



TOWN OF BOWLING GREEN, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2022

TOWN OF BOWLING GREEN, VIRGINIA
Financial Report
For the Year Ended June 30, 2022

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Independent Auditors' Report

**To the Honorable Members of the Town Council
Town of Bowling Green
Bowling Green, Virginia**

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Bowling Green, 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 Bowling Green, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Town of Bowling Green, 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 Bowling Green, Virginia's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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.

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 Bowling Green, Virginia’s basic financial statements. The accompanying other supplementary information is 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2025, on our consideration of Town of Bowling Green, 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 Bowling Green, 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 Bowling Green, Virginia’s internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
February 18, 2025

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
June 30, 2022

| | Primary Government | | | Component Unit |
|--|-------------------------|--------------------------|---------------|--------------------------------------|
| | Governmental Activities | Business-type Activities | Total | Economic Development Authority Total |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,002,973 | \$ 1,285,550 | \$ 2,288,523 | \$ 12,637 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes receivable | 283,077 | - | 283,077 | - |
| Accounts receivable | 92,139 | 175,390 | 267,529 | - |
| Due from other governmental units | 10,775 | - | 10,775 | - |
| Capital assets (net of accumulated depreciation): | | | | |
| Land and land improvements | 39,197 | 76,530 | 115,727 | - |
| Buildings and improvements | 243,526 | 44,578 | 288,104 | - |
| Equipment | 29,970 | 121,290 | 151,260 | - |
| Infrastructure | 11,222 | - | 11,222 | - |
| Vehicles | 64,352 | 12,240 | 76,592 | - |
| Utility plant in service | - | 9,096,262 | 9,096,262 | - |
| Construction in progress | - | 841,862 | 841,862 | - |
| Total assets | \$ 1,777,231 | \$ 11,653,702 | \$ 13,430,933 | \$ 12,637 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension related items | \$ 59,305 | \$ 61,524 | \$ 120,829 | \$ - |
| OPEB related items | 12,561 | 8,130 | 20,691 | - |
| Total deferred outflows of resources | \$ 71,866 | \$ 69,654 | \$ 141,520 | \$ - |
| LIABILITIES | | | | |
| Accounts payable | \$ 38,977 | \$ 11,726 | \$ 50,703 | \$ - |
| Accrued liabilities | - | 59,252 | 59,252 | - |
| Customers' deposits | - | 74,209 | 74,209 | - |
| Accrued interest payable | - | 1,584 | 1,584 | - |
| Unearned revenue | 490,117 | - | 490,117 | - |
| Long-term liabilities: | | | | |
| Due within one year | 20,058 | 138,139 | 158,197 | - |
| Due in more than one year | 246,530 | 6,705,724 | 6,952,254 | - |
| Total liabilities | \$ 795,682 | \$ 6,990,634 | \$ 7,786,316 | \$ - |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred revenue - property taxes | \$ 228,955 | \$ - | \$ 228,955 | \$ - |
| Deferred revenue - sanitation and waste removal | 6,813 | - | 6,813 | - |
| Pension related items | 84,210 | 65,949 | 150,159 | - |
| OPEB related items | 8,228 | 5,260 | 13,488 | - |
| Total deferred inflows of resources | \$ 328,206 | \$ 71,209 | \$ 399,415 | \$ - |
| NET POSITION | | | | |
| Net investment in capital assets | \$ 388,267 | \$ 3,511,515 | \$ 3,899,782 | \$ - |
| Restricted: | | | | |
| Donations | 10,940 | - | 10,940 | - |
| Unrestricted | 326,002 | 1,149,998 | 1,476,000 | 12,637 |
| Total net position | \$ 725,209 | \$ 4,661,513 | \$ 5,386,722 | \$ 12,637 |

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

TOWN OF BOWLING GREEN, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2022

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|-----------------------------------|---------------------|-----------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| PRIMARY GOVERNMENT: | | | | |
| Governmental activities: | | | | |
| General government administration | \$ 582,850 | \$ - | \$ 119,424 | \$ - |
| Public safety | 203,910 | 35,570 | 40,477 | - |
| Public works | 351,454 | 79,574 | 1,329 | - |
| Community development | 37,092 | 7,293 | - | - |
| Total governmental activities | <u>\$ 1,175,306</u> | <u>\$ 122,437</u> | <u>\$ 161,230</u> | <u>\$ -</u> |
| Business-type activities: | | | | |
| Water | \$ 435,802 | \$ 460,198 | \$ - | \$ - |
| Sewer | 721,544 | 570,856 | - | - |
| Total business-type activities | <u>\$ 1,157,346</u> | <u>\$ 1,031,054</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total primary government | <u>\$ 2,332,652</u> | <u>\$ 1,153,491</u> | <u>\$ 161,230</u> | <u>\$ -</u> |
| COMPONENT UNIT: | | | | |
| Economic Development Authority | \$ 2,000 | \$ - | \$ - | \$ - |
| Total component unit | <u>\$ 2,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

General revenues:
 General property taxes
 Local sales and use taxes
 Lodging tax
 Business licenses
 Restaurant food taxes
 Bank stock tax
 Consumer utility tax
 Motor vehicle license taxes
 Unrestricted revenues from use of money and property
 Miscellaneous
 Commonwealth of Virginia noncategorical aid
 Total general revenues and transfers
 Change in net position
 Net position - beginning
 Net position - ending

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

| Net (Expense) Revenue and Changes in Net Position | | | |
|--|-----------------------------|-----------------------|--------------------------------------|
| Primary Government | | Component Units | |
| Governmental Activities | Business-type Activities | Total | Economic Development Authority |
| \$ (463,426) | \$ - | \$ (463,426) | \$ - |
| (127,863) | - | (127,863) | - |
| (270,551) | - | (270,551) | - |
| (29,799) | - | (29,799) | - |
| <u>\$ (891,639)</u> | <u>\$ -</u> | <u>\$ (891,639)</u> | <u>\$ -</u> |
| | | | |
| \$ - | \$ 24,396 | \$ 24,396 | \$ - |
| - | (150,688) | (150,688) | - |
| <u>\$ -</u> | <u>\$ (126,292)</u> | <u>\$ (126,292)</u> | <u>\$ -</u> |
| <u>\$ (891,639)</u> | <u>\$ (126,292)</u> | <u>\$ (1,017,931)</u> | <u>\$ -</u> |
| | | | |
| \$ - | \$ - | \$ - | \$ (2,000) |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (2,000)</u> |
| | | | |
| \$ 209,182 | \$ - | \$ 209,182 | \$ - |
| 49,932 | - | 49,932 | - |
| 4,053 | - | 4,053 | - |
| 114,203 | - | 114,203 | - |
| 311,725 | - | 311,725 | - |
| 339,840 | - | 339,840 | - |
| 34,005 | - | 34,005 | - |
| 12,524 | - | 12,524 | - |
| 21,447 | - | 21,447 | - |
| 27,389 | - | 27,389 | - |
| 59,216 | - | 59,216 | - |
| <u>\$ 1,183,516</u> | <u>\$ -</u> | <u>\$ 1,183,516</u> | <u>\$ -</u> |
| 291,877 | (126,292) | 165,585 | (2,000) |
| 433,332 | 4,787,805 | 5,221,137 | 14,637 |
| <u>\$ 725,209</u> | <u>\$ 4,661,513</u> | <u>\$ 5,386,722</u> | <u>\$ 12,637</u> |

Fund Financial Statements

Balance Sheet
 Governmental Funds
 June 30, 2022

| | <u>General</u> | <u>Capital Projects</u> | <u>Total</u> |
|---|---------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,050,356 | \$ - | \$ 1,050,356 |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes receivable | 283,077 | - | 283,077 |
| Accounts receivable | 92,139 | - | 92,139 |
| Due from other governmental units | 10,775 | - | 10,775 |
| Total assets | <u>\$ 1,436,347</u> | <u>\$ -</u> | <u>\$ 1,436,347</u> |
| LIABILITIES | | | |
| Reconciled overdraft | \$ - | \$ 47,383 | \$ 47,383 |
| Accounts payable and accrued liabilities | 38,977 | - | 38,977 |
| Unearned revenue | 490,117 | - | 490,117 |
| Total liabilities | <u>\$ 529,094</u> | <u>\$ 47,383</u> | <u>\$ 576,477</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - property taxes | \$ 282,173 | \$ - | \$ 282,173 |
| Unavailable revenue - sanitation and waste removal | 6,813 | - | 6,813 |
| Total deferred inflows of resources | <u>\$ 288,986</u> | <u>\$ -</u> | <u>\$ 288,986</u> |
| FUND BALANCES | | | |
| Restricted: | | | |
| Donations | \$ 10,940 | \$ - | \$ 10,940 |
| Unassigned | 607,327 | (47,383) | 559,944 |
| Total fund balances | <u>\$ 618,267</u> | <u>\$ (47,383)</u> | <u>\$ 570,884</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,436,347</u> | <u>\$ -</u> | <u>\$ 1,436,347</u> |

