assets (net of accumulated depreciation):				
Land	1,118,630	29,280	1,147,910	57,210
Buildings and improvements	712,695	17,108,761	17,821,456	10,446,098
Equipment	1,365,274	220,071	1,585,345	166,288
Lease office space	13,145	-	13,145	-
Vehicles	565,974	438,210	1,004,184	485,564
Infrastructure	3,704,509	-	3,704,509	-
Construction in progress	276,354	29,280	305,634	99,980
Total assets	\$ 19,604,422	\$ 23,921,770	\$ 43,526,192	\$ 12,660,398
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 97,512	\$ -	\$ 97,512	\$ 1,164,232
OPEB related items	42,073	15,994	58,067	134,343
Total deferred outflows of resources	\$ 139,585	\$ 15,994	\$ 155,579	\$ 1,298,575
LIABILITIES				
Accounts payable and other accrued liabilities	\$ 1,249,504	\$ 117,939	\$ 1,367,443	\$ 334,410
Accrued interest payable	142,132	50,644	192,776	-
Due to other governmental units	822,179	-	822,179	-
Unearned revenue	2,735,390	-	2,735,390	-
Long-term liabilities:				
Due within one year	380,117	666,121	1,046,238	10,328
Due in more than one year	9,075,124	8,355,150	17,430,274	4,752,114
Total liabilities	\$ 14,404,446	\$ 9,189,854	\$ 23,594,300	\$ 5,096,852
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 100,853	\$ -	\$ 100,853	\$ -
Pension related items	267,062	183,407	450,469	1,046,375
OPEB related items	22,596	8,589	31,185	122,964
Lease deferrals	208,609	-	208,609	-
Total deferred inflows of resources	\$ 599,120	\$ 191,996	\$ 791,116	\$ 1,169,339
NET POSITION				
Net investment in capital assets	\$ 5,367,779	\$ 8,866,063	\$ 14,233,842	\$ 11,255,140
Restricted for:				
Construction	-	-	-	759,841
Debt service	3,523	440,832	444,355	-
Net pension asset	1,119,276	694,198	1,813,474	-
Unrestricted (deficit)	(1,750,137)	4,554,821	2,804,684	(4,322,199)
Total net position	\$ 4,740,441	\$ 14,555,914	\$ 19,296,355	\$ 7,692,782

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

Town of Colonial Beach, Virginia
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Total	School Board
					Governmental Activities	Business-type Activities			
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 1,312,998	\$ 3,510	\$ 16,674	\$ -	\$ (1,292,814)	\$ -	\$ (1,292,814)	\$ -	-
Public safety	2,606,909	377,518	197,630	-	(2,031,761)	-	(2,031,761)	-	-
Public works	3,340,953	8,604	1,869,955	-	(1,462,394)	-	(1,462,394)	-	-
Health and welfare	4,800	-	-	-	(4,800)	-	(4,800)	-	-
Education	2,551,573	-	-	-	(2,551,573)	-	(2,551,573)	-	-
Parks, recreation, and cultural	67,342	-	-	-	(67,342)	-	(67,342)	-	-
Community development	208,164	40,695	12,500	4,438	(150,531)	-	(150,531)	-	-
Interest on long-term debt	287,927	-	-	-	(287,927)	-	(287,927)	-	-
Total governmental activities	\$ 10,383,479	\$ 430,327	\$ 2,096,759	\$ 4,438	\$ (7,851,955)	\$ -	\$ (7,851,955)	\$ -	-
Business-type activities:									
Water	\$ 1,112,399	\$ 1,187,625	\$ -	\$ 83,668	\$ -	\$ 158,894	\$ 158,894	\$ -	-
Sewer	2,693,719	2,664,489	-	-	-	(29,230)	(29,230)	-	-
Total business-type activities	\$ 3,806,118	\$ 3,852,114	\$ -	\$ 83,668	\$ -	\$ 129,664	\$ 129,664	\$ -	-
Total primary government	\$ 14,189,597	\$ 4,282,441	\$ 2,096,759	\$ 88,106	\$ (7,851,955)	\$ 129,664	\$ (7,722,291)	\$ -	-
COMPONENT UNIT:									
School Board	\$ 10,211,763	\$ 24,470	\$ 9,115,505	\$ -	\$ -	\$ -	\$ -	\$ (1,071,788)	-
Total component unit	\$ 10,211,763	\$ 24,470	\$ 9,115,505	\$ -	\$ -	\$ -	\$ -	\$ (1,071,788)	-
General revenues:									
General property taxes					\$ 6,021,707	\$ -	\$ 6,021,707	\$ -	-
Local sales and use taxes					436,018	-	436,018	-	-
Business license taxes					147,340	-	147,340	-	-
Food and lodging					981,947	-	981,947	-	-
Consumer utility taxes					112,527	-	112,527	-	-
Cigarette tax					86,840	-	86,840	-	-
Other local taxes					120,548	-	120,548	-	-
Unrestricted revenues from use of money					178,790	-	178,790	-	-
Miscellaneous					691,977	-	691,977	-	162,768
Grants and contributions not restricted to specific programs					381,489	-	381,489	-	-
Payment from Town of Colonial Beach					-	-	-	-	2,551,573
Payment from County of Westmoreland					-	778,407	778,407	-	-
Transfers					19,113	(19,113)	-	-	-
Total general revenues and transfers					\$ 9,178,296	\$ 759,294	\$ 9,937,590	\$ 2,714,341	-
Change in net position					\$ 1,326,341	\$ 888,958	\$ 2,215,299	\$ 1,642,553	-
Net position - beginning					3,414,100	13,666,956	17,081,056	6,050,229	-
Net position - ending					\$ 4,740,441	\$ 14,555,914	\$ 19,296,355	\$ 7,692,782	-

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

FUND FINANCIAL STATEMENTS

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Town of Colonial Beach, Virginia
Balance Sheet
Governmental Funds
June 30, 2023

	<u>General</u>	<u>Capital Projects</u>	<u>Erosion Fund</u>	<u>Forfeited Asset Fund</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 8,526,403	\$ 1,183,727	\$ 68,068	\$ 684	\$ 9,778,882
Receivables (net of allowance for uncollectibles):					
Taxes receivable	419,942	-	-	-	419,942
Accounts receivable	187,517	-	-	-	187,517
Lease receivable	219,487	-	-	-	219,487
Due from other governmental units	118,592	-	-	-	118,592
Prepaid items	622	-	-	-	622
Restricted assets:					
Restricted cash and cash equivalents	3,523	-	-	-	3,523
Total assets	\$ 9,476,086	\$ 1,183,727	\$ 68,068	\$ 684	\$ 10,728,565
LIABILITIES					
Accounts payable and other accrued liabilities	\$ 1,249,504	\$ -	\$ -	\$ -	\$ 1,249,504
Unearned revenue	2,734,706	-	-	684	2,735,390
Total liabilities	\$ 3,984,210	\$ -	\$ -	\$ 684	\$ 3,984,894
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 477,761	\$ -	\$ -	\$ -	\$ 477,761
Lease deferrals	208,609	-	-	-	208,609
Total deferred inflows of resources	\$ 686,370	\$ -	\$ -	\$ -	\$ 686,370
FUND BALANCES					
Nonspendable	\$ 11,500	\$ -	\$ -	\$ -	\$ 11,500
Restricted	3,523	-	-	-	3,523
Committed	-	719,608	-	-	719,608
Assigned	128,037	464,119	68,068	-	660,224
Unassigned	4,662,446	-	-	-	4,662,446
Total fund balances	\$ 4,805,506	\$ 1,183,727	\$ 68,068	\$ -	\$ 6,057,301

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

Town of Colonial Beach, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2023

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	6,057,301
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets, cost	\$ 17,195,652	
Accumulated depreciation	<u>(9,439,071)</u>	7,756,581

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

Unavailable revenue - property taxes	\$ 376,908	
Net pension asset	<u>1,119,276</u>	1,496,184

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 97,512	
OPEB related items	<u>42,073</u>	139,585

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

Compensated absences	\$ (135,756)	
Net OPEB liability	(102,862)	
General obligation bonds	(8,907,192)	
Equipment purchase agreement	(51,141)	
Lease liability	(10,375)	
Bond premium	(247,915)	
Due to other governmental units	(822,179)	
Accrued interest payable	<u>(142,132)</u>	(10,419,552)

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

Pension related items	\$ (267,062)	
OPEB related items	<u>(22,596)</u>	(289,658)

