

TOWN OF COLONIAL BEACH, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

TOWN OF COLONIAL BEACH, VIRGINIA

ANNUAL FINANCIAL REPORT

**FOR THE YEAR
ENDED JUNE 30, 2022**

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TOWN OF COLONIAL BEACH, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
<u>Introductory Section</u>	
Directory of Public Officials	i
<u>Financial Section</u>	
Independent Auditors' Report	1-3
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Position	4
Exhibit 2 Statement of Activities	5
Fund Financial Statements:	
Exhibit 3 Balance Sheet - Governmental Funds	6
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	7
Exhibit 5 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Exhibit 7 Statement of Net Position - Proprietary Funds	10
Exhibit 8 Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	11
Exhibit 9 Statement of Cash Flows - Proprietary Funds	12
Exhibit 10 Statement of Fiduciary Net Position - Fiduciary Funds	13
Exhibit 11 Statement of Changes in Fiduciary Net Position - Fiduciary Funds	14
Notes to Financial Statements	15-67

TOWN OF COLONIAL BEACH, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
<u>Required Supplementary Information:</u>	
Exhibit 12 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	68
Exhibit 13 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Primary Government	69-70
Exhibit 14 Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan	71-72
Exhibit 15 Schedule of Employer Contributions - Pension Plans	73
Exhibit 16 Notes to Required Supplementary Information - Pension Plans	74
Exhibit 17 Schedule of Town's Share of Net OPEB Liability - Group Life Insurance (GLI) Plan	75
Exhibit 18 Schedule of Employer Contributions - Group Life Insurance (GLI) Plan	76
Exhibit 19 Notes to Required Supplementary Information - Group Life Insurance (GLI) Plan	77
Exhibit 20 Schedule of School Board's Share of Net OPEB Liability - Teacher Employee Health Insurance Credit (HIC) Plan	78
Exhibit 21 Schedule of Employer Contributions - Teacher Employee Health Insurance Credit (HIC) Plan	79
Exhibit 22 Notes to Required Supplementary Information - Teacher Employee Health Insurance Credit (HIC) Plan	80
<u>Other Supplementary Information:</u>	
Combining and Individual Fund Financial Statements and Schedules:	
Discretely Presented Component Unit School Board:	
Exhibit 23 Combining Balance Sheet	81
Exhibit 24 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	82
Exhibit 25 Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual-School Operating Fund	83

TOWN OF COLONIAL BEACH, VIRGINIA

FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
<u>Compliance:</u>	
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 <i>Government Auditing Standards</i>	84-85
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	86-88
Schedule of Expenditures of Federal Awards	89
Notes to Schedule of Expenditures of Federal Awards	90
Schedule of Findings and Questioned Costs	91-92
Summary Schedule of Prior Audit Findings	93

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INTRODUCTORY SECTION

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TOWN OF COLONIAL BEACH, VIRGINIA

Town Council

Robin Schick, Mayor

Andrea Clement
Tom Moncure
Kenneth Allison

Caryn Self Sullivan
David Williams
Vicki Roberson

Town School Board

Michelle Payne, Chair
Tara Seeber, Vice Chair

Audra Lucas-Peyton
Terri McClure

Patrice Lyburn

Other Officials

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

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FINANCIAL SECTION

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of Town of Colonial Beach, Virginia, as of and for the year ended June 30, 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, each major fund, and the aggregate remaining fund information of Town of Colonial Beach, Virginia, as of and for the year ended June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principles

As described in Note 18 to the financial statements, in 2022, the Town adopted new accounting guidance, GASB Statement Nos. 87, *Leases*, and 92, *Omnibus*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Required Supplementary Information (Continued)

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2022, on our consideration of Town of Colonial Beach, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Colonial Beach, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Colonial Beach, Virginia's internal control over financial reporting and compliance.