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

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

| | | | |
|--|----|-----------------|-------------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | \$ | 570,884 | |
| Amounts reported for governmental activities in the statement of net position are different because: | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | | 388,267 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds. This item is comprised of: | | | |
| Unavailable revenue - property taxes | | | 53,218 |
| Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds. | | | |
| Pension related items | \$ | 59,305 | |
| OPEB related items | | <u>12,561</u> | 71,866 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This item is comprised of: | | | |
| Compensated absences | \$ | (22,287) | |
| Net Pension liability | | (224,984) | |
| Net OPEB liability | | <u>(19,317)</u> | (266,588) |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. | | | |
| Pension related items | \$ | (84,210) | |
| OPEB related items | | <u>(8,228)</u> | (92,438) |
| Net position of governmental activities | | | <u>\$ 725,209</u> |

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

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

| | <u>General</u> | <u>Capital Projects</u> | <u>Total</u> |
|--|---------------------|-----------------------------|---------------------|
| REVENUES | | | |
| General property taxes | \$ 201,170 | \$ - | \$ 201,170 |
| Other local taxes | 866,282 | - | 866,282 |
| Permits, privilege fees, and regulatory licenses | 7,293 | - | 7,293 |
| Fines and forfeitures | 35,570 | - | 35,570 |
| Revenue from the use of money and property | 21,447 | - | 21,447 |
| Charges for services | 79,574 | - | 79,574 |
| Miscellaneous | 27,389 | - | 27,389 |
| Intergovernmental: | | | |
| Commonwealth | 101,022 | - | 101,022 |
| Federal | 119,424 | - | 119,424 |
| Total revenues | <u>\$ 1,459,171</u> | <u>\$ -</u> | <u>\$ 1,459,171</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government administration | \$ 581,615 | \$ - | \$ 581,615 |
| Public safety | 182,929 | - | 182,929 |
| Public works | 319,870 | - | 319,870 |
| Community development | 37,092 | - | 37,092 |
| Capital projects | - | 69,126 | 69,126 |
| Total expenditures | <u>\$ 1,121,506</u> | <u>\$ 69,126</u> | <u>\$ 1,190,632</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 337,665</u> | <u>\$ (69,126)</u> | <u>\$ 268,539</u> |
| Net change in fund balances | \$ 337,665 | \$ (69,126) | \$ 268,539 |
| Fund balances - beginning | <u>280,602</u> | <u>21,743</u> | <u>302,345</u> |
| Fund balances - ending | <u>\$ 618,267</u> | <u>\$ (47,383)</u> | <u>\$ 570,884</u> |

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
For the Year Ended June 30, 2022

| | | <u>Governmental Funds</u> |
|---|----|-------------------------------|
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net change in fund balances - total governmental funds | \$ | 268,539 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation or vice versa in the current period. | | |
| Capital outlay | \$ | 69,126 |
| Depreciation expense | | <u>(63,291)</u> |
| | | 5,835 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of: | | |
| Property taxes | | 8,012 |
| 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. The following is a summary of items supporting this adjustment, changes in: | | |
| Compensated absences | \$ | 714 |
| Pension expense | | 9,757 |
| OPEB expense | | <u>(980)</u> |
| | | 9,491 |
| Change in net position of governmental activities | \$ | <u><u>291,877</u></u> |

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

| | Enterprise Funds | | |
|--|---------------------|---------------------|----------------------|
| | Water Fund | Sewer Fund | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 856,057 | \$ 429,493 | \$ 1,285,550 |
| Accounts receivable, net of allowance for uncollectibles | 79,114 | 96,276 | 175,390 |
| Total current assets | <u>\$ 935,171</u> | <u>\$ 525,769</u> | <u>\$ 1,460,940</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Land and land improvements | \$ 18,000 | \$ 58,530 | \$ 76,530 |
| Building and improvements | 2,223 | 100,833 | 103,056 |
| Equipment | 133,815 | 95,243 | 229,058 |
| Vehicles | 78,536 | 66,835 | 145,371 |
| Utility plant in service | 3,086,959 | 9,638,087 | 12,725,046 |
| Construction in progress | 841,862 | - | 841,862 |
| Accumulated depreciation | (1,132,833) | (2,795,328) | (3,928,161) |
| Total capital assets | <u>\$ 3,028,562</u> | <u>\$ 7,164,200</u> | <u>\$ 10,192,762</u> |
| Total noncurrent assets | <u>\$ 3,028,562</u> | <u>\$ 7,164,200</u> | <u>\$ 10,192,762</u> |
| Total assets | <u>\$ 3,963,733</u> | <u>\$ 7,689,969</u> | <u>\$ 11,653,702</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related items | \$ 38,405 | \$ 23,119 | \$ 61,524 |
| OPEB related items | 2,840 | 5,290 | 8,130 |
| Total deferred outflows of resources | <u>\$ 41,245</u> | <u>\$ 28,409</u> | <u>\$ 69,654</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 4,184 | \$ 7,542 | \$ 11,726 |
| Accrued liabilities | 48,059 | 11,193 | 59,252 |
| Customers' deposits | 74,209 | - | 74,209 |
| Compensated absences | 9,017 | 7,986 | 17,003 |
| Accrued interest payable | 396 | 1,188 | 1,584 |
| Bonds payable - current portion | 30,377 | 90,759 | 121,136 |
| Total current liabilities | <u>\$ 166,242</u> | <u>\$ 118,668</u> | <u>\$ 284,910</u> |
| Noncurrent liabilities: | | | |
| Bonds payable - net of current portion | \$ 1,436,020 | \$ 4,290,206 | \$ 5,726,226 |
| Notes payable - net of current portion | 808,913 | - | 808,913 |
| Net pension liability | 68,639 | 87,706 | 156,345 |
| Net OPEB liability | 4,117 | 8,234 | 12,351 |
| Compensated absences | 1,002 | 887 | 1,889 |
| Total noncurrent liabilities | <u>\$ 2,318,691</u> | <u>\$ 4,387,033</u> | <u>\$ 6,705,724</u> |
| Total liabilities | <u>\$ 2,484,933</u> | <u>\$ 4,505,701</u> | <u>\$ 6,990,634</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension related items | \$ 24,714 | \$ 41,235 | \$ 65,949 |
| OPEB related items | 1,753 | 3,507 | 5,260 |
| Total deferred inflows of resources | <u>\$ 26,467</u> | <u>\$ 44,742</u> | <u>\$ 71,209</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 728,280 | \$ 2,783,235 | \$ 3,511,515 |
| Unrestricted | 765,298 | 384,700 | 1,149,998 |
| Total net position | <u>\$ 1,493,578</u> | <u>\$ 3,167,935</u> | <u>\$ 4,661,513</u> |

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

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

| | Enterprise Funds | | |
|--|---------------------|---------------------|---------------------|
| | Water Fund | Sewer Fund | Total |
| Operating revenues: | | | |
| Water revenues | \$ 378,998 | \$ - | \$ 378,998 |
| Sewer revenues | - | 489,856 | 489,856 |
| Availability/connection fees | 81,200 | 81,000 | 162,200 |
| Total operating revenues | <u>\$ 460,198</u> | <u>\$ 570,856</u> | <u>\$ 1,031,054</u> |
| Operating expenses: | | | |
| Personnel services | \$ 110,309 | \$ 153,194 | \$ 263,503 |
| Fringe benefits | 37,357 | 46,008 | 83,365 |
| Depreciation | 92,494 | 267,373 | 359,867 |
| Other operating expenses | 171,556 | 183,016 | 354,572 |
| Total operating expenses | <u>\$ 411,716</u> | <u>\$ 649,591</u> | <u>\$ 1,061,307</u> |
| Income (loss) from operations | <u>\$ 48,482</u> | <u>\$ (78,735)</u> | <u>\$ (30,253)</u> |
| Nonoperating revenues (expenses): | | | |
| Interest expense | <u>\$ (24,086)</u> | <u>\$ (71,953)</u> | <u>\$ (96,039)</u> |
| Total nonoperating revenues (expenses) | <u>\$ (24,086)</u> | <u>\$ (71,953)</u> | <u>\$ (96,039)</u> |
| Change in net position | \$ 24,396 | \$ (150,688) | \$ (126,292) |
| Net position, beginning of year | 1,469,182 | 3,318,623 | 4,787,805 |
| Net position, end of year | <u>\$ 1,493,578</u> | <u>\$ 3,167,935</u> | <u>\$ 4,661,513</u> |