Net position of governmental activities	\$	<u><u>4,740,441</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Colonial Beach, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	<u>General</u>	<u>Capital Projects</u>	<u>Erosion Fund</u>	<u>Forfeited Asset Fund</u>	<u>Total</u>
REVENUES					
General property taxes	\$ 5,945,621	\$ -	\$ -	\$ -	\$ 5,945,621
Other local taxes	1,885,220	-	-	-	1,885,220
Permits, privilege fees, and regulatory licenses	77,997	-	-	-	77,997
Fines and forfeitures	26,032	-	-	-	26,032
Revenue from the use of money and property	185,474	-	-	-	185,474
Charges for services	319,614	-	-	-	319,614
Miscellaneous	151,335	540,642	-	-	691,977
Recovered costs	358,297	-	-	-	358,297
Intergovernmental:					
Commonwealth	1,537,679	-	-	8,457	1,546,136
Federal	936,550	-	-	-	936,550
Total revenues	<u>\$ 11,423,819</u>	<u>\$ 540,642</u>	<u>\$ -</u>	<u>\$ 8,457</u>	<u>\$ 11,972,918</u>
EXPENDITURES					
Current:					
General government administration	\$ 1,292,415	\$ -	\$ -	\$ -	\$ 1,292,415
Public safety	2,190,579	-	-	8,457	2,199,036
Public works	2,988,071	-	-	-	2,988,071
Health and welfare	4,800	-	-	-	4,800
Education	2,551,573	-	-	-	2,551,573
Parks, recreation, and cultural	69,206	-	-	-	69,206
Community development	549,585	-	-	-	549,585
Nondepartmental	120,442	-	-	-	120,442
Debt service:					
Principal retirement	345,765	-	-	-	345,765
Interest and other fiscal charges	312,747	-	-	-	312,747
Total expenditures	<u>\$ 10,425,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,457</u>	<u>\$ 10,433,640</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 998,636</u>	<u>\$ 540,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,539,278</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 768,313	\$ 71,841	\$ -	\$ -	\$ 840,154
Transfers out	(71,841)	(682,200)	(67,000)	-	(821,041)
Total other financing sources (uses)	<u>\$ 696,472</u>	<u>\$ (610,359)</u>	<u>\$ (67,000)</u>	<u>\$ -</u>	<u>\$ 19,113</u>
Net change in fund balances	\$ 1,695,108	\$ (69,717)	\$ (67,000)	\$ -	\$ 1,558,391
Fund balances - beginning	3,110,398	1,253,444	135,068	-	4,498,910
Fund balances - ending	<u>\$ 4,805,506</u>	<u>\$ 1,183,727</u>	<u>\$ 68,068</u>	<u>\$ -</u>	<u>\$ 6,057,301</u>

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

Town of Colonial Beach, 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, 2023

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

Net change in fund balances - total governmental funds	\$ 1,558,391
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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 the depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital outlays	\$ 523,822	
Depreciation expense	(1,119,951)	(596,129)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(312,042)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	76,086
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items. The following is a summary of items supporting this adjustment:

Principal retirement on general obligation bonds	\$ 273,501	
Principal retirement on lease liability	40,366	
Principal retirement on equipment purchase agreements	31,898	345,765

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

Amortization of bond premium	\$ 11,101	
Change in pension related items	105,091	
Change in OPEB related items	7,376	
Change in compensated absences	(646)	
Change in amounts due to Westmoreland County	117,629	
Change in accrued interest payable	13,719	254,270

Change in net position of governmental activities	\$ 1,326,341
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The notes to the financial statements are an integral part of this statement.

Town of Colonial Beach, Virginia
Statement of Net Position - Proprietary Funds
For the Year Ended June 30, 2023

	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,193,934	\$ 2,562,582	\$ 4,756,516
Accounts receivable (net of allowance for uncollectibles)	18,923	29,043	47,966
Total current assets	\$ 2,212,857	\$ 2,591,625	\$ 4,804,482
Noncurrent assets:			
Restricted cash and cash equivalents	\$ 316,380	\$ 124,452	\$ 440,832
Due from other governmental units	-	156,656	156,656
Net pension asset	194,767	499,431	694,198
Capital assets:			
Land	2,900	26,380	29,280
Construction in progress	-	29,280	29,280
Equipment, net of depreciation	2,517	217,554	220,071
Vehicles, net of depreciation	187,979	250,231	438,210
Buildings and improvements, net of depreciation	5,636,209	11,472,552	17,108,761
Total noncurrent assets	\$ 6,340,752	\$ 12,776,536	\$ 19,117,288
Total assets	\$ 8,553,609	\$ 15,368,161	\$ 23,921,770
DEFERRED OUTFLOWS OF RESOURCES			
OPEB related items	\$ 3,939	\$ 12,055	\$ 15,994
Total deferred outflows of resources	\$ 3,939	\$ 12,055	\$ 15,994
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 15,716	\$ 102,223	\$ 117,939
Accrued interest payable	35,342	15,302	50,644
Compensated absences, current portion	569	1,694	2,263
Equipment purchase agreement, current portion	-	46,905	46,905
General obligation bonds, current portion	443,365	173,588	616,953
Total current liabilities	\$ 494,992	\$ 339,712	\$ 834,704
Noncurrent liabilities:			
Compensated absences, net of current portion	\$ 5,123	\$ 15,245	\$ 20,368
Net OPEB liability	9,630	29,471	39,101
Equipment purchase agreement, net of current portion	-	21,854	21,854
General obligation bonds, net of current portion	3,890,149	4,383,678	8,273,827
Total noncurrent liabilities	\$ 3,904,902	\$ 4,450,248	\$ 8,355,150
Total liabilities	\$ 4,399,894	\$ 4,789,960	\$ 9,189,854
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 57,885	\$ 125,522	\$ 183,407
OPEB related items	2,115	6,474	8,589
Total deferred inflows of resources	\$ 60,000	\$ 131,996	\$ 191,996
Net Position			
Net investment in capital assets	\$ 1,496,091	\$ 7,369,972	\$ 8,866,063
Restricted:			
Debt service	316,380	124,452	440,832
Net pension asset	194,767	499,431	694,198
Unrestricted	2,090,416	2,464,405	4,554,821
Total Net Position	\$ 4,097,654	\$ 10,458,260	\$ 14,555,914

Town of Colonial Beach, Virginia
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
For the Year Ended June 30, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 1,187,625	\$ 2,664,489	\$ 3,852,114
Total operating revenues	\$ 1,187,625	\$ 2,664,489	\$ 3,852,114
Operating expenses:			
Personnel services	\$ 247,904	\$ 741,474	\$ 989,378
Fringe benefits	27,623	122,921	150,544
Contractual services	202,959	201,486	404,445
Other charges	200,552	914,980	1,115,532
Depreciation	352,734	632,699	985,433
Total operating expenses	\$ 1,031,772	\$ 2,613,560	\$ 3,645,332
Operating income (loss)	\$ 155,853	\$ 50,929	\$ 206,782
Nonoperating revenues (expenses):			
Connection fees	\$ 83,668	\$ -	\$ 83,668
Wastewater settlement	-	778,407	778,407
Interest expense	(80,627)	(80,159)	(160,786)
Total nonoperating revenues (expenses)	\$ 3,041	\$ 698,248	\$ 701,289
Net income (loss) before transfers	\$ 158,894	\$ 749,177	\$ 908,071
Transfers in	70,000	30,000	100,000
Transfers (out)	-	(119,113)	(119,113)
Change in net position	\$ 228,894	\$ 660,064	\$ 888,958
Net position, beginning of year	3,868,760	9,798,196	13,666,956
Net position, end of year	\$ 4,097,654	\$ 10,458,260	\$ 14,555,914

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

Town of Colonial Beach, Virginia
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2023

	Water	Sewer	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,200,129	\$ 2,511,490	\$ 3,711,619
Payments for employees	(306,662)	(949,953)	(1,256,615)
Payments to suppliers	(420,455)	(1,164,308)	(1,584,763)
Net cash provided by (used for) operating activities	<u>\$ 473,012</u>	<u>\$ 397,229</u>	<u>\$ 870,241</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	\$ (245,452)	\$ (300,927)	\$ (546,379)
Wastewater settlement	-	778,407	778,407
Connection fees	83,668	-	83,668
Purchase of capital assets	-	(58,450)	(58,450)
Interest paid on long-term debt	(89,970)	(82,605)	(172,575)
Net cash provided by (used for) capital and related financing activities	<u>\$ (251,754)</u>	<u>\$ 336,425</u>	<u>\$ 84,671</u>
Cash flows from noncapital financing activities:			
Interfund transfers	\$ 70,000	\$ (89,113)	\$ (19,113)
Net cash provided by (used for) noncapital financing activities	<u>\$ 70,000</u>	<u>\$ (89,113)</u>	<u>\$ (19,113)</u>
Increase (decrease) in cash and cash equivalents	\$ 291,258	\$ 644,541	\$ 935,799
Cash and cash equivalents - beginning - (including restricted amounts)	<u>2,219,056</u>	<u>2,042,493</u>	<u>4,261,549</u>
Cash and cash equivalents - ending - (including restricted amounts)	<u><u>\$ 2,510,314</u></u>	<u><u>\$ 2,687,034</u></u>	<u><u>\$ 5,197,348</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 155,853	\$ 50,929	\$ 206,782
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	352,734	632,699	985,433
(Increase)/decrease in accounts receivable	12,504	2,857	15,361
(Increase)/decrease in due from other governmental units	-	(155,856)	(155,856)
(Increase)/decrease in net pension asset	(9,164)	35,293	26,129
(Increase)/decrease in deferred outflows of resources	13,212	37,050	50,262
Increase/(decrease) in net OPEB liability	1,211	3,706	4,917
Increase/(decrease) in accounts payable	(16,944)	(47,842)	(64,786)
Increase/(decrease) in deferred inflows of resources	(38,484)	(151,266)	(189,750)
Increase/(decrease) in compensated absences	2,090	(10,341)	(8,251)
Net cash provided by (used for) operating activities	<u><u>\$ 473,012</u></u>	<u><u>\$ 397,229</u></u>	<u><u>\$ 870,241</u></u>

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

Town of Colonial Beach, Virginia
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2023

	<u>Custodial Fund</u>
	<u>Northern Neck</u>
	<u>Regional</u>
	<u>Governor's School</u>
ASSETS	
Cash and cash equivalents	\$ 17,850
Total assets	<u>\$ 17,850</u>
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	\$ 17,850
Total net position	<u><u>\$ 17,850</u></u>

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

Town of Colonial Beach, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	<u>Custodial Fund</u> <u>Northern Neck</u> <u>Regional</u> <u>Governor's School</u>
ADDITIONS	
Charges for services:	
Tuition	\$ 5,600
Miscellaneous	624
Revenue from the Commonwealth	10,322
Total additions	<u>\$ 16,546</u>
DEDUCTIONS	
Administrative expenses	12,477
Total deductions	<u>\$ 12,477</u>
Net increase (decrease) in fiduciary net position	<u>\$ 4,069</u>
Net position, beginning	13,781
Net position, ending	<u><u>\$ 17,850</u></u>

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

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements As of June 30, 2023

Note 1—Summary of Significant Accounting Policies:

The Town of Colonial Beach, Virginia (the "Town") was established by an act of the Virginia General Assembly in 1892 and is one of two incorporated towns in Westmoreland County, Virginia (the County). It is a political subdivision of the Commonwealth of Virginia, and operates under the Town Council-Manager form of government, as elected by the residents of the Town. The Town owns and operates its own water and sewer system, provides trash and garbage pickup, and police protection for its residents.