Robinson, Farnum, Cox Associates

Richmond, Virginia
November 17, 2022

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Town of Colonial Beach, Virginia
Statement of Net Position
June 30, 2022

June 30, 2022

	Primary Government			Component Unit
	Governmental	Business-type		
	Activities	Activities	Total	School Board
ASSETS				
Cash and cash equivalents	\$ 5,936,504	\$ 3,820,893	\$ 9,757,397	\$ 688,262
Receivables (net of allowance for uncollectibles):				
Taxes receivable	329,722	-	329,722	-
Accounts receivable	389,949	63,327	453,276	5,104
Lease receivable	226,171	-	226,171	-
Due from other governmental units	633,000	800	633,800	603,848
Prepaid items	-	-	-	60,245
Net pension asset	1,510,478	720,327	2,230,805	-
Restricted assets:				
Restricted cash and cash equivalents	3,521	440,656	444,177	-
Capital assets (net of accumulated depreciation):				
Land	1,375,592	29,280	1,404,872	57,210
Buildings and improvements	773,564	17,882,336	18,655,900	10,519,849
Equipment	1,404,085	281,692	1,685,777	153,281
Lease office space	49,295	-	49,295	2,407
Vehicles	486,841	529,997	1,016,838	462,096
Infrastructure	4,408,376	-	4,408,376	-
Construction in progress	166,999	29,280	196,279	-
Total assets	\$ 17,694,097	\$ 23,798,588	\$ 41,492,685	\$ 12,552,302
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 111,701	\$ 52,079	\$ 163,780	\$ 1,259,882
OPEB related items	37,298	14,177	51,475	134,518
Total deferred outflows of resources	\$ 148,999	\$ 66,256	\$ 215,255	\$ 1,394,400
LIABILITIES				
Accounts payable and other accrued liabilities	\$ 619,789	\$ 182,725	\$ 802,514	\$ 415,412
Accrued interest payable	155,851	62,433	218,284	-
Due to other governmental units	939,808	-	939,808	533,195
Unearned revenue	1,781,674	-	1,781,674	-
Long-term liabilities:				
Due within one year	370,377	549,467	919,844	16,384
Due in more than one year	9,428,149	9,021,517	18,449,666	4,258,637
Total liabilities	\$ 13,295,648	\$ 9,816,142	\$ 23,111,790	\$ 5,223,628
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 96,732	\$ -	\$ 96,732	\$ -
Pension related items	777,544	367,252	1,144,796	2,538,096
OPEB related items	38,132	14,494	52,626	134,749
Lease deferrals	220,940	-	220,940	-
Total deferred inflows of resources	\$ 1,133,348	\$ 381,746	\$ 1,515,094	\$ 2,672,845
NET POSITION				
Net investment in capital assets	\$ 6,006,455	\$ 9,246,667	\$ 15,253,122	\$ 11,192,429
Restricted for:				
Debt service	3,521	440,656	444,177	-
Net pension asset	1,510,478	720,327	2,230,805	-
Unrestricted (deficit)	(4,106,354)	3,259,306	(847,048)	(5,142,200)
Total net position	\$ 3,414,100	\$ 13,666,956	\$ 17,081,056	\$ 6,050,229