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

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

| | Enterprise Funds | | |
|---|------------------|--------------|--------------|
| | Water Fund | Sewer Fund | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers and users | \$ 472,037 | \$ 539,662 | \$ 1,011,699 |
| Payments to suppliers | (184,489) | (213,668) | (398,157) |
| Payments to employees (including fringe benefits) | (117,018) | (190,734) | (307,752) |
| Net cash provided by (used for) operating activities | \$ 170,530 | \$ 135,260 | \$ 305,790 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Additions to utility plant | \$ (607,522) | \$ (40,300) | \$ (647,822) |
| Principal payments on bonds | (29,887) | (89,297) | (119,184) |
| Proceeds from indebtedness | 574,572 | - | 574,572 |
| Interest payments | (24,094) | (71,977) | (96,071) |
| Proceeds from sales of capital assets | - | 40,301 | 40,301 |
| Net cash provided by (used for) capital and related financing activities | \$ (86,931) | \$ (161,273) | \$ (248,204) |
| Net increase (decrease) in cash and cash equivalents | \$ 83,599 | \$ (26,013) | \$ 57,586 |
| Cash and cash equivalents - beginning of year | 772,458 | 455,506 | 1,227,964 |
| Cash and cash equivalents - end of year | \$ 856,057 | \$ 429,493 | \$ 1,285,550 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Operating income (loss) | \$ 48,482 | \$ (78,735) | \$ (30,253) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Depreciation expense | 92,494 | 267,373 | 359,867 |
| Changes in assets and liabilities: | | | |
| Accounts receivable | 3,359 | (31,194) | (27,835) |
| Deferred outflows of resources - pension related items | (22,603) | 11,644 | (10,959) |
| Deferred outflows of resources - OPEB related items | 553 | 1,266 | 1,819 |
| Accounts payable | (12,933) | (30,652) | (43,585) |
| Accrued liabilities | 27,719 | 3,731 | 31,450 |
| Net OPEB liability | (2,023) | (3,573) | (5,596) |
| Compensated absences | 2,496 | 4,137 | 6,633 |
| Net pension liability | (1,778) | (53,126) | (54,904) |
| Deferred inflows of resources - pension related items | 24,714 | 41,235 | 65,949 |
| Deferred inflows of resources - OPEB related items | 1,570 | 3,154 | 4,724 |
| Customer deposits | 8,480 | - | 8,480 |
| Total adjustments | \$ 122,048 | \$ 213,995 | \$ 336,043 |
| Net cash provided by (used for) operating activities | \$ 170,530 | \$ 135,260 | \$ 305,790 |

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile:

Town of Bowling Green, located in Caroline County, Virginia, was incorporated in 1837. The Town has a population of 1,167 and a land area of 1.63 square miles.

The Town is governed under the Council-Manager form of government. The Town government engages in wide ranges of municipal services including general government administration, public safety, public works, and community development.

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

A. Financial Reporting Entity

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 (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

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). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and 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 expenses of individual functions are compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

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 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. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

A. Financial Reporting Entity: (Continued)

Budgetary Comparison Schedules: (Continued)

Governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results for its major funds.

Individual Component Unit Disclosures: Accounting principles generally accepted in the United States require financial statements to present the primary government and its component units, entities for which the government is considered to be financially accountable. 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. The Town has no component units that meet the requirements for blending. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. The Town has one discretely presented component unit, the Economic Development Authority of Bowling Green. The Authority has a June 30 year end and does not issue separate financial statements.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The focus is on both the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category) and the component units, if applicable. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual economic resource basis which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The Town generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Town may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, community development, etc.) that 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, community development, etc.) or a business-type activity.

Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

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

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

Internal service charges, if applicable, are eliminated and the net income or loss from internal service activities is allocated to the various functional expense categories based on the internal charges to each function. 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. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

Proprietary fund operating revenues consist of charges for services and related revenues. 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.

The following is a brief description of the specific funds used by the Town in FY 2022.

1. *Governmental Funds* - Governmental Funds are those through which most governmental functions typically are financed. The government reports the following 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 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 service, and interest income. The General Fund is considered a major fund for reporting purposes.

Capital Projects Fund - The Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects Fund is considered a major fund.

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 Enterprise Funds.

Enterprise Funds - Enterprise Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise Funds consist of the Water Fund and the Sewer Fund.

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

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net position) is segregated into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

1. *Governmental Funds* - Governmental funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts, except that property taxes not collected within 45 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 in the month preceding receipt by the Town. Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of State and other grants for the purpose of funding specific expenditures, are recognized when measurable and available or at the time of the specific expenditure.

Expenditures, other than interest on long-term debt, are recorded as the related fund liabilities are incurred. Principal and interest on long-term debt are recognized when due except for amounts due on July 1, which are accrued.

2. *Proprietary Funds* - The accrual basis of accounting is used for the Enterprise Fund. Under the accrual method, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

D. Budgets and Budgetary Accounting

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

1. Budgets and Budgetary Accounting

- a. The Town Manager, in conjunction with the Administration and Finance Committee, submits a proposed operating budget to the Town Council prior to June 30 of each year. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain citizen comments.
- c. Prior to June 30, the budget is legally enacted through Council vote.
- d. The budget places legal restrictions on expenditures at the function level. The Town Manager is authorized to transfer budgeted amounts between line items within a department without prior approval from the Town Council.
- e. Formal budgetary integration is employed as a management control device during the year for the General Fund.
- f. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- g. For the year ended June 30, 2022, expenditures exceeded appropriations in the general government administration and community development functions of the general fund by \$82,537 and \$142 respectively.

2. Legally Adopted Budgets

The general, capital projects and proprietary funds have legally adopted annual budgets.

E. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents include all cash on hand and in banks, and highly liquid investments with original maturities of three months or less.

F. Property Taxes

Real estate and personal property are assessed annually on January 1st by the County of Caroline. Personal property and real estate taxes attach as an enforceable lien on the property as of January 1st. Taxes are payable in one installment on December 5th. The Town bills and collects its own property taxes. Penalties accrue at 10% on real estate and personal property taxes beginning December 6th. Interest accrues on real estate and personal property taxes at 10% per annum beginning December 6th after the December 5th due date.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

G. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes for the General Fund was \$12,763 at June 30, 2022. The allowance for uncollectible water and sewer charges was \$22,331 at June 30, 2022.

H. Capital Assets

Capital assets include land, buildings, equipment, vehicles and water and sewer mains. Any asset or group of assets acquired by the Town that has a useful life in excess of one year and an acquisition cost, or fair value (when received), of at least \$5,000 is reported in the applicable governmental or business-type activities column in the government-wide financial statements.

Such assets are recorded at historical cost (or estimated historical cost) if constructed or purchased. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

| | |
|----------------------------|-------------|
| Buildings and improvements | 5-50 years |
| Equipment | 1-15 years |
| Infrastructure | 10-20 years |
| Vehicles | 5-15 years |
| Utility Plant in Service | 10-50 years |

Major outlays for capital assets and improvements are capitalized as projects are constructed.

I. Compensated Absences

Annual Leave

Annual leave is accrued on a semi-monthly basis. The amount of annual leave that an employee accrues and the total that may be accumulated is based upon the employee's length of service. Annual leave accrues on a biweekly basis and on July 1 of each year, all leave accrued in excess of the maximum accrual amount will be lost.

Sick Leave

Employees accrue sick leave is based upon the employee's length of service. There is no maximum sick leave accumulation. In the governmental fund types of the fund financial statements, the cost of annual leave and sick leave is only recognized when payments are made to employees. However, in the government-wide financial statements, the liability for accrued annual and sick leave benefits represent the Town's commitment to fund such vested amounts from future operations. In the proprietary funds the amount of such compensated absences is recognized in full when vested.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

J. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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.