The financial statements of the Town of Colonial Beach, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia and accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

Management's Discussion and Analysis - The Town has chosen not to present a Management's Discussion and Analysis.

Government-wide and Fund Financial Statements

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

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

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

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 1—Summary of Significant Accounting Policies: (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Town of Colonial Beach (the primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is both legally and substantively separate from the government.

B. Individual Component Unit Disclosures

Blended Component Unit. The Town has no blended component units at June 30, 2023.

Discretely Presented Component Unit. The Colonial Beach School Board was created by the Town as a separate legal entity to oversee the operations and management of its publicly funded primary and secondary schools. While the Town does not appoint members to the Board, the Town approves the School Board's budget and issues debt for the School Board's benefit and provides significant funding for operations. The School Board does not issue separate financial reports.

C. Other Related Organizations Included in the Town's Financial Report

None

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 1—Summary of Significant Accounting Policies: (Continued)

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

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

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

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

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

The Town's fiduciary funds are presented in the basic financial statements by type and utilize the economic resources measurement focus but use the accrual basis of accounting for asset and liability recognition. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues consist of charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 1—Summary of Significant Accounting Policies: (Continued)

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the Town.

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

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The Town reports the following as major governmental funds:

General Fund - The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial transactions and resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board.

Capital Projects Fund - The Town Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays.

Special Revenue Funds - Special Revenue Funds account for and report the proceeds for specific sources that are restricted or committed to expenditure for specified purposes, other than debt service or certified projects. The special revenue funds are the Forfeited Asset Fund and Erosion Fund.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 1—Summary of Significant Accounting Policies: (Continued)

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

2. Proprietary Funds - Proprietary Funds account for operations that are financed in a manner similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of a Water Fund and a Sewer Fund.

Water Fund - The water fund accounts for the activities of the water treatment plant and the water distribution system.

Sewer Fund - The sewer fund accounts for the activities of the wastewater treatment plant and the wastewater collection system.

3. Fiduciary Funds - (Custodial Fund) - account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. The Town's Custodial Fund includes amounts held for the Northern Neck Regional Governor's School.
4. Component Unit

The Colonial Beach Town School Board has the following funds:

Governmental Funds:

School Operating Fund - This fund is the primary operating fund of the School Board and accounts for all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the Town of Colonial Beach School Board and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.

Special Revenue Funds: Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

School Activity Fund - This fund accounts for and reports funds collected at the schools in connection with student athletes, clubs, various fundraising activities, and private donations. This fund is considered a major fund.

School Cafeteria Fund - This fund accounts for and reports the operations of the School Board's food service program. Financing is provided primarily by food and beverage sales and state and federal grants. This fund is considered a major fund.

E. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 1—Summary of Significant Accounting Policies: (Continued)

F. Investments

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

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

G. Restricted Assets

Certain proceeds of the Town’s bonds are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

H. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (i.e. the noncurrent portions of the interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$148,378 at June 30, 2023 and is comprised of property taxes in the amount of \$67,880 and utility accounts in the amount of \$80,498.

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	June 5 / December 5	December 5
Lien Date	January 1	January 1

The Town bills and collects its own property taxes.

I. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, lease, subscription, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the Town and Component Unit School Board as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 1—Summary of Significant Accounting Policies: (Continued)

I. Capital Assets (Continued)

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

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, subscription assets and infrastructure of the primary government, as well as the component unit, are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	5-50
Infrastructure	30
Equipment	5-20
Lease office space	2-5
Lease equipment	2-5
Vehicles	5-20

J. Leases

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

Lessee

The Town recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of \$5,000, individually or in the aggregate in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 1—Summary of Significant Accounting Policies: (Continued)

J. Leases (Continued)

Lessor

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

Key Estimates and Judgments

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

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

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

K. Prepaid Items

Certain payments to vendors reflect costs applied to future accounting periods and are recorded as prepaid items in both the government-wide and the fund financial statements. Prepaid items are accounted for using the consumption method and are valued at cost.

L. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 1—Summary of Significant Accounting Policies: (Continued)

M. 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.

N. Net Position

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

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

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

O. Pensions

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

P. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 1—Summary of Significant Accounting Policies: (Continued)

Q. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

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

R. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to pension, OPEB, and leases are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes

S. Fund Balance

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

- Nonspendable fund balance - amounts that are either not in spendable form (such as inventory and prepaids) or are legally or contractually required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 1—Summary of Significant Accounting Policies: (Continued)

S. Fund Balance (Continued)

- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Town Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Council adopts another ordinance to remove or revise the limitation;
- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned. The Town's policy is to maintain an unassigned fund balance in the general fund equal to 15% of expenditures/operating revenues.

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

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment, which does not lapse at year-end, is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 1—Summary of Significant Accounting Policies: (Continued)

S. Fund Balance (Continued)

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

	General Fund	Capital Projects	Erosion Fund	Total
Fund Balances:				
Nonspendable:				
Prepaid items	\$ 622	\$ -	\$ -	\$ 622
Leases	10,878	-	-	10,878
Total Nonspendable Fund Balance	\$ 11,500	\$ -	\$ -	\$ 11,500
Restricted:				
Debt service	\$ 3,523	\$ -	\$ -	\$ 3,523
Total Restricted Fund Balance	\$ 3,523	\$ -	\$ -	\$ 3,523
Committed:				
Fire department	\$ -	\$ 55,839	\$ -	\$ 55,839
Rescue squad	-	55,839	-	55,839
Schools	-	607,930	-	607,930
Total Committed Fund Balance	\$ -	\$ 719,608	\$ -	\$ 719,608
Assigned:				
Capital projects	\$ -	\$ 464,119	\$ -	\$ 464,119
PD funding	98,037	-	-	98,037
Parks master plan	30,000	-	-	30,000
Erosion funds	-	-	68,068	68,068
Total Assigned Fund Balance	\$ 128,037	\$ 464,119	\$ 68,068	\$ 660,224
Unassigned	\$ 4,662,446	\$ -	\$ -	\$ 4,662,446
Total Fund Balances	\$ 4,805,506	\$ 1,183,727	\$ 68,068	\$ 6,057,301

Note 2—Stewardship, Compliance, and Accounting:

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

1. Prior to June 10th, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 2—Stewardship, Compliance, and Accounting: (Continued)

5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund and the School Operating Fund of the School Board.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, every year.
8. All budgetary data presented in the accompanying financial statements is from the revised budget as of June 30, 2023, as adopted and legally amended.
9. Excess of expenditures over appropriations:
For the year ended June 30, 2023, expenditures did not exceed appropriations in any fund.

Note 3—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk

As required by state statute, commercial paper must have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following: Moody’s Investors Service, Standard & Poor’s, and Fitch Investor’s Service, provided that the issuing corporation has a net worth of \$50 million and its long term debt is rated A or better by Moody’s and Standard and Poor’s. Banker’s acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Services. Open end investment funds must be registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein. Commonwealth of Virginia and Virginia Local Government Obligations secured by debt service reserve funds not subject to annual appropriation must be rated AA or higher by Moody’s or Standard & Poor’s. Repurchase agreements require that the counterparty be rated “A” or better by Moody’s and Standard & Poor’s.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 3—Deposits and Investments: (Continued)

Concentration of Credit Risk

Although the intent of the Policy is for the Town to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (II) individual financial institution or issuing entity, and (iii) maturity, the Policy places no limit on the amount the Twon may invest in any one issuer.

Concentration of Debt Securities

The Town’s rated debt investments as of June 30, 2023 were rated by Standard & Poor’s and the ratings are presented below using the Standard & Poor’s rating scale. The Town will minimize credit risk by limiting investments to the safest type of securities.

		Fair Quality Ratings	
		AAAm	
Local Government Investment Pool	\$	153,887	
Total	\$	153,887	

Interest Rate Risk

The Town does not have a formal policy limiting investment maturities.

Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1 Year	
Local Government Investment Pool	\$ 153,887	\$	153,887
Total	\$ 153,887	\$	153,887

Custodial Credit Risk

As required by the Code of Virginia, all security holdings with maturities over 30 days may not be held in safekeeping with the “counterparty” to the investment transaction. The Town held no investments during the year ended June 30, 2023.