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

Town of Colonial Beach, Virginia
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,073,643	\$ 3,845	\$ 237	\$ -	\$ (1,069,561)	\$ -	\$ (1,069,561)	\$ -
Public safety	1,966,061	361,516	155,432	-	(1,449,113)	-	(1,449,113)	-
Public works	2,635,040	28,299	874,416	-	(1,732,325)	-	(1,732,325)	-
Health and welfare	4,800	-	-	-	(4,800)	-	(4,800)	-
Education	2,405,730	-	-	-	(2,405,730)	-	(2,405,730)	-
Parks, recreation, and cultural	80,168	-	-	-	(80,168)	-	(80,168)	-
Community development	341,672	45,154	29,000	5,367	(262,151)	-	(262,151)	-
Interest on long-term debt	329,811	-	-	-	(329,811)	-	(329,811)	-
Total governmental activities	\$ 8,837,191	\$ 438,814	\$ 1,059,085	\$ 5,367	\$ (7,333,925)	\$ -	\$ (7,333,925)	\$ -
Business-type activities:								
Water	\$ 1,036,495	\$ 1,290,375	\$ -	\$ -	\$ -	\$ 253,880	\$ 253,880	\$ -
Sewer	2,384,227	2,395,465	-	-	-	11,238	11,238	-
Total business-type activities	\$ 3,420,722	\$ 3,685,840	\$ -	\$ -	\$ -	\$ 265,118	\$ 265,118	\$ -
Total primary government	\$ 12,257,913	\$ 4,124,654	\$ 1,059,085	\$ 5,367	\$ (7,333,925)	\$ 265,118	\$ (7,068,807)	\$ -
COMPONENT UNIT:								
School Board	\$ 9,457,017	\$ 33,190	\$ 7,156,215	\$ -	\$ -	\$ -	\$ -	(2,267,612)
Total component unit	\$ 9,457,017	\$ 33,190	\$ 7,156,215	\$ -	\$ -	\$ -	\$ -	(2,267,612)
General revenues:								
General property taxes					\$ 4,838,070	\$ -	\$ 4,838,070	\$ -
Local sales and use taxes					416,909	-	416,909	-
Business license taxes					131,152	-	131,152	-
Food and lodging					772,952	-	772,952	-
Consumer utility taxes					107,357	-	107,357	-
Motor vehicle licenses					69,590	-	69,590	-
Other local taxes					140,499	-	140,499	-
Unrestricted revenues from use of money					14,476	-	14,476	-
Miscellaneous					601,639	-	601,639	198,311
Grants and contributions not restricted to specific programs					385,439	-	385,439	-
Payment from Town of Colonial Beach					-	-	-	2,405,730
Total general revenues					\$ 7,478,083	\$ -	\$ 7,478,083	\$ 2,604,041
Change in net position					\$ 144,158	\$ 265,118	\$ 409,276	\$ 336,429
Net position - beginning					3,269,942	13,401,838	16,671,780	5,713,800
Net position - ending					\$ 3,414,100	\$ 13,666,956	\$ 17,081,056	\$ 6,050,229

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

FUND FINANCIAL STATEMENTS

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Town of Colonial Beach, Virginia
Balance Sheet
Governmental Funds
June 30, 2022

	<u>General</u>	<u>Capital Projects</u>	<u>Erosion Fund</u>	<u>Forfeited Asset Fund</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 4,539,535	\$ 1,253,444	\$ 135,068	\$ 8,457	\$ 5,936,504
Receivables (net of allowance for uncollectibles):					
Taxes receivable	329,722	-	-	-	329,722
Accounts receivable	389,949	-	-	-	389,949
Lease receivable	226,171	-	-	-	226,171
Due from other governmental units	633,000	-	-	-	633,000
Restricted assets:					
Restricted cash and cash equivalents	3,521	-	-	-	3,521
Total assets	<u>\$ 6,121,898</u>	<u>\$ 1,253,444</u>	<u>\$ 135,068</u>	<u>\$ 8,457</u>	<u>\$ 7,518,867</u>
LIABILITIES					
Accounts payable and other accrued liabilities	\$ 619,789	\$ -	\$ -	\$ -	\$ 619,789
Unearned revenue	1,773,217	-	-	8,457	1,781,674
Total liabilities	<u>\$ 2,393,006</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,457</u>	<u>\$ 2,401,463</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 397,554	\$ -	\$ -	\$ -	\$ 397,554
Lease deferrals	220,940	-	-	-	220,940
Total deferred inflows of resources	<u>\$ 618,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 618,494</u>
FUND BALANCES					
Restricted	\$ 3,521	\$ -	\$ -	\$ -	\$ 3,521
Committed	-	782,606	-	-	782,606
Assigned	128,037	470,838	135,068	-	733,943
Unassigned	2,978,840	-	-	-	2,978,840
Total fund balances	<u>\$ 3,110,398</u>	<u>\$ 1,253,444</u>	<u>\$ 135,068</u>	<u>\$ -</u>	<u>\$ 4,498,910</u>