K. Fund Equity

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

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

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's 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 or a motion to commit funds. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council or the Town Manager as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

L. Credit Risk

Concentrations of credit risk with respect to receivables are limited due to the large number of customers comprising the Town's customer base. As of June 30, 2022, the Town had no significant concentrations of credit risk.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

N. 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 a 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 30th and amounts levied during the fiscal year but due after June 30th, and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts levied during the fiscal year but due after June 30th are reported as deferred inflows of resources. In addition, certain items related to pension and OPEB are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town Retirement Plan and the additions to/deductions from the Town 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.

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

P. Other Postemployment Benefits (OPEB)

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

Q. 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 government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP). The Town had no investments at June 30, 2022.

NOTE 3—DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2022 the Town has receivables from other governments as follows:

| | Governmental Activities |
|---------------------------|------------------------------------|
| Commonwealth of Virginia: | |
| Telecommunications tax | \$ 4,661 |
| Caroline County | 6,114 |
| | <hr/> |
| Totals | \$ <u>10,775</u> |

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 4—CAPITAL ASSETS:

The following is a summary of changes in capital assets during the fiscal year:

Governmental Activities:

| | Balance June 30, 2021 | Additions | Deletions | Balance June 30, 2022 |
|---|--------------------------|------------------|-------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land and land improvements | \$ 39,197 | \$ - | \$ - | \$ 39,197 |
| Total capital assets not being depreciated | <u>\$ 39,197</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 39,197</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 454,657 | \$ - | \$ - | \$ 454,657 |
| Equipment | 127,925 | - | - | 127,925 |
| Infrastructure | 180,620 | - | - | 180,620 |
| Vehicles | 195,726 | 69,126 | - | 264,852 |
| Total capital assets being depreciated | <u>\$ 958,928</u> | <u>\$ 69,126</u> | <u>\$ -</u> | <u>\$ 1,028,054</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ 198,484 | \$ 12,647 | \$ - | \$ 211,131 |
| Equipment | 92,062 | 5,893 | - | 97,955 |
| Infrastructure | 161,170 | 8,228 | - | 169,398 |
| Vehicles | 163,977 | 36,523 | - | 200,500 |
| Total accumulated depreciation | <u>\$ 615,693</u> | <u>\$ 63,291</u> | <u>\$ -</u> | <u>\$ 678,984</u> |
| Total capital assets being depreciated, net | <u>\$ 343,235</u> | <u>\$ 5,835</u> | <u>\$ -</u> | <u>\$ 349,070</u> |
| Governmental activities capital assets, net | <u>\$ 382,432</u> | <u>\$ 5,835</u> | <u>\$ -</u> | <u>\$ 388,267</u> |

Business-type Activities:

| | | | | |
|--|----------------------|---------------------|-------------|----------------------|
| Capital assets not being depreciated: | | | | |
| Land and land improvements | \$ 76,530 | \$ - | \$ - | \$ 76,530 |
| Construction in progress | 234,341 | 607,521 | - | 841,862 |
| Total capital assets not being depreciated | <u>\$ 310,871</u> | <u>\$ 607,521</u> | <u>\$ -</u> | <u>\$ 918,392</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 103,056 | \$ - | \$ - | \$ 103,056 |
| Equipment | 229,058 | - | - | 229,058 |
| Vehicles | 145,371 | - | - | 145,371 |
| Utility plant in service | 12,725,046 | - | - | 12,725,046 |
| Total capital assets being depreciated | <u>\$ 13,202,531</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,202,531</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ 55,993 | \$ 2,485 | \$ - | \$ 58,478 |
| Equipment | 97,606 | 10,162 | - | 107,768 |
| Vehicles | 129,831 | 3,300 | - | 133,131 |
| Utility plant in service | 3,284,864 | 343,920 | - | 3,628,784 |
| Total accumulated depreciation | <u>\$ 3,568,294</u> | <u>\$ 359,867</u> | <u>\$ -</u> | <u>\$ 3,928,161</u> |
| Total capital assets being depreciated, net | <u>\$ 9,634,237</u> | <u>\$ (359,867)</u> | <u>\$ -</u> | <u>\$ 9,274,370</u> |
| Business-type activities capital assets, net | <u>\$ 9,945,108</u> | <u>\$ 247,654</u> | <u>\$ -</u> | <u>\$ 10,192,762</u> |

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

| | | |
|-----------------------------------|----|----------------|
| Governmental Activities: | | |
| General Government Administration | \$ | 12,499 |
| Public Safety | | 20,307 |
| Public Works | | <u>30,485</u> |
| Total | \$ | <u>63,291</u> |
| Business-type activities | | |
| Water fund | \$ | 92,494 |
| Sewer fund | | <u>267,373</u> |
| Total | \$ | <u>359,867</u> |

NOTE 5—COMPENSATED ABSENCES:

The Town has accrued the liability arising from outstanding compensated absences. The Town had outstanding compensated absences as follows:

| | | |
|--------------------------|----|---------------|
| Governmental Activities | \$ | <u>22,287</u> |
| Business-type Activities | \$ | <u>18,892</u> |

NOTE 6—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 VACORP. VACORP 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 VACORP. This is built into the LODA coverage cost presented in the annual renewals.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term obligation transactions for the fiscal year ended June 30, 2022:

| | <u>Balance at July 1, 2021</u> | <u>Issuances/ Increases</u> | <u>Retirements/ Decreases</u> | <u>Balance at June 30, 2022</u> | <u>Amounts Due Within One Year</u> |
|---|------------------------------------|---------------------------------|-----------------------------------|-------------------------------------|--|
| Governmental Activities: | | | | | |
| Other liabilities: | | | | | |
| Net pension liability | \$ 330,415 | \$ 129,097 | \$ 234,528 | \$ 224,984 | \$ - |
| Net OPEB liability | 29,281 | 14,662 | 24,626 | 19,317 | - |
| Compensated absences | 23,001 | 19,987 | 20,701 | 22,287 | 20,058 |
| Total Governmental Activities | <u>\$ 382,697</u> | <u>\$ 163,746</u> | <u>\$ 279,855</u> | <u>\$ 266,588</u> | <u>\$ 20,058</u> |
| | <u>Balance at July 1, 2021</u> | <u>Issuances/ Increases</u> | <u>Retirements/ Decreases</u> | <u>Balance at June 30, 2022</u> | <u>Amounts Due Within One Year</u> |
| Business-type Activities: | | | | | |
| Water Fund | | | | | |
| Direct borrowings and direct placements: | | | | | |
| General Obligation bonds | \$ 1,496,284 | \$ - | \$ 29,887 | \$ 1,466,397 | \$ 30,377 |
| Advance term promissory note | 234,341 | 574,572 | - | 808,913 | - |
| Other liabilities: | | | | | |
| Net pension liability | 70,417 | 66,468 | 68,246 | 68,639 | - |
| Net OPEB liability | 6,140 | 4,070 | 6,093 | 4,117 | - |
| Compensated absences | 7,523 | 9,267 | 6,771 | 10,019 | 9,017 |
| Sewer Fund | | | | | |
| Direct borrowings and direct placements: | | | | | |
| Sewer revenue bonds | 4,470,262 | - | 89,297 | 4,380,965 | 90,759 |
| Other liabilities: | | | | | |
| Net pension liability | 140,832 | 50,326 | 103,452 | 87,706 | - |
| Net OPEB liability | 11,807 | 7,194 | 10,767 | 8,234 | - |
| Compensated absences | 4,736 | 8,399 | 4,262 | 8,873 | 7,986 |
| Total Business-type Activities | <u>\$ 6,442,342</u> | <u>\$ 720,296</u> | <u>\$ 318,775</u> | <u>\$ 6,843,863</u> | <u>\$ 138,139</u> |