External Investment Pool

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 4—Due to/from Other Governments:

At June 30, 2023, the Town has receivables from other governments as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit School Board</u>
Other Local Governments:			
Westmoreland County	\$ -	\$ 156,656	\$ -
Commonwealth of Virginia:			
Local sales tax	83,644	-	-
School resource officer	11,422	-	-
State sales tax	-	-	141,817
Communications tax	22,636	-	-
Other state funds	890	-	-
Federal Government:			
School fund grants	-	-	88,934
Total due from other governments	\$ <u>118,592</u>	\$ <u>156,656</u>	\$ <u>230,751</u>

At June 30, 2023, long-term amounts due to other local governments are as follows:

Other Local Governments:			
Westmoreland County	\$ <u>822,179</u>	\$ -	\$ -
Total due to other governments	\$ <u>822,179</u>	\$ -	\$ -

On January 17, 2018, the Town entered into an agreement with Westmoreland County to pay a portion of the County's \$5,739,100 debt issuance. The Town's total portion to be paid is \$1,410,531. As of June 30, 2023, the outstanding balance to be paid was \$822,179.

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2023:

Primary Government:

	<u>Balance July 1, 2022</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2023</u>
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 1,375,592	\$ -	\$ 256,962	\$ 1,118,630
Construction in progress	<u>166,999</u>	<u>109,355</u>		<u>276,354</u>
Total capital assets not subject to depreciation	<u>\$ 1,542,591</u>	<u>\$ 109,355</u>	<u>\$ 256,962</u>	<u>\$ 1,394,984</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 1,177,953	\$ 30,531	\$ 134,459	\$ 1,074,025
Infrastructure	10,558,002	-	-	10,558,002
Equipment	2,718,242	163,908	191,731	2,690,419
Lease office space	88,731	-	-	88,731
Vehicles	<u>1,289,206</u>	<u>220,028</u>	<u>119,743</u>	<u>1,389,491</u>
Total capital assets subject to depreciation	<u>\$ 15,832,134</u>	<u>\$ 414,467</u>	<u>\$ 445,933</u>	<u>\$ 15,800,668</u>
Accumulated depreciation:				
Buildings and improvements	\$ 404,389	\$ 39,685	\$ 82,744	\$ 361,330
Infrastructure	6,149,626	703,867	-	6,853,493
Equipment	1,314,157	199,354	188,366	1,325,145
Lease office space	39,436	36,150	-	75,586
Vehicles	<u>802,365</u>	<u>140,895</u>	<u>119,743</u>	<u>823,517</u>
Total accumulated depreciation	<u>\$ 8,709,973</u>	<u>\$ 1,119,951</u>	<u>\$ 390,853</u>	<u>\$ 9,439,071</u>
Total capital assets subject to depreciation, net	<u>\$ 7,122,161</u>	<u>\$ (705,484)</u>	<u>\$ 55,080</u>	<u>\$ 6,361,597</u>
Governmental activities capital assets, net	<u>\$ 8,664,752</u>	<u>\$ (596,129)</u>	<u>\$ 312,042</u>	<u>\$ 7,756,581</u>

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 5—Capital Assets: (Continued)

Primary Government: (Continued)

	<u>Balance July 1, 2022</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2023</u>
Business-type activities:				
Capital assets not subject to depreciation:				
Land	\$ 29,280	\$ -	\$ -	\$ 29,280
Construction in progress	<u>29,280</u>	<u>-</u>	<u>-</u>	<u>29,280</u>
Total capital assets not subject to depreciation	<u>\$ 58,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,560</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 32,707,245	\$ 58,450	\$ -	\$ 32,765,695
Equipment	858,814	-	-	858,814
Vehicles	<u>1,006,938</u>	<u>-</u>	<u>-</u>	<u>1,006,938</u>
Total capital assets subject to depreciation	<u>\$ 34,572,997</u>	<u>\$ 58,450</u>	<u>\$ -</u>	<u>\$ 34,631,447</u>
Accumulated depreciation:				
Buildings and improvements	\$ 14,824,909	\$ 832,025	\$ -	\$ 15,656,934
Equipment	577,122	61,621	-	638,743
Vehicles	<u>476,941</u>	<u>91,787</u>	<u>-</u>	<u>568,728</u>
Total accumulated depreciation	<u>\$ 15,878,972</u>	<u>\$ 985,433</u>	<u>\$ -</u>	<u>\$ 16,864,405</u>
Total capital assets subject to depreciation, net	<u>\$ 18,694,025</u>	<u>\$ (926,983)</u>	<u>\$ -</u>	<u>\$ 17,767,042</u>
Business-type activities capital assets, net	<u>\$ 18,752,585</u>	<u>\$ (926,983)</u>	<u>\$ -</u>	<u>\$ 17,825,602</u>

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 5—Capital Assets: (Continued)

Component Unit - School Board:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2023</u>
Capital assets not subject to depreciation:				
Land	\$ 57,210	\$ -	\$ -	\$ 57,210
Construction in progress	<u>-</u>	<u>99,980</u>	<u>-</u>	<u>99,980</u>
Total capital assets not subject to depreciation	\$ <u>57,210</u>	\$ <u>99,980</u>	\$ <u>-</u>	\$ <u>157,190</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 13,626,719	\$ 268,271	\$ -	\$ 13,894,990
Equipment	334,072	61,536	-	395,608
Lease equipment	16,852	-	-	16,852
Vehicles	<u>1,435,936</u>	<u>174,571</u>	<u>315,054</u>	<u>1,295,453</u>
Total capital assets subject to depreciation	\$ <u>15,413,579</u>	\$ <u>504,378</u>	\$ <u>315,054</u>	\$ <u>15,602,903</u>
Accumulated depreciation:				
Buildings and improvements	\$ 3,106,870	\$ 342,022	\$ -	\$ 3,448,892
Equipment	180,791	48,529	-	229,320
Lease equipment	14,445	2,407	-	16,852
Vehicles	<u>973,840</u>	<u>151,103</u>	<u>315,054</u>	<u>809,889</u>
Total accumulated depreciation	\$ <u>4,275,946</u>	\$ <u>544,061</u>	\$ <u>315,054</u>	\$ <u>4,504,953</u>
Total capital assets subject to depreciation, net	\$ <u>11,137,633</u>	\$ <u>(39,683)</u>	\$ <u>-</u>	\$ <u>11,097,950</u>
School Board capital assets, net	\$ <u><u>11,194,843</u></u>	\$ <u><u>60,297</u></u>	\$ <u><u>-</u></u>	\$ <u><u>11,255,140</u></u>

Depreciation expense was charged to functions/programs as follows:

Primray Government:

Governmental activities:

General government administration	\$ 62,701
Public safety	231,261
Public works	743,344
Parks, recreation and cultural	1,145
Community development	<u>81,500</u>

Total Governmental activities \$ 1,119,951

Business-type activities:

Water fund	\$ 352,734
Sewer fund	<u>632,699</u>

Total Business-type activities \$ 985,433

Component Unit School Board \$ 544,061

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 6—Long-Term Obligations:

Primary Government:

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2023:

	<u>Balance at July 1, 2022</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2023</u>	<u>Amounts Due Within One Year</u>
Governmental Activities Obligations:					
General obligation bonds	\$ 9,180,693	\$ -	\$ 273,501	\$ 8,907,192	\$ 312,470
Bond premium	259,016	-	11,101	247,915	11,101
Equipment purchase agreement	83,039	-	31,898	51,141	32,595
Compensated absences	135,110	14,157	13,511	135,756	13,576
Lease liability	50,741	-	40,366	10,375	10,375
Net OPEB liability	<u>89,927</u>	<u>75,430</u>	<u>62,495</u>	<u>102,862</u>	<u>-</u>
Total Governmental Activities Obligations	<u>\$ 9,798,526</u>	<u>\$ 89,587</u>	<u>\$ 432,872</u>	<u>\$ 9,455,241</u>	<u>\$ 380,117</u>
Business-type Activities Obligations:					
General obligation bonds	\$ 9,391,257	\$ -	\$ 500,477	\$ 8,890,780	\$ 616,953
Equipment purchase agreement	114,661	-	45,902	68,759	46,905
Compensated absences	30,882	-	8,251	22,631	2,263
Net OPEB liability	<u>34,184</u>	<u>28,672</u>	<u>23,755</u>	<u>39,101</u>	<u>-</u>
Total Business-type Activities Obligations	<u>\$ 9,570,984</u>	<u>\$ 28,672</u>	<u>\$ 578,385</u>	<u>\$ 9,021,271</u>	<u>\$ 666,121</u>

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	Governmental Activities						Business-type Activities			
	General Obligation		Lease Liability		Equipment		General Obligation		Equipment	
	Bonds				Purchase Agreement		Bonds		Purchase Agreement	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 312,470	\$ 294,294	\$ 10,375	\$ 56	\$ 32,595	\$ 948	\$ 616,953	\$ 152,257	\$ 46,905	\$ 1,365
2025	323,760	281,391	-	-	18,546	192	623,842	142,815	21,854	275
2026	336,018	267,951	-	-	-	-	634,599	133,209	-	-
2027	336,241	256,525	-	-	-	-	597,726	123,840	-	-
2028	346,563	245,955	-	-	-	-	600,891	114,777	-	-
2029-2033	1,912,431	1,050,714	-	-	-	-	2,583,371	434,525	-	-
2034-2038	1,964,709	760,061	-	-	-	-	1,590,632	224,679	-	-
2039-2043	1,990,000	436,254	-	-	-	-	475,661	145,752	-	-
2044-2048	1,385,000	77,635	-	-	-	-	511,222	95,938	-	-
2049-2053	-	-	-	-	-	-	546,536	42,537	-	-
2054-2058	-	-	-	-	-	-	109,347	6,643	-	-
Total	<u>\$ 8,907,192</u>	<u>\$ 3,670,780</u>	<u>\$ 10,375</u>	<u>\$ 56</u>	<u>\$ 51,141</u>	<u>\$ 1,140</u>	<u>\$ 8,890,780</u>	<u>\$ 1,616,972</u>	<u>\$ 68,759</u>	<u>\$ 1,640</u>