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

Town of Colonial Beach, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2022

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 4,498,910

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets, cost	\$ 17,374,725	
Accumulated depreciation	<u>(8,709,973)</u>	8,664,752

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

Unavailable revenue - property taxes	\$ 300,822	
Net pension asset	<u>1,510,478</u>	1,811,300

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

Pension related items	\$ 111,701	
OPEB related items	<u>37,298</u>	148,999

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

Compensated absences	\$ (135,110)	
Net OPEB liability	(89,927)	
General obligation bonds	(9,180,693)	
Equipment purchase agreement	(83,039)	
Lease liability	(50,741)	
Bond premium	(259,016)	
Due to other governmental units	(939,808)	
Accrued interest payable	<u>(155,851)</u>	(10,894,185)

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

Pension related items	\$ (777,544)	
OPEB related items	<u>(38,132)</u>	(815,676)

Net position of governmental activities		<u><u>\$ 3,414,100</u></u>
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The notes to the financial statements are an integral part of this statement.

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

	<u>General</u>	<u>Capital Projects</u>	<u>Erosion Fund</u>	<u>Forfeited Asset Fund</u>	<u>Total</u>
REVENUES					
General property taxes	\$ 4,753,893	\$ -	\$ -	\$ -	\$ 4,753,893
Other local taxes	1,638,459	-	-	-	1,638,459
Permits, privilege fees, and regulatory licenses	63,371	-	-	-	63,371
Fines and forfeitures	22,625	-	-	-	22,625
Revenue from the use of money and property	35,818	-	-	-	35,818
Charges for services	331,476	-	-	-	331,476
Miscellaneous	25,830	575,809	-	-	601,639
Recovered costs	224,419	-	-	-	224,419
Intergovernmental:					
Commonwealth	1,292,709	-	-	2,542	1,295,251
Federal	154,640	-	-	-	154,640
Total revenues	<u>\$ 8,543,240</u>	<u>\$ 575,809</u>	<u>\$ -</u>	<u>\$ 2,542</u>	<u>\$ 9,121,591</u>
EXPENDITURES					
Current:					
General government administration	\$ 1,312,624	\$ -	\$ -	\$ -	\$ 1,312,624
Public safety	2,017,377	-	-	2,542	2,019,919
Public works	2,331,595	-	-	-	2,331,595
Health and welfare	4,800	-	-	-	4,800
Education	2,155,730	250,000	-	-	2,405,730
Parks, recreation, and cultural	82,191	-	-	-	82,191
Community development	495,171	-	-	-	495,171
Nondepartmental	117,940	-	-	-	117,940
Debt service:					
Principal retirement	1,648,116	-	-	-	1,648,116
Interest and other fiscal charges	350,441	-	-	-	350,441
Total expenditures	<u>\$ 10,515,985</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 2,542</u>	<u>\$ 10,768,527</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,972,745)</u>	<u>\$ 325,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,646,936)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 421,000	\$ -	\$ -	\$ -	\$ 421,000
Transfers out	-	(421,000)	-	-	(421,000)
Issuance of general obligation bonds	1,325,693	-	-	-	1,325,693
Total other financing sources (uses)	<u>\$ 1,746,693</u>	<u>\$ (421,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,325,693</u>
Net change in fund balances	\$ (226,052)	\$ (95,191)	\$ -	\$ -	\$ (321,243)
Fund balances - beginning	3,336,450	1,348,635	135,068	-	4,820,153
Fund balances - ending	<u>\$ 3,110,398</u>	<u>\$ 1,253,444</u>	<u>\$ 135,068</u>	<u>\$ -</u>	<u>\$ 4,498,910</u>

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

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

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

Net change in fund balances - total governmental funds	\$	(321,243)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital outlays	\$ 891,763	
Depreciation expense	(1,041,967)	(150,204)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(63,202)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		84,177

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

Principal retirement on general obligation bonds	\$ 1,577,160	
Issuance of general obligation bonds	(1,325,693)	
Principal retirement on lease liability	37,990	
Principal retirement on equipment purchase agreements	32,966	322,423

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

Amortization of bond premium	\$ 11,101	
Change in pension related items	140,402	
Change in OPEB related items	5,429	
Change in compensated absences	(11,928)	
Change in amounts due to Westmoreland County	117,674	
Change in accrued interest payable	9,529	272,207

Change in net position of governmental activities	\$	144,158
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The notes to the financial statements are an integral part of this statement.