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

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

| Year | Water Bonds | | Sewer Bonds | | Advance Term Promissory Note | |
|-----------|---------------------|-------------------|---------------------|---------------------|------------------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2023 | \$ 30,377 | \$ 23,602 | \$ 90,759 | \$ 70,518 | \$ - | \$ 11,080 |
| 2024 | 30,874 | 23,105 | 92,245 | 69,032 | - | 11,080 |
| 2025 | 31,379 | 22,599 | 93,755 | 67,522 | 808,913 | 92,333 |
| 2026 | 31,893 | 22,085 | 95,290 | 65,987 | - | - |
| 2027 | 32,415 | 21,563 | 96,850 | 64,427 | - | - |
| 2028-2032 | 170,212 | 99,680 | 508,562 | 297,826 | - | - |
| 2033-2037 | 184,609 | 85,283 | 551,577 | 254,811 | - | - |
| 2038-2042 | 200,224 | 69,669 | 598,231 | 208,157 | - | - |
| 2043-2047 | 217,159 | 52,733 | 648,831 | 157,557 | - | - |
| 2048-2052 | 235,527 | 34,365 | 703,710 | 102,677 | - | - |
| 2053-2057 | 255,448 | 14,444 | 763,232 | 43,156 | - | - |
| 2058 | 46,280 | 356 | 137,923 | 1,065 | - | - |
| | <u>\$ 1,466,397</u> | <u>\$ 469,484</u> | <u>\$ 4,380,965</u> | <u>\$ 1,402,735</u> | <u>\$ 808,913</u> | <u>\$ 114,493</u> |

Details of Long-term Obligations:

| | <u>Amount Outstanding</u> | <u>Amounts Due Within One Year</u> |
|---|-------------------------------|--|
| <u>Governmental Activities:</u> | | |
| Net pension liability | \$ 224,984 | \$ - |
| Net OPEB liability | \$ 19,317 | \$ - |
| Compensated absences | \$ 22,287 | \$ 20,058 |
| Total Governmental Obligations | <u>\$ 266,588</u> | <u>\$ 20,058</u> |
| <u>Business-type Activities:</u> | | |
| <u>Bonds Payable:</u> | | |
| \$6,316,000 General Obligation and Sewer Revenue Bonds, issued August 24, 2018, payable in 480 monthly installments of \$17,938 beginning on September 24, 2018, interest payable at 1.625% per year. | \$ 5,847,362 | \$ 121,136 |
| Total general obligation and sewer revenue bonds | <u>\$ 5,847,362</u> | <u>\$ 121,136</u> |
| <u>Notes Payable:</u> | | |
| Up to \$5,693,000 Advance Term Promissory Notes, issued April 29, 2021, interest payable monthly at rates tied to the LIBOR index rate. Principal due April 29, 2025 if not repaid before that date. \$808,913 drawn as of June 30, 2022. | \$ 808,913 | \$ - |
| Net pension liability | \$ 156,345 | \$ - |
| Net OPEB liability | \$ 12,351 | \$ - |
| Compensated absences | \$ 18,892 | \$ 17,003 |
| Total Business-type Obligations | <u>\$ 6,843,863</u> | <u>\$ 138,139</u> |
| Total Primary Government | <u>\$ 7,110,451</u> | <u>\$ 158,197</u> |

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements June 30, 2022

NOTE 8—PENSION PLAN:

Plan Description

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

Benefit Structures

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

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

Notes to Financial Statements
June 30, 2022

NOTE 8—PENSION PLAN: (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, 2020 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 | 13 |
| Inactive members: | |
| Vested inactive members | 3 |
| Non-vested inactive members | 8 |
| Active members active elsewhere in VRS | 16 |
| Total inactive members | 27 |
| Active members | 11 |
| Total covered employees | 51 |

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2022

NOTE 8—PENSION PLAN: (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, 2022 was 14.48% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$75,986 and \$72,091 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Liability (Asset)

The net pension liability (asset) 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, 2021. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions - General Employees

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

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

Mortality rates:

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

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

Post-Retirement:

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2022

NOTE 8—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

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

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2022

NOTE 8—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

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

| | |
|---------------------------------------|---|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.50% - 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

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2022

NOTE 8—PENSION PLAN: (CONTINUED)

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

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 |

Long-Term Expected Rate of Return

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

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2022

NOTE 8—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return (Continued)

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2021 the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2021, 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 was 100% of the actuarially determined contribution rate. From July 1, 2021 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.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2022

NOTE 8—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability (Asset)

| | Increase (Decrease) | | |
|---|--------------------------------------|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
| Balances at June 30, 2020 | \$ 1,489,466 | \$ 947,802 | \$ 541,664 |
| Changes for the year: | | | |
| Service cost | \$ 44,861 | \$ - | \$ 44,861 |
| Interest | 96,597 | - | 96,597 |
| Differences between expected and actual experience | 18,591 | - | 18,591 |
| Assumption changes | 58,133 | - | 58,133 |
| Contributions - employer | - | 76,470 | (76,470) |
| Contributions - employee | - | 42,408 | (42,408) |
| Net investment income | - | 260,241 | (260,241) |
| Benefit payments, including refunds | (116,812) | (116,812) | - |
| Administrative expenses | - | (627) | 627 |
| Other changes | - | 25 | (25) |
| Net changes | <u>\$ 101,370</u> | <u>\$ 261,705</u> | <u>\$ (160,335)</u> |
| Balances at June 30, 2021 | <u>\$ 1,590,836</u> | <u>\$ 1,209,507</u> | <u>\$ 381,329</u> |

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) | \$ 577,456 | \$ 381,329 | \$ 220,130 |

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2022

NOTE 8—PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2022, the Town recognized pension expense of \$70,694. At June 30, 2022, the Town deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 5,944 | \$ - |
| Change in assumptions | 18,587 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 129,847 |
| Change in proportionate share | 20,312 | 20,312 |
| Employer contributions subsequent to the measurement date | <u>75,986</u> | <u>-</u> |
| Total | <u>\$ 120,829</u> | <u>\$ 150,159</u> |

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

\$75,986 reported as deferred outflows of resources related to pensions resulting from the Town's and contributions, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year Ended June 30</u> | |
|---------------------------|------------|
| 2023 | \$ (5,985) |
| 2024 | (29,792) |
| 2025 | (30,296) |
| 2026 | (39,243) |
| 2027 | - |
| Thereafter | - |

Pension Plan Data

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

NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

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

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

The specific information for GLI Plan 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 \$8,722 as of June 30, 2022.

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2022 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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 0.79% (1.31% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the Town were \$2,975 and \$3,032 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the Town reported a liability of \$31,668, for their proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the Town's proportion was .00270% as compared to .00280% at June 30, 2020.

For the year ended June 30, 2022, the Town recognized GLI OPEB expense of \$4,910. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2022 (Continued)

NOTE 9—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)

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 3,612 | \$ 241 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 7,559 |
| Change in assumptions | 1,746 | 4,333 |
| Changes in proportionate share | 12,358 | 1,355 |
| Employer contributions subsequent to the measurement date | <u>2,975</u> | <u>-</u> |
| Total | <u>\$ 20,691</u> | <u>\$ 13,488</u> |

\$2,975 reported as deferred outflows of resources related to the GLI OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| <u>Year Ended June 30</u> | |
|---------------------------|----------|
| 2023 | \$ 2,053 |
| 2024 | 2,159 |
| 2025 | 1,397 |
| 2026 | (951) |
| 2027 | (430) |
| Thereafter | - |

Actuarial Assumptions

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2022 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

| | |
|--|---|
| Inflation | 2.50% |
| Salary increases, including inflation: | |
| General state employees | 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 |

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2022 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

| | |
|---|--|
| 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 |

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2022 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | 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 |

NET GLI OPEB Liability

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

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

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2022 (Continued)

NOTE 9—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% | 5.00% | 1.70% |
| Fixed Income | 15.00% | 0.57% | 0.09% |
| Credit Strategies | 14.00% | 4.49% | 0.63% |
| Real Assets | 14.00% | 4.76% | 0.67% |
| Private Equity | 14.00% | 9.94% | 1.39% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.29% | 0.20% |
| PIP - Private Investment Partnership | 3.00% | 6.84% | 0.21% |
| | | | |
| Total | 100.00% | | 4.89% |
| | | Inflation | 2.50% |
| | | Expected arithmetic nominal return* | 7.39% |

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

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

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2022 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Discount Rate: (Continued)

From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

| | Rate | | |
|---|------------------------|-----------------------------|------------------------|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| Town’s Proportionate share of the Group Life Insurance Program Net OPEB Liability | \$ 46,268 | \$ 31,668 | \$ 19,877 |

GLI Plan Fiduciary Net Position

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

NOTE 10—UNAVAILABLE/UNEARNED/DEFERRED REVENUES:

Unavailable/unearned/deferred revenues represent amounts for which, under the modified accrual basis of accounting, asset recognition criteria have been met, but for which revenue recognition criteria have not been met (i.e., such amounts are measurable, but not available). Under the accrual basis, assessments for future periods are deferred. At June 30, 2022 unavailable/deferred property tax revenues in the governmental funds totaled \$282,173. Unavailable revenue in the amount of \$6,813 represents sanitation and waste removal fees.