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term obligations:

	Interest Rate	Year Issued	Maturity Date	Amount of Original Issue	Governmental Activities	Business-Type Activities
General Obligation Bonds:						
General Obligation Public Improvement Bonds	0.00%	2008	2029	\$ 2,672,000	\$ -	\$ 716,210
General Obligation Public Improvement Bonds	2.50%	2010	2058	1,088,000	-	810,374
USDA Rural Development Note Payable	2.13%	2021	2031	382,200	-	309,060
General Obligation Sewer Bonds	1.88%	2013	2053	2,460,000	-	2,076,027
General Obligation Bond - Key Government	1.83%	2021	2038	1,325,693	1,257,192	4,979,109
Virginia Public School Authority Bonds	3.52%	2015	2046	8,630,000	7,650,000	-
Virginia Public School Authority Bonds - Bond Premium					247,915	-
Total					\$ 9,155,107	\$ 8,890,780
Equipment purchase agreement:						
Master Equipment	2.31%	2015	2024	\$ 718,000	\$ 51,141	\$ 68,759
Total					\$ 51,141	\$ 68,759
Lease liability:						
Police department office space lease	3.25%	2021	2024	\$ 88,731	\$ 10,375	\$ -
Total					\$ 10,375	\$ -
Compensated absences					\$ 135,756	\$ 22,631
Net OPEB liability					\$ 102,862	\$ 39,101
Total long-term obligations					\$ 9,455,241	\$ 9,021,271

VPSA Bond

In September 2015, the Town issued \$8,630,000 in Virginia Public School Authority bonds, Series 2015C, with an interest rate of 3.52%. These bonds were issued to provide financing for School Board capital projects. The Town and School Board agreed for the School Board to report the assets related to the school capital projects. Since the Town is financially liable for the bonds, the Town is reporting the debt.

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 6—Long-Term Obligations: (Continued)

Discretely Presented Component Unit-School Board:

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2023:

	Balance at July 1, 2022	Increases	Decreases	Balance at June 30, 2023	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 139,703	\$ -	\$ 36,423	\$ 103,280	\$ 10,328
Lease liability	2,414	-	2,414	-	-
Net pension liability	3,360,645	3,059,322	2,488,912	3,931,055	-
Net OPEB liabilities	772,259	223,670	267,822	728,107	-
Total Component Unit-School Board	\$ 4,275,021	\$ 3,282,992	\$ 2,795,571	\$ 4,762,442	\$ 10,328

Note 7—Deferred/Unavailable Revenue:

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. Deferred/unavailable revenue is comprised of the following:

Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$376,908 at June 30, 2023.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2023 but paid in advance by the taxpayers totaled \$100,853 at June 30, 2023.

Note 8—Contingent Liabilities:

Federal programs in which the Town and discretely presented component unit participate were audited in accordance with the provisions of the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this Guidance all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

There were no construction contracts outstanding at June 30, 2023.

Note 9—Litigation:

At June 30, 2023, there were no matters of litigation involving the Town or which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 10—Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in a public entity risk pool which provides coverage for all of these risks of loss. Settled claims from these risks have not exceeded coverage in any of the past three fiscal years. The Town is not self-insured.

Note 11—Pension Plans:

Plan Description

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

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 11—Pension Plans: (Continued)

Average Final Compensation and Service Retirement Multiplier

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

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

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

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:

	Primary Government
Inactive members or their beneficiaries currently receiving benefits	50
Inactive members:	
Vested inactive members	13
Non-vested inactive members	46
Inactive members active elsewhere in VRS	42
Total inactive members	101
Active members	57
Total covered employees	208

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 11—Pension Plans: (Continued)

Contributions

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

The Town’s contractually required employer contribution rate for the year ended June 30, 2023 was 0.00% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$0 and \$30,825 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Liability (Asset)

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

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 11—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 11—Pension Plans: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
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% of rates for females set forward 2 years

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 11—Pension Plans: (Continued)

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

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

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

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

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 11—Pension Plans: (Continued)

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2022, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 11—Pension Plans: (Continued)

Discount Rate (Continued)

was 100% of the actuarially determined contribution rate. From July 1, 2022 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 7,032,141	\$ 9,262,946	\$ (2,230,805)
Changes for the year:			
Service cost	\$ 247,566	\$ -	\$ 247,566
Interest	478,968	-	478,968
Differences between expected and actual experience	(176,851)	-	(176,851)
Contributions - employer	-	32,014	(32,014)
Contributions - employee	-	113,470	(113,470)
Net investment income	-	(7,550)	7,550
Benefit payments	(367,782)	(367,782)	-
Administrative expenses	-	(5,794)	5,794
Other changes	-	212	(212)
Net changes	\$ 181,901	\$ (235,430)	\$ 417,331
Balances at June 30, 2022	\$ 7,214,042	\$ 9,027,516	\$ (1,813,474)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town's Net Pension Liability (Asset)	\$ (926,662)	\$ (1,813,474)	\$ (2,539,637)

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 11—Pension Plans: (Continued)

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

For the year ended June 30, 2023, the Town recognized pension expense of (\$209,539). At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 83,772
Net difference between projected and actual earnings on pension plan investments	-	269,185
Proportionate Share	97,512	97,512
Employer contributions subsequent to the measurement date	-	-
Total	\$ 97,512	\$ 450,469

\$0 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, subsequent to the measurement date will be recognized as a reduction of (increase to) the Net Pension Liability (Asset) in the fiscal year ending June 30, 2024. 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	Primary Government
2024	\$ (188,180)
2025	(109,159)
2026	(180,638)
2027	125,020
2028	-
Thereafter	-

Pension Plan Data

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 11—Pension Plans: (Continued)

Component Unit School Board (professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information related to the plan description is included in the first section of this note.

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 provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually required employer contribution rate for the year ended June 30, 2023 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined 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 School Board were \$756,764 and \$613,396 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teacher Retirement Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

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

At June 30, 2023, the school division reported a liability \$3,931,055 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion was 0.04129% as compared to 0.04329% at June 30, 2021.

For the year ended June 30, 2023, the school division recognized pension expense of \$113,758. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 11—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

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

At June 30, 2023, the school division 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	\$ -	\$ 271,062
Change of assumptions	370,619	-
Net difference between projected and actual earnings on pension plan investments	-	512,527
Changes in proportion and differences between employer contributions and proportionate share of contributions	36,849	262,786
Employer contributions subsequent to the measurement date	756,764	-
Total	\$ <u>1,164,232</u>	\$ <u>1,046,375</u>

\$756,764 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2024	\$ (218,745)
2025	(231,017)
2026	(377,295)
2027	188,150
2028	-

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 11—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

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

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 11—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2022, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	54,732,329
Plan Fiduciary Net Position		45,211,731
Employers' Net Pension Liability (Asset)	\$	<u>9,520,598</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		82.61%

The total pension 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 pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

The long-term expected rate of return and discount rate information previously described also apply to this plan.

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)

School division's proportionate
share of the VRS Teacher
Employee Retirement Plan

Net Pension Liability (Asset)	\$	7,021,165	\$	3,931,055	\$	1,415,026
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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 11—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 12—Interfund Transfers:

Interfund transfers for the year ended June 30, 2023 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ 768,313	\$ 71,841
Capital Projects	71,841	682,200
Erosion fund	-	67,000
Water	70,000	-
Sewer	30,000	119,113
Total	<u>\$ 940,154</u>	<u>\$ 940,154</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Note 13—Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 13—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Plan Description (Continued)

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

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

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the Town were \$15,260 and \$13,844 for the years ended June 30, 2023 and June 30, 2022, respectively.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 13—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Contributions (Continued)

Contributions to the GLI Plan from the Component Unit School Board professional group were \$25,966 and \$20,790 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance Plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

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

At June 30, 2023, the Town reported a liability of \$141,963 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional group reported a liability of \$213,125 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 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, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the Town's proportion was 0.01180% as compared to 0.01070% at June 30, 2021. At June 30, 2022, the Component Unit School Board professional group's proportion was 0.01770% as compared to 0.01860% at June 30, 2021.