NOTE 11—FIDELITY BOND:

Fidelity bond coverage with Virginia Municipal League during the fiscal year 2022 was as follows:

| | <u>Coverage</u> |
|--------------------------------------|-----------------|
| Public employees dishonesty coverage | \$ 250,000 |

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 12—COMMITMENTS AND CONTINGENCIES:

While it is anticipated that the Water and Sewer Funds will be able to make the required payments to liquidate the Bonds Payable, in the event of a failure to do so the full faith and credit of the Town's General Fund will be obligated to meet any necessary payment shortfall.

At June 30, 2022 the Town has outstanding construction commitments totaling \$858,178.

NOTE 13—LITIGATION:

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

NOTE 14—COVID-19:

ARPA Funding

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

On June 30, 2021, the Town received its share of the first half of the CSLFRF funds. The second half of these funds was received on July 19, 2022. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$490,117 from the initial allocation are reported as unearned revenue as of June 30, 2022.

NOTE 15—UPCOMING PRONOUNCEMENTS:

Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

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 fiscal years beginning after December 15, 2023.

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

Required Supplementary Information

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with Accounting Principles Generally Accepted in the United States of America.

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

| | General Fund | | | Variance with Final Budget - Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| General property taxes | \$ 228,769 | \$ 228,769 | \$ 201,170 | \$ (27,599) |
| Other local taxes | 645,000 | 645,000 | 866,282 | 221,282 |
| Permits, privilege fees, and regulatory licenses | 3,200 | 3,200 | 7,293 | 4,093 |
| Fines and forfeitures | 20,800 | 20,800 | 35,570 | 14,770 |
| Revenue from the use of money and property | 16,300 | 16,300 | 21,447 | 5,147 |
| Charges for service | 85,729 | 85,729 | 79,574 | (6,155) |
| Miscellaneous | 24,000 | 24,000 | 27,389 | 3,389 |
| Intergovernmental: | | | | |
| Commonwealth | 93,700 | 93,700 | 101,022 | 7,322 |
| Federal | - | - | 119,424 | 119,424 |
| Total revenues | \$ 1,117,498 | \$ 1,117,498 | \$ 1,459,171 | \$ 341,673 |
| Expenditures: | | | | |
| Current: | | | | |
| General government administration | \$ 499,078 | \$ 499,078 | \$ 581,615 | \$ (82,537) |
| Public safety | 205,108 | 205,108 | 182,929 | 22,179 |
| Public works | 348,867 | 348,867 | 319,870 | 28,997 |
| Community development | 36,950 | 36,950 | 37,092 | (142) |
| Total expenditures | \$ 1,090,003 | \$ 1,090,003 | \$ 1,121,506 | \$ (31,503) |
| Excess (deficiency) of revenues over expenditures | \$ 27,495 | \$ 27,495 | \$ 337,665 | \$ 310,170 |
| Other financing sources (uses) | | | | |
| Transfers out | \$ (34,270) | \$ (34,270) | \$ - | \$ 34,270 |
| Total other financing sources (uses) | \$ (34,270) | \$ (34,270) | \$ - | \$ 34,270 |
| Net change in fund balance | \$ (6,775) | \$ (6,775) | \$ 337,665 | \$ 344,440 |
| Fund balances at beginning of year | 6,775 | 6,775 | 280,602 | 273,827 |
| Fund balances at end of year | \$ - | \$ - | \$ 618,267 | \$ 618,267 |

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 Primary Government
 Pension Plan
 For the Measurement Dates of June 30, 2015 through June 30, 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | | | | |
| Service cost | \$ 44,861 | \$ 47,174 | \$ 33,698 | \$ 23,097 | \$ 7,393 | \$ 24,955 | \$ 25,004 |
| Interest | 96,597 | 90,504 | 85,614 | 79,975 | 79,620 | 88,453 | 88,963 |
| Differences between expected and actual experience | 18,591 | 56,785 | 52,338 | 65,841 | 8,638 | (161,984) | (25,232) |
| Changes in assumptions | 58,133 | - | 36,342 | - | (8,858) | - | - |
| Benefit payments, including refunds of employee contributions | (116,812) | (91,581) | (88,922) | (87,808) | (75,624) | (79,590) | (112,454) |
| Net change in total pension liability | \$ 101,370 | \$ 102,882 | \$ 119,070 | \$ 81,105 | \$ 11,169 | \$ (128,166) | \$ (23,719) |
| Total pension liability - beginning | <u>1,489,466</u> | <u>1,386,584</u> | <u>1,267,514</u> | <u>1,186,409</u> | <u>1,175,240</u> | <u>1,303,406</u> | <u>1,327,125</u> |
| Total pension liability - ending (a) | <u>\$ 1,590,836</u> | <u>\$ 1,489,466</u> | <u>\$ 1,386,584</u> | <u>\$ 1,267,514</u> | <u>\$ 1,186,409</u> | <u>\$ 1,175,240</u> | <u>\$ 1,303,406</u> |
| Plan fiduciary net position | | | | | | | |
| Contributions - employer | \$ 76,470 | \$ 78,083 | \$ 61,957 | \$ 43,742 | \$ 36,200 | \$ 49,795 | \$ 50,828 |
| Contributions - employee | 42,408 | 26,805 | 20,466 | 15,035 | 12,233 | 10,837 | 11,328 |
| Net investment income | 260,241 | 17,623 | 57,902 | 61,042 | 92,491 | 12,705 | 34,145 |
| Benefit payments, including refunds of employee contributions | (116,812) | (91,581) | (88,922) | (87,808) | (75,624) | (79,590) | (112,454) |
| Administrative expense | (627) | (575) | (565) | (541) | (550) | (486) | (512) |
| Other | 25 | (21) | (37) | (54) | (82) | (6) | (8) |
| Net change in plan fiduciary net position | \$ 261,705 | \$ 30,334 | \$ 50,801 | \$ 31,416 | \$ 64,668 | \$ (6,745) | \$ (16,673) |
| Plan fiduciary net position - beginning | <u>947,802</u> | <u>917,468</u> | <u>866,667</u> | <u>835,251</u> | <u>770,583</u> | <u>777,328</u> | <u>794,001</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 1,209,507</u> | <u>\$ 947,802</u> | <u>\$ 917,468</u> | <u>\$ 866,667</u> | <u>\$ 835,251</u> | <u>\$ 770,583</u> | <u>\$ 777,328</u> |
| Town's net pension liability (asset) - ending (a) - (b) | \$ 381,329 | \$ 541,664 | \$ 469,116 | \$ 400,847 | \$ 351,158 | \$ 404,657 | \$ 526,078 |
| Plan fiduciary net position as a percentage of the total pension liability | 76.03% | 63.63% | 66.17% | 68.38% | 70.40% | 65.57% | 59.64% |
| Covered payroll | \$ 561,476 | \$ 582,242 | \$ 457,420 | \$ 345,204 | \$ 276,115 | \$ 231,366 | \$ 236,530 |
| Town's net pension liability (asset) as a percentage of covered payroll | 67.92% | 93.03% | 102.56% | 116.12% | 127.18% | 174.90% | 222.41% |

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

Schedule of Employer Contributions
 Pension Plan
 For the Years Ended June 30, 2013 through June 30, 2022

| 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) |
|------|---|--|---|---|---|
| 2022 | \$ 75,986 | \$ 75,986 | - | \$ 550,848 | 13.79% |
| 2021 | 72,091 | 72,091 | - | 561,476 | 12.84% |
| 2020 | 78,083 | 78,083 | - | 582,242 | 13.41% |
| 2019 | 61,957 | 61,957 | - | 457,420 | 13.54% |
| 2018 | 43,742 | 43,742 | - | 345,204 | 12.67% |
| 2017 | 38,131 | 38,131 | - | 276,115 | 13.81% |
| 2016 | 50,207 | 50,207 | - | 231,366 | 21.70% |
| 2015 | 51,327 | 51,327 | - | 236,530 | 21.70% |
| 2014 | 31,392 | 31,392 | - | 231,845 | 13.54% |
| 2013 | 39,357 | 39,357 | - | 290,668 | 13.54% |

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

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

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

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Schedule of Town's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2021

| 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 | | | | | |
| 2021 | 0.002700% \$ | 31,668 \$ | 561,476 | 5.64% | 67.45% |
| 2020 | 0.002800% | 47,228 | 582,242 | 8.11% | 52.64% |
| 2019 | 0.002300% | 37,916 | 457,420 | 8.29% | 52.00% |
| 2018 | 0.001810% | 27,000 | 345,204 | 7.82% | 51.22% |
| 2017 | 0.001500% | 22,000 | 276,115 | 7.97% | 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.