For the year ended June 30, 2023, the Town recognized GLI OPEB expense of \$8,669. For the year ended June 30, 2022, the Component Unit School Board professional group recognized GLI OPEB expense of \$3,845. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,242	\$ 5,695	\$ 16,877	\$ 8,550
Net difference between projected and actual earnings on GLI OPEB plan investments	-	8,871	-	13,317
Change of assumptions	5,295	13,828	7,949	20,759
Changes in proportionate share	26,270	2,791	3,467	17,330
Employer contributions subsequent to the measurement date	15,260	-	25,966	-
Total	\$ 58,067	\$ 31,185	\$ 54,259	\$ 59,956

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 13—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (Continued)

\$15,260 and \$25,966 respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the Town and Component Unit School Board professional group’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, 2024. 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:

		Primary Government	Component Unit School Board (professional)
Year Ended June 30			
2024	\$	1,892	\$ (7,686)
2025		3,318	(7,471)
2026		(1,037)	(13,021)
2027		5,893	97
2028		1,556	(3,582)
Thereafter		-	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022. The assumptions include several employer groups. Salary and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
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 COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 13—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers 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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 13—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 13—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 13—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,672,085
Plan Fiduciary Net Position		2,467,989
Employers' Net GLI OPEB Liability (Asset)	\$	1,204,096
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.21%

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

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 13—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategy	6.00%	3.73%	0.22%
PIP - Private Investment Partner	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, 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, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 13—Group Life Insurance (GLI) Plan (OPEB Plan): (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:

	Rate		
	1% Decrease	Current	1% Increase
	(5.75%)	Discount	(7.75%)
		(6.75%)	
Town's proportionate share of the GLI Plan Net OPEB Liability	\$ 206,573	\$ 141,963	\$ 89,749
Component School Board (professional)'s proportionate share of the GLI Plan Net OPEB Liability	\$ 310,122	\$ 213,125	\$ 134,738

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 14—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 14—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Plan Description (Continued)

The specific information for the Teacher HIC Plan OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Plan was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2023 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$58,030 and \$46,496 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$12 million to the VRS Teacher HIC Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 14—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB

At June 30, 2023, the school division reported a liability of \$514,982 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2022 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion of the VRS Teacher Employee HIC was 0.04123% as compared to 0.04333% at June 30, 2021.

For the year ended June 30, 2023, the school division recognized VRS Teacher Employee HIC OPEB expense of \$34,729. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

At June 30, 2023, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 20,991
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	517
Change of assumptions	15,045	1,315
Change in proportionate share and differences between actual and expected contributions	7,009	40,185
Employer contributions subsequent to the measurement date	<u>58,030</u>	<u>-</u>
Total	<u>\$ 80,084</u>	<u>\$ 63,008</u>

Note 14—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB (Continued)

\$58,030 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2024	\$ (7,999)
2025	(8,500)
2026	(8,863)
2027	(4,802)
2028	(4,693)
Thereafter	(6,097)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation:	3.50%-5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality Rates - Teachers

- Pre-Retirement:
 - Pub-2010 Amount Weighted Teacher Employee Rates projected generationally; 110% of rates for males
- Post-Retirement:
 - Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females
- Post-Disablement:
 - Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females
- Beneficiaries and Survivors:
 - Pub-2010 Amount Weighted Teachers 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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 14—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

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

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$ 1,470,891
Plan Fiduciary Net Position	221,845
Teacher Employee net HIC OPEB Liability (Asset)	<u>\$ 1,249,046</u>

Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	15.08%
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The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC 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.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 14—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the VRS 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 VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, the rate contributed by each school division for the VRS Teacher Employee HIC Plan 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, 2022 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB 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 Teacher Employee HIC OPEB liability.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 14—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Sensitivity of the School Division’s Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the school division’s proportionate share of the VRS Teacher Employee HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division’s proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan				
Net HIC OPEB Liability	\$	580,390	\$ 514,982	\$ 459,537

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan’s Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 15 - Line of Duty Act (LODA) (OPEB Benefits):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The Town has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Town to VRSA. VRSA assumes all liability for the Town’s LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Town’s LODA coverage is fully covered or “insured” through VRSA. This is built into the LODA coverage cost presented in the annual renewals. The Town’s LODA premium for the year ended June 30, 2023 was \$11,151.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2023

Note 16 - Summary of Other Postemployment Benefit Plans:

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liabilities	OPEB Expense
VRS OPEB Plans:								
Group Life Insurance Plan (Note 13):								
Town	\$ 58,067	\$ 31,185	\$ 141,963	\$ 8,669	\$ -	\$ -	\$ -	\$ -
School Board Professional	-	-	-	-	54,259	59,956	213,125	3,845
Teacher Health Insurance Credit Plan (Note 14)	-	-	-	-	80,084	63,008	514,982	34,729
Totals	<u>\$ 58,067</u>	<u>\$ 31,185</u>	<u>\$ 141,963</u>	<u>\$ 8,669</u>	<u>\$ 134,343</u>	<u>\$ 122,964</u>	<u>\$ 728,107</u>	<u>\$ 38,574</u>

Note 17—Lease Receivable:

The Town leases a tower to tenants under the following lease contract. In fiscal year 2023, the Town recognized lease and interest revenue in the amount of \$6,684 and \$7,252, respectively. A description of leases is as follows:

Lease Description	Start Date	End Date	Payment Frequency	Discount Rate	Receivable Balance
Tower lease	7/1/2021	3/22/2040	Monthly	3.25%	<u>\$ 219,487</u>

Expected future payments at June 30, 2023 are as follows:

Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2024	\$ 6,905	\$ 7,031	\$ 13,936
2025	7,133	6,803	13,936
2026	9,136	6,542	15,678
2027	9,437	6,240	15,677
2028	9,749	5,929	15,678
2029	10,070	5,608	15,678
2030	10,402	5,275	15,677
2031	12,735	4,903	17,638
2032	13,155	4,483	17,638
2033	13,589	4,049	17,638
2034	14,037	3,600	17,637
2035	14,500	3,137	17,637
2036	17,216	2,626	19,842
2037	17,784	2,058	19,842
2038	18,371	1,471	19,842
2039	18,977	865	19,842
2040	16,291	244	16,535
Total	<u>\$ 219,487</u>	<u>\$ 70,864</u>	<u>\$ 290,351</u>

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 18—Upcoming Pronouncements:

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

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

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

Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.

Implementation Guide No. 2023-1, *Implementation Guidance Update—2023*, effective for fiscal years beginning after June 15, 2023.

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

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REQUIRED SUPPLEMENTARY INFORMATION

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Town of Colonial Beach, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes:				
Real property	\$ 5,048,544	\$ 5,048,544	\$ 5,163,198	\$ 114,654
Personal property	611,082	611,081	706,862	95,781
Penalties and interest	64,341	64,341	75,561	11,220
Other local taxes:				
Food and lodging	648,220	648,223	981,947	333,724
Bank stock	74,067	74,067	79,999	5,932
Business license taxes	156,679	156,679	147,340	(9,339)
Local sales and use taxes	395,940	395,940	436,018	40,078
Consumer utility taxes	109,301	109,301	112,527	3,226
Motor vehicle license	74,493	74,493	40,549	(33,944)
Cigarette tax	79,379	79,379	86,840	7,461
Permits, privilege fees, and regulatory licenses	58,744	58,743	77,997	19,254
Fines and forfeitures	15,741	15,741	26,032	10,291
Revenue from the use of money and property:				
Interest	18,063	18,063	165,292	147,229
Rental of property	22,686	22,686	20,182	(2,504)
Charges for services	214,734	214,736	319,614	104,878
Miscellaneous	149,512	149,510	151,335	1,825
Recovered costs	15,854	15,854	358,297	342,443
Intergovernmental:				
Commonwealth	1,367,683	1,367,683	1,537,679	169,996
Federal	428,987	428,987	936,550	507,563
Total revenues	\$ 9,554,050	\$ 9,554,051	\$ 11,423,819	\$ 1,869,768
EXPENDITURES				
Current:				
General government administration	\$ 1,478,283	\$ 1,478,283	\$ 1,292,415	\$ 185,868
Public safety	2,433,382	2,433,382	2,190,579	242,803
Public works	2,564,216	2,564,217	2,988,071	(423,854)
Health and welfare	4,800	4,800	4,800	-
Education	2,623,414	2,623,414	2,551,573	71,841
Parks, recreation, and cultural	81,357	81,357	69,206	12,151
Community development	559,879	559,879	549,585	10,294
Nondepartmental	120,442	120,442	120,442	-
Debt service:				
Principal retirement	305,794	305,794	345,765	(39,971)
Interest and other fiscal charges	311,298	311,298	312,747	(1,449)
Total expenditures	\$ 10,482,865	\$ 10,482,866	\$ 10,425,183	\$ 57,683
Excess (deficiency) of revenues over (under) expenditures				
	\$ (928,815)	\$ (928,815)	\$ 998,636	\$ 1,927,451
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 768,313	\$ 768,313	\$ 768,313	\$ -
Transfers out	-	-	(71,841)	(71,841)
Total other financing sources (uses)	\$ 768,313	\$ 768,313	\$ 696,472	\$ (71,841)
Net change in fund balances				
Fund balances - beginning	160,502	160,502	3,110,398	2,949,896
Fund balances - ending	\$ -	\$ -	\$ 4,805,506	\$ 4,805,506

Town of Colonial Beach, Virginia

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

Primary Government

For the Measurement Dates of June 30, 2014 through June 30, 2022

	2022	2021	2020
Total pension liability			
Service cost	\$ 247,566	\$ 213,560	\$ 218,103
Interest	478,968	442,805	414,318
Changes of assumptions	-	268,655	-
Differences between expected and actual experience	(176,851)	(283,566)	114,695
Benefit payments	(367,782)	(338,784)	(311,391)
Net change in total pension liability	\$ 181,901	\$ 302,670	\$ 435,725
Total pension liability - beginning	7,032,141	6,729,471	6,293,746
Total pension liability - ending (a)	\$ 7,214,042	\$ 7,032,141	\$ 6,729,471
Plan fiduciary net position			
Contributions - employer	\$ 32,014	\$ 27,888	\$ 31,914
Contributions - employee	113,470	99,260	93,125
Net investment income	(7,550)	2,024,215	142,684
Benefit payments	(367,782)	(338,784)	(311,391)
Administrator charges	(5,794)	(5,108)	(4,910)
Other	212	190	(168)
Net change in plan fiduciary net position	\$ (235,430)	\$ 1,807,661	\$ (48,746)
Plan fiduciary net position - beginning	9,262,946	7,455,285	7,504,031
Plan fiduciary net position - ending (b)	\$ 9,027,516	\$ 9,262,946	\$ 7,455,285
Town's net pension liability (asset) - ending (a) - (b)	\$ (1,813,474)	\$ (2,230,805)	\$ (725,814)
Plan fiduciary net position as a percentage of the total pension liability	125.14%	131.72%	110.79%
Covered payroll	\$ 2,527,432	\$ 2,185,859	\$ 2,024,411
Town's net pension liability (asset) as a percentage of covered payroll	-71.75%	-102.06%	-35.85%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Exhibit 13

	2019	2018	2017	2016	2015	2014
\$	208,619	\$ 233,416	\$ 245,807	\$ 241,205	\$ 257,385	\$ 256,695
	399,424	405,164	389,948	374,034	457,665	426,010
	171,767	-	(19,387)	-	-	-
	(26,576)	(421,722)	(126,491)	(110,313)	(1,641,581)	-
	(331,085)	(266,649)	(278,337)	(276,847)	(259,529)	(201,467)
\$	422,149	\$ (49,791)	\$ 211,540	\$ 228,079	\$ (1,186,060)	\$ 481,238
	5,871,597	5,921,388	5,709,848	5,481,769	6,667,829	6,186,591
\$	<u>6,293,746</u>	<u>\$ 5,871,597</u>	<u>\$ 5,921,388</u>	<u>\$ 5,709,848</u>	<u>\$ 5,481,769</u>	<u>\$ 6,667,829</u>
\$	33,873	\$ 80,360	\$ 85,964	\$ 215,408	\$ 231,278	\$ 177,284
	85,960	82,859	87,594	90,963	110,540	92,907
	475,781	505,312	751,554	108,507	265,605	779,244
	(331,085)	(266,649)	(278,337)	(276,847)	(259,529)	(201,467)
	(4,813)	(4,359)	(4,353)	(3,728)	(3,505)	(4,098)
	(300)	(450)	(669)	(45)	(57)	41
\$	259,416	\$ 397,073	\$ 641,753	\$ 134,258	\$ 344,332	\$ 843,911
	7,244,615	6,847,542	6,205,789	6,071,531	5,727,199	4,883,288
\$	<u>7,504,031</u>	<u>\$ 7,244,615</u>	<u>\$ 6,847,542</u>	<u>\$ 6,205,789</u>	<u>\$ 6,071,531</u>	<u>\$ 5,727,199</u>
\$	(1,210,285)	\$ (1,373,018)	\$ (926,154)	\$ (495,941)	\$ (589,762)	\$ 940,630
	119.23%	123.38%	115.64%	108.69%	110.76%	85.89%
\$	1,820,161	\$ 1,739,681	\$ 1,819,836	\$ 1,775,664	\$ 1,763,631	\$ 1,832,052
	-66.49%	-78.92%	-50.89%	-27.93%	-33.44%	51.34%

Town of Colonial Beach, Virginia

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan

For the Measurement Dates of June 30, 2014 through June 30, 2022

Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (6)
(1)	(2)	(3)	(4)	(5)	(6)
2022	0.04129%	\$ 3,931,055	\$ 3,842,644	102.30%	82.61%
2021	0.04329%	3,360,645	3,831,743	87.71%	85.46%
2020	0.04290%	6,245,987	3,763,080	165.98%	71.47%
2019	0.04279%	5,631,408	3,669,722	153.46%	73.51%
2018	0.04463%	5,248,000	3,491,446	150.31%	74.81%
2017	0.04537%	5,580,000	3,544,861	157.41%	72.92%
2016	0.04481%	6,280,000	3,267,444	192.20%	68.28%
2015	0.04374%	5,506,000	3,138,519	175.43%	70.68%
2014	0.04438%	5,363,000	3,121,667	171.80%	70.88%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Town of Colonial Beach, Virginia
Schedule of Employer Contributions - Pension Plans
For the Years Ended June 30, 2015 through June 30, 2023

Date	Contractually Required Contribution*	Contributions in Relation to Contractually Required Contribution*	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
(1)	(2)	(3)	(4)	(5)	
Primary Government					
2023	\$ -	\$ -	\$ -	2,825,857	0.00%
2022	30,825	30,825	-	2,527,432	1.22%
2021	26,426	26,426	-	2,185,859	1.21%
2020	32,550	32,550	-	2,024,411	1.61%
2019	32,458	32,458	-	1,820,161	1.78%
2018	80,360	80,360	-	1,739,681	4.62%
2017	87,830	87,830	-	1,819,836	4.83%
2016	220,109	220,109	-	1,775,664	12.40%
2015	215,339	215,339	-	1,763,631	12.21%
Component Unit School Board (professional)					
2023	\$ 756,764	\$ 756,764	\$ -	4,795,875	15.78%
2022	613,396	613,396	-	3,842,644	15.96%
2021	612,385	612,385	-	3,831,743	15.98%
2020	570,347	570,347	-	3,763,080	15.16%
2019	572,871	572,871	-	3,669,722	15.61%
2018	569,804	569,804	-	3,491,446	16.32%
2017	559,615	559,615	-	3,544,861	15.79%
2016	501,479	501,479	-	3,267,444	15.35%
2015	509,131	509,131	-	3,138,519	16.22%

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

Schedule is intended to show information for 10 years. Information prior to 2015 is not available. However, additional years will be included as they become available.

Town of Colonial Beach, Virginia
Notes to Required Supplementary Information - Pension Plans
For the Year Ended June 30, 2023

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

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

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

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

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

Component Unit School Board - Professional Employees:

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

Town of Colonial Beach, Virginia
Schedule of Town's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2022

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government:					
2022	0.01180% \$	141,963 \$	2,563,618	5.54%	67.21%
2021	0.01070%	124,111	2,201,839	5.64%	67.45%
2020	0.00990%	165,215	2,037,363	8.11%	52.64%
2019	0.00930%	151,336	1,824,321	8.30%	52.00%
2018	0.00917%	140,000	1,739,681	8.05%	51.22%
2017	0.00988%	149,000	1,819,836	8.19%	48.86%
Component Unit School Board (professional):					
2022	0.01770% \$	213,125 \$	3,850,064	5.54%	67.21%
2021	0.01860%	216,088	3,831,743	5.64%	67.45%
2020	0.01830%	305,230	3,763,080	8.11%	52.64%
2019	0.01843%	299,905	3,614,112	8.30%	52.00%
2018	0.01912%	290,000	3,491,446	8.31%	51.22%
2017	0.01968%	296,000	3,544,861	8.35%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Town of Colonial Beach, Virginia
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2017 through June 30, 2023

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government:					
2023	\$ 15,260	\$ 15,260	-	\$ 2,825,857	0.54%
2022	13,844	13,844	-	2,563,618	0.54%
2021	11,890	11,890	-	2,201,839	0.54%
2020	10,594	10,594	-	2,037,363	0.52%
2019	9,486	9,486	-	1,824,321	0.52%
2018	9,067	9,067	-	1,739,681	0.52%
2017	9,482	9,482	-	1,819,836	0.52%
Component Unit School Board (professional):					
2023	\$ 25,966	\$ 25,966	-	\$ 4,808,530	0.54%
2022	20,790	20,790	-	3,850,064	0.54%
2021	20,691	20,691	-	3,831,743	0.54%
2020	19,568	19,568	-	3,763,080	0.52%
2019	18,793	18,793	-	3,614,112	0.52%
2018	18,797	18,797	-	3,491,446	0.54%
2017	18,877	18,877	-	3,544,861	0.53%

Schedule is intended to show information for 10 years. Information prior to 2017 is not available. However, additional years will be included as they become available.

Town of Colonial Beach, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2023

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

Teachers

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

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Town of Colonial Beach, Virginia
Schedule of School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2022

Date	Employer's Proportion of the Net HIC OPEB Liability (Asset)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability
(1)	(2)	(3)	(4)	(5)	(6)
2022	0.04123% \$	514,982 \$	3,842,644	13.40%	15.08%
2021	0.04333%	556,171	3,831,743	14.51%	13.15%
2020	0.04290%	559,898	3,763,080	14.88%	9.95%
2019	0.04309%	564,090	3,614,112	15.61%	8.97%
2018	0.04495%	571,000	3,491,446	16.35%	8.08%
2017	0.04600%	584,000	3,544,861	16.47%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Town of Colonial Beach, Virginia
Schedule of Employer Contributions
Teacher Employee Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2017 through June 30, 2023

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)		
	(1)	(2)	(3)	(4)	(5)
2023	\$ 58,030	\$ 58,030	\$ -	\$ 4,795,875	1.21%
2022	46,496	46,496	-	3,842,644	1.21%
2021	46,364	46,364	-	3,831,743	1.21%
2020	45,157	45,157	-	3,763,080	1.20%
2019	43,369	43,369	-	3,614,112	1.20%
2018	44,160	44,160	-	3,491,446	1.26%
2017	40,295	40,295	-	3,544,861	1.14%

Schedule is intended to show information for 10 years. Information prior to 2017 is not available. However, additional years will be included as they become available.