Schedule of Employer Contributions
 Group Life Insurance (GLI) Plan
 For the Years Ended June 30, 2013 through June 30, 2022

| 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 | | | | | |
| 2022 | \$ 2,975 | \$ 2,975 | - | \$ 550,848 | 0.54% |
| 2021 | 3,032 | 3,032 | - | 561,476 | 0.54% |
| 2020 | 3,028 | 3,028 | - | 582,242 | 0.52% |
| 2019 | 2,378 | 2,378 | - | 457,420 | 0.52% |
| 2018 | 1,795 | 1,795 | - | 345,204 | 0.52% |
| 2017 | 1,436 | 1,436 | - | 276,115 | 0.52% |
| 2016 | 1,111 | 1,111 | - | 231,366 | 0.48% |
| 2015 | 1,135 | 1,135 | - | 236,530 | 0.48% |
| 2014 | 1,113 | 1,113 | - | 231,845 | 0.48% |
| 2013 | 1,395 | 1,395 | - | 290,668 | 0.48% |

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

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

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

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Other Supplementary Information

Individual Fund Financial Statements

Statement of Net Position
Economic Development Authority
June 30, 2022

ASSETS

Current assets:

| | |
|----------------------|------------------|
| Cash and investments | \$ <u>12,637</u> |
| Total assets | \$ <u>12,637</u> |

NET POSITION

| | |
|--------------------|-------------------------|
| Unrestricted | \$ <u>12,637</u> |
| Total net position | \$ <u><u>12,637</u></u> |

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Economic Development Authority
 For the Year Ended June 30, 2022

OPERATING EXPENSES

| | |
|--------------------------------|-------------------------|
| Grants | \$ <u>2,000</u> |
| Total operating expenses | \$ <u>2,000</u> |
| | |
| Operating income (loss) | \$ <u>(2,000)</u> |
| | |
| Change in net position | \$ (2,000) |
| | |
| Total net position - beginning | <u>14,637</u> |
| Total net position - ending | <u><u>\$ 12,637</u></u> |

Statement of Cash Flows
Economic Development Authority
For the Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|---|----|-----------------------|
| Cash paid to grantees | \$ | <u>(2,000)</u> |
| Net cash provided by (used for) operating activities | \$ | <u>(2,000)</u> |
| Net increase (decrease) in cash and cash equivalents | \$ | (2,000) |
| Cash and investments - beginning | | <u>14,637</u> |
| Cash and investments - ending | \$ | <u><u>12,637</u></u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | |
| Operating income (loss) | \$ | <u>(2,000)</u> |
| Net cash provided by (used for) operating activities | \$ | <u><u>(2,000)</u></u> |

Supporting Schedules

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

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| General Fund: | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 174,769 | \$ 174,769 | \$ 163,761 | \$ (11,008) |
| Real and personal public service corporation taxes | 3,500 | 3,500 | 3,238 | (262) |
| Personal property taxes | 45,500 | 45,500 | 30,517 | (14,983) |
| Penalties | 2,000 | 2,000 | 2,032 | 32 |
| Interest | 3,000 | 3,000 | 1,622 | (1,378) |
| Total general property taxes | <u>\$ 228,769</u> | <u>\$ 228,769</u> | <u>\$ 201,170</u> | <u>\$ (27,599)</u> |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 40,000 | \$ 40,000 | \$ 49,932 | \$ 9,932 |
| Consumers' utility taxes | 30,000 | 30,000 | 34,005 | 4,005 |
| Business license taxes | 68,000 | 68,000 | 114,203 | 46,203 |
| Motor vehicle licenses | 20,000 | 20,000 | 12,524 | (7,476) |
| Bank stock taxes | 250,000 | 250,000 | 339,840 | 89,840 |
| Lodging tax | 2,000 | 2,000 | 4,053 | 2,053 |
| Restaurant food taxes | 235,000 | 235,000 | 311,725 | 76,725 |
| Total other local taxes | <u>\$ 645,000</u> | <u>\$ 645,000</u> | <u>\$ 866,282</u> | <u>\$ 221,282</u> |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Permits and other licenses | \$ 3,200 | \$ 3,200 | \$ 7,293 | \$ 4,093 |
| Total permits, privilege fees, and regulatory licenses | <u>\$ 3,200</u> | <u>\$ 3,200</u> | <u>\$ 7,293</u> | <u>\$ 4,093</u> |
| Fines and forfeitures: | | | | |
| Fines and penalties | \$ 20,800 | \$ 20,800 | \$ 35,570 | \$ 14,770 |
| Total fines and forfeitures | <u>\$ 20,800</u> | <u>\$ 20,800</u> | <u>\$ 35,570</u> | <u>\$ 14,770</u> |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 5,000 | \$ 5,000 | \$ 2,102 | \$ (2,898) |
| Revenue from use of property | 11,300 | 11,300 | 19,345 | 8,045 |
| Total revenue from use of money and property | <u>\$ 16,300</u> | <u>\$ 16,300</u> | <u>\$ 21,447</u> | <u>\$ 5,147</u> |
| Charges for services: | | | | |
| Charges for sanitation and waste removal | \$ 85,729 | \$ 85,729 | \$ 79,574 | \$ (6,155) |
| Total charges for services | <u>\$ 85,729</u> | <u>\$ 85,729</u> | <u>\$ 79,574</u> | <u>\$ (6,155)</u> |
| Miscellaneous: | | | | |
| Miscellaneous | \$ 500 | \$ 500 | \$ 7,339 | \$ 6,839 |
| Harvest festival | 23,500 | 23,500 | 20,050 | (3,450) |
| Total miscellaneous | <u>\$ 24,000</u> | <u>\$ 24,000</u> | <u>\$ 27,389</u> | <u>\$ 3,389</u> |
| Total revenue from local sources | <u>\$ 1,023,798</u> | <u>\$ 1,023,798</u> | <u>\$ 1,238,725</u> | <u>\$ 214,927</u> |

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

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| General Fund: (continued) | | | | |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Motor vehicle carriers' tax | \$ - | \$ - | \$ 8,167 | \$ 8,167 |
| Personal property tax relief funds | 21,900 | 21,900 | 21,908 | 8 |
| Telecommunications tax | 31,500 | 31,500 | 29,141 | (2,359) |
| Total noncategorical aid | <u>\$ 53,400</u> | <u>\$ 53,400</u> | <u>\$ 59,216</u> | <u>\$ 5,816</u> |
| Categorical aid: | | | | |
| Other categorical aid: | | | | |
| Fireman's insurance fund | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ - |
| Local law enforcement assistance | 24,500 | 24,500 | 25,477 | 977 |
| Litter control grant | 800 | 800 | 1,329 | 529 |
| Total other categorical aid | <u>\$ 40,300</u> | <u>\$ 40,300</u> | <u>\$ 41,806</u> | <u>\$ 1,506</u> |
| Total categorical aid | <u>\$ 40,300</u> | <u>\$ 40,300</u> | <u>\$ 41,806</u> | <u>\$ 1,506</u> |
| Total revenue from the Commonwealth | <u>\$ 93,700</u> | <u>\$ 93,700</u> | <u>\$ 101,022</u> | <u>\$ 7,322</u> |
| Revenue from the federal government: | | | | |
| Noncategorical aid: | | | | |
| Coronavirus Relief Fund (CRF) | \$ - | \$ - | \$ 119,424 | \$ 119,424 |
| Total noncategorical aid | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 119,424</u> | <u>\$ 119,424</u> |
| Total revenue from the federal government | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 119,424</u> | <u>\$ 119,424</u> |
| Total General Fund | <u>\$ 1,117,498</u> | <u>\$ 1,117,498</u> | <u>\$ 1,459,171</u> | <u>\$ 341,673</u> |
| Total Primary Government | <u>\$ 1,117,498</u> | <u>\$ 1,117,498</u> | <u>\$ 1,459,171</u> | <u>\$ 341,673</u> |