Town of Colonial Beach, Virginia
Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2023

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

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

OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES*

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*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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Town of Colonial Beach, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2023

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	School Activity <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 540,336	\$ 475,321	\$ 115,080	\$ 1,130,737
Receivables (net of allowance for uncollectibles):				
Accounts receivable	4,317	-	-	4,317
Due from other funds	280,034	-	-	280,034
Due from other governmental units	221,309	9,442	-	230,751
Prepaid items	39,453	-	-	39,453
Total assets	<u>\$ 1,085,449</u>	<u>\$ 484,763</u>	<u>\$ 115,080</u>	<u>\$ 1,685,292</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 325,608	\$ 8,802	\$ -	\$ 334,410
Due to other funds	-	280,034	-	280,034
Total liabilities	<u>\$ 325,608</u>	<u>\$ 288,836</u>	<u>\$ -</u>	<u>\$ 614,444</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	\$ 39,453	\$ -	\$ -	\$ 39,453
Restricted:				
School construction funds	759,841	-	-	759,841
Assigned:				
Education	-	195,927	115,080	311,007
Unassigned	(39,453)	-	-	(39,453)
Total fund balances	<u>\$ 759,841</u>	<u>\$ 195,927</u>	<u>\$ 115,080</u>	<u>\$ 1,070,848</u>

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balances per above	\$ 1,070,848
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets, cost	\$ 15,760,093	
Accumulated depreciation	<u>(4,504,953)</u>	11,255,140

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 1,164,232	
OPEB related items	<u>134,343</u>	1,298,575

Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Compensated absences	\$ (103,280)	
Net pension liability	(3,931,055)	
Net OPEB liabilities	<u>(728,107)</u>	(4,762,442)

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

Pension related items	\$ (1,046,375)	
OPEB related items	<u>(122,964)</u>	(1,169,339)

Net position of governmental activities		<u>\$ 7,692,782</u>
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Town of Colonial Beach, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2023

	School Operating Fund	School Cafeteria Fund	School Activity Funds	Total Governmental Funds
REVENUES				
Charges for services	\$ -	\$ 24,470	\$ -	\$ 24,470
Miscellaneous	46,818	428	115,522	162,768
Intergovernmental:				
Local government	2,551,573	-	-	2,551,573
Commonwealth	6,936,227	11,096	-	6,947,323
Federal	1,725,157	443,025	-	2,168,182
Total revenues	<u>\$ 11,259,775</u>	<u>\$ 479,019</u>	<u>\$ 115,522</u>	<u>\$ 11,854,316</u>
EXPENDITURES				
Current:				
Education	\$ 10,497,518	\$ 608,970	\$ 83,416	\$ 11,189,904
Debt service:				
Principal retirement	2,414	-	-	2,414
Interest and other fiscal charges	2	-	-	2
Total expenditures	<u>\$ 10,499,934</u>	<u>\$ 608,970</u>	<u>\$ 83,416</u>	<u>\$ 11,192,320</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 759,841</u>	<u>\$ (129,951)</u>	<u>\$ 32,106</u>	<u>\$ 661,996</u>
Net change in fund balances	\$ 759,841	\$ (129,951)	\$ 32,106	\$ 661,996
Fund balances - beginning	-	325,878	82,974	408,852
Fund balances - ending	<u>\$ 759,841</u>	<u>\$ 195,927</u>	<u>\$ 115,080</u>	<u>\$ 1,070,848</u>
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:				
Net change in fund balances - total governmental funds - per above				\$ 661,996
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 the depreciation exceeded capital outlays in the current period.				
Capital outlays			\$ 604,358	
Depreciation expense			<u>(544,061)</u>	60,297
The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.				
Principal retirement on lease liability				2,414
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.				
Change in compensated absences			\$ 36,423	
Change in pension related items			825,661	
Change in OPEB related items			<u>55,762</u>	917,846
Change in net position of governmental activities				<u>\$ 1,642,553</u>

Town of Colonial Beach, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2023

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)
Miscellaneous	25,001	138,846	46,818	(92,028)
Intergovernmental:				
Local government	2,623,414	2,566,040	2,551,573	(14,467)
Commonwealth	6,036,533	7,191,956	6,936,227	(255,729)
Federal	626,486	1,347,787	1,725,157	377,370
Total revenues	\$ 9,336,434	\$ 11,269,629	\$ 11,259,775	\$ (9,854)
EXPENDITURES				
Education	\$ 8,203,239	\$ 10,967,106	\$ 10,497,518	\$ 469,588
Debt service:				
Principal retirement	-	-	2,414	(2,414)
Interest and other fiscal charges	-	-	2	(2)
Total expenditures	\$ 8,203,239	\$ 10,967,106	\$ 10,499,934	\$ 467,172
Excess (deficiency) of revenues over (under) expenditures	\$ 1,133,195	\$ 302,523	\$ 759,841	\$ 457,318
Net change in fund balances	\$ 1,133,195	\$ 302,523	\$ 759,841	\$ 457,318
Fund balances - beginning	(1,133,195)	(302,523)	-	302,523
Fund balances - ending	\$ -	\$ -	\$ 759,841	\$ 759,841

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COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

**To the Honorable Members of the Town Council
Town of Colonial Beach
Colonial Beach, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of Town of Colonial Beach Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Colonial Beach, Virginia's basic financial statements and have issued our report thereon dated December 6, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Colonial Beach 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 Town of Colonial Beach, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Colonial Beach, 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Colonial Beach, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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.

Robinson, Farmer, Cox Associates

Richmond, Virginia
December 6, 2023

**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

To the Honorable Members of the Town Council
Town of Colonial Beach
Colonial Beach, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Town of Colonial Beach, Virginia's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Town of Colonial Beach, Virginia's major federal programs for the year ended June 30, 2023. Town of Colonial Beach, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of Colonial Beach, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Colonial Beach, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is

Auditors' Responsibilities for the Audit of Compliance (Continued)

higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Colonial Beach, Virginia's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

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

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

Report on Internal Control over Compliance (Continued)

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

Robinson, Farnum, Cox Associates

Richmond, Virginia
December 6, 2023

Town of Colonial Beach, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Agriculture:			
Pass-Through Payments:			
Child Nutrition Cluster:			
Virginia Department of Agriculture and Consumer Services:			
Food Distribution	10.555	45707	\$ 30,302
Virginia Department of Education:			
National School Lunch Program	10.555	40623	249,514
			<u>\$ 279,816</u>
Summer Food Service Program for Children	10.559	17901-45707	<u>\$ 9,442</u>
School Breakfast Program	10.553	40591	<u>117,400</u> \$ 406,658
Virginia Department of Agriculture and Consumer Services:			
Child and Adult Care Food Program	10.558	70027/70028	\$ 35,740
Child Nutrition Discretionary Grants Limited Availability	10.579	60302/60303	27,832
Rural Community Development Initiative	10.446	Not Available	2,500
State Pandemic EBT Administrative Costs Grant	10.649	86556	<u>628</u>
Total Department of Agriculture			<u>\$ 473,358</u>
Department of the Treasury:			
Pass-Through Payments:			
Virginia Department of Accounts:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	114826	<u>\$ 991,596</u>
Department of Justice:			
Pass Through Payments:			
Virginia Department of Criminal Justice Services:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	39001-61011	<u>\$ 18,152</u>
Department of Education:			
Pass-Through Payments:			
Virginia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	42901	\$ 196,318
Special Education Cluster:			
Special Education - Grants to States	84.027	70110	\$ 78,543
Special Education - Preschool Grants	84.173	62521	<u>10,364</u>
Career and Technical Education - Basic Grants to States	84.048	60531	18,223
Twenty-First Century Community Learning Centers	84.287	60565	118,261
Rural Education	84.358	43481	13,432
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	61480	36,417
COVID-19 - Governor's Emergency Education Relief (GEER) Fund	84.425C	60177	\$ 17,857
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	60177	525,401
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	60177	<u>560,352</u>
Student Support and Academic Enrichment Program	84.424	60281	1,103,610
English Language Acquisition State Grants	84.365	17901-60512	<u>42,138</u>
			<u>4,320</u>
Total Department of Education			<u>\$ 1,621,626</u>
Total Expenditures of Federal Awards			<u>\$ 3,104,732</u>

See accompanying notes to schedule of expenditures of federal awards.

Town of Colonial Beach, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Colonial Beach, Virginia under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Town of Colonial Beach, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the Town of Colonial Beach, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of commodities received or disbursed.

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 936,550
Total primary government	\$ <u>936,550</u>

Component Unit School Board:

School Operating Fund	\$ 1,725,157
School Cafeteria Fund	443,025
Total Component Unit School Board	\$ <u>2,168,182</u>
Total federal expenditures per basic financial statements	\$ <u><u>3,104,732</u></u>

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 3,104,732

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

The Town did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 7 - Loan Balances

The Town has no loans or loan guarantees which are subject to reporting requirements for the current year.

Town of Colonial Beach, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiency(ies) identified? _____ yes ✓ none reported

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiency(ies) identified? _____ yes ✓ none reported

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

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

Identification of major programs:

Assistance Listing Numbers

84.425

21.027

Name of Federal Program or Cluster

Education Stabilization Fund

COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A
and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ yes ✓ no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

Town of Colonial Beach, Virginia

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2023

Findings - Financial Statement Audit:

Finding 2022-001: Segregation of Duties (Material Weakness)

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A proper segregation of duties has not been established in functions related to payroll, accounts payable, accounts receivable, and cash disbursements.

Recommendation:

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

Current Status:

Finding was corrected for FY 2023.

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