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

| Fund, Function, Activity and Elements | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|--|--------------------|-------------------|-------------------|---|
| General Fund: | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| Council services | \$ 19,850 | \$ 19,850 | \$ 18,218 | \$ 1,632 |
| General and financial administration: | | | | |
| Advertising | \$ 7,000 | \$ 7,000 | \$ 6,710 | \$ 290 |
| Information technology | 20,000 | 20,000 | 9,745 | 10,255 |
| Insurance | 15,000 | 15,000 | 16,828 | (1,828) |
| Materials and supplies | 2,500 | 2,500 | 3,231 | (731) |
| COVID-19 expenses | - | - | 119,424 | (119,424) |
| Miscellaneous administrative | 23,500 | 23,500 | 16,909 | 6,591 |
| Personnel | 156,759 | 156,759 | 101,537 | 55,222 |
| Professional development | 3,500 | 3,500 | 2,792 | 708 |
| Professional services | 36,675 | 36,675 | 33,592 | 3,083 |
| Telecommunications | 1,200 | 1,200 | 1,643 | (443) |
| Total general and financial administration | <u>\$ 266,134</u> | <u>\$ 266,134</u> | <u>\$ 312,411</u> | <u>\$ (46,277)</u> |
| Office of Town Treasurer: | | | | |
| Audit and accounting | \$ 27,000 | \$ 27,000 | \$ 20,548 | \$ 6,452 |
| Information technology | 18,600 | 18,600 | 29,948 | (11,348) |
| Materials and supplies | 2,500 | 2,500 | 5,784 | (3,284) |
| Miscellaneous | 4,800 | 4,800 | 6,213 | (1,413) |
| Office equipment | 6,000 | 6,000 | 4,687 | 1,313 |
| Personnel | 143,694 | 143,694 | 176,436 | (32,742) |
| Postage | 5,000 | 5,000 | 3,412 | 1,588 |
| Professional development | 2,500 | 2,500 | 700 | 1,800 |
| Telecommunications | 3,000 | 3,000 | 3,258 | (258) |
| Total office of town treasurer | <u>\$ 213,094</u> | <u>\$ 213,094</u> | <u>\$ 250,986</u> | <u>\$ (37,892)</u> |
| Total general government administration | <u>\$ 499,078</u> | <u>\$ 499,078</u> | <u>\$ 581,615</u> | <u>\$ (82,537)</u> |

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

| Fund, Function, Activity and Elements | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|--------------------|-------------------|-------------------|---|
| General Fund: (Continued) | | | | |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Equipment | \$ 5,000 | \$ 5,000 | \$ 2,861 | \$ 2,139 |
| Fuel | 5,000 | 5,000 | 4,576 | 424 |
| Maintenance and repairs | 3,700 | 3,700 | 5,350 | (1,650) |
| Materials and supplies | 1,000 | 1,000 | 1,254 | (254) |
| Miscellaneous | 1,000 | 1,000 | 2,970 | (1,970) |
| Personnel | 159,558 | 159,558 | 139,586 | 19,972 |
| Professional development | 3,000 | 3,000 | 2,924 | 76 |
| Professional services | 1,050 | 1,050 | 996 | 54 |
| Telecommunications | 4,000 | 4,000 | 2,367 | 1,633 |
| Uniforms | 3,000 | 3,000 | 2,140 | 860 |
| Utilities | 1,800 | 1,800 | 905 | 895 |
| Total law enforcement and traffic control | <u>\$ 188,108</u> | <u>\$ 188,108</u> | <u>\$ 165,929</u> | <u>\$ 22,179</u> |
| Fire and rescue services: | | | | |
| Volunteer fire and rescue department | \$ 17,000 | \$ 17,000 | \$ 17,000 | \$ - |
| Total public safety | <u>\$ 205,108</u> | <u>\$ 205,108</u> | <u>\$ 182,929</u> | <u>\$ 22,179</u> |
| Public works: | | | | |
| Fuel | \$ 2,500 | \$ 2,500 | \$ 3,040 | \$ (540) |
| Insurance | 4,200 | 4,200 | 4,667 | (467) |
| Litter control | 800 | 800 | 1,000 | (200) |
| Maintenance and repairs | 23,500 | 23,500 | 22,445 | 1,055 |
| Materials and supplies | 1,050 | 1,050 | 1,692 | (642) |
| Miscellaneous | 500 | 500 | 374 | 126 |
| Personnel | 108,658 | 108,658 | 121,958 | (13,300) |
| Professional development | 500 | 500 | 416 | 84 |
| Refuse collection | 94,659 | 94,659 | 99,970 | (5,311) |

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

| Fund, Function, Activity and Elements | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---------------------------------------|---------------------|---------------------|---------------------|---|
| General Fund: (Continued) | | | | |
| Public works: (Continued) | | | | |
| Telecommunications | \$ 2,000 | \$ 2,000 | \$ 818 | \$ 1,182 |
| Town Hall | 30,000 | 30,000 | 33,786 | (3,786) |
| Uniforms and safety equipment | 4,000 | 4,000 | 8,451 | (4,451) |
| Playground upgrades | 50,000 | 50,000 | - | 50,000 |
| Utilities | 26,500 | 26,500 | 21,253 | 5,247 |
| Total public works | <u>\$ 348,867</u> | <u>\$ 348,867</u> | <u>\$ 319,870</u> | <u>\$ 28,997</u> |
| Community development: | | | | |
| Harvest festival | \$ 23,500 | \$ 23,500 | \$ 13,409 | \$ 10,091 |
| Miscellaneous | 3,200 | 3,200 | 2,981 | 219 |
| Other events | 10,250 | 10,250 | 20,702 | (10,452) |
| Total community development | <u>\$ 36,950</u> | <u>\$ 36,950</u> | <u>\$ 37,092</u> | <u>\$ (142)</u> |
| Total General Fund | <u>\$ 1,090,003</u> | <u>\$ 1,090,003</u> | <u>\$ 1,121,506</u> | <u>\$ (31,503)</u> |
| Capital Projects Fund: | | | | |
| Capital projects and capital outlays: | | | | |
| Vehicles | \$ - | \$ - | \$ 69,126 | \$ (69,126) |
| Total Capital Projects Fund | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 69,126</u> | <u>\$ (69,126)</u> |
| Total Primary Government | <u>\$ 1,090,003</u> | <u>\$ 1,090,003</u> | <u>\$ 1,190,632</u> | <u>\$ (100,629)</u> |

Compliance



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

**To the Honorable Members of the Town Council
Town of Bowling Green
Bowling Green, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units and each major fund of the Town of Bowling Green, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Bowling Green, Virginia's basic financial statements, and have issued our report thereon dated February 18, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Bowling Green, 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 Bowling Green, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Bowling Green, Virginia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Town of Bowling Green, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
February 18, 2025

TOWN OF BOWLING GREEN, VIRGINIA

Schedule of Findings and Responses
Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

| | |
|---|------------|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | Yes |
| Significant deficiency(ies) identified? | No |
| Noncompliance material to financial statements noted? | No |

Section II - Financial Statement Findings

2022-001: Material Weakness - Material Audit Adjustments Proposed by the External Auditors

Criteria:

Identification of a material adjustment to the financial statements that was not detected by the Town's internal controls indicates that a material weakness may exist.

Condition:

The financial statements required material adjustments proposed by the Auditors to ensure such statements complied with Generally Accepted Accounting Principles (GAAP). Material audit adjustments were proposed to several accounts and financial statement groups including Debt, Unearned Revenue, Receivables, and Capital Assets, to be in accordance with Generally Accepted Accounting Principles.

Cause:

The Town's internal controls in place to capture and record all necessary balances in the automated accounting system were not adequate for the year ended June 30, 2022.

Effect:

There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

Recommendation:

We recommend that the Town strengthen internal controls to capture and record all balances accurately in accordance with General Accepted Accounting Principles and eliminate the need for material audit adjustments. In addition, capturing and recording all necessary balances in the accounting system will assist Management and those charged with governance in their decision making for the Town.

Management's Response:

Management concurs with this recommendation and will strengthen internal controls related to capturing and recording all necessary balances in accordance with the General Accepted Accounting Principles.