Town of Colonial Beach, Virginia
Statement of Net Position - Proprietary Funds
For the Year Ended June 30, 2022

	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,902,794	\$ 1,918,099	\$ 3,820,893
Accounts receivable (net of allowance for uncollectibles)	31,427	31,900	63,327
Total current assets	\$ 1,934,221	\$ 1,949,999	\$ 3,884,220
Noncurrent assets:			
Restricted cash and cash equivalents	\$ 316,262	\$ 124,394	\$ 440,656
Due from other governmental units	-	800	800
Net pension asset	185,603	534,724	720,327
Capital assets:			
Land	2,900	26,380	29,280
Construction in progress	-	29,280	29,280
Equipment, net of depreciation	3,775	277,917	281,692
Vehicles, net of depreciation	216,936	313,061	529,997
Buildings and improvements, net of depreciation	5,958,728	11,923,608	17,882,336
Total noncurrent assets	\$ 6,684,204	\$ 13,230,164	\$ 19,914,368
Total assets	\$ 8,618,425	\$ 15,180,163	\$ 23,798,588
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 13,660	\$ 38,419	\$ 52,079
OPEB related items	3,491	10,686	14,177
Total deferred outflows of resources	\$ 17,151	\$ 49,105	\$ 66,256
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 32,660	\$ 150,065	\$ 182,725
Accrued interest payable	44,685	17,748	62,433
Compensated absences, current portion	360	2,728	3,088
Equipment purchase agreement, current portion	-	45,902	45,902
General obligation bonds, current portion	347,069	153,408	500,477
Total current liabilities	\$ 424,774	\$ 369,851	\$ 794,625
Noncurrent liabilities:			
Compensated absences, net of current portion	\$ 3,242	\$ 24,552	\$ 27,794
Net OPEB liability	8,419	25,765	34,184
Equipment purchase agreement, net of current portion	-	68,759	68,759
General obligation bonds, net of current portion	4,231,897	4,658,883	8,890,780
Total noncurrent liabilities	\$ 4,243,558	\$ 4,777,959	\$ 9,021,517
Total liabilities	\$ 4,668,332	\$ 5,147,810	\$ 9,816,142
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 94,915	\$ 272,337	\$ 367,252
OPEB related items	3,569	10,925	14,494
Total deferred inflows of resources	\$ 98,484	\$ 283,262	\$ 381,746
Net Position			
Net investment in capital assets	\$ 1,603,373	\$ 7,643,294	\$ 9,246,667
Restricted:			
Debt service	316,262	124,394	440,656
Net pension asset	185,603	534,724	720,327
Unrestricted	1,763,522	1,495,784	3,259,306
Total Net Position	\$ 3,868,760	\$ 9,798,196	\$ 13,666,956

Town of Colonial Beach, Virginia
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
For the Year Ended June 30, 2022

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 1,144,025	\$ 2,395,465	\$ 3,539,490
Total operating revenues	\$ 1,144,025	\$ 2,395,465	\$ 3,539,490
Operating expenses:			
Personnel services	\$ 212,775	\$ 622,137	\$ 834,912
Fringe benefits	33,994	107,559	141,553
Contractual services	131,038	184,378	315,416
Other charges	235,135	736,212	971,347
Depreciation	348,178	647,477	995,655
Total operating expenses	\$ 961,120	\$ 2,297,763	\$ 3,258,883
Operating income (loss)	\$ 182,905	\$ 97,702	\$ 280,607
Nonoperating revenues (expenses):			
Connection fees	\$ 146,350	\$ -	\$ 146,350
Interest expense	(75,375)	(86,464)	(161,839)
Total nonoperating revenues (expenses)	\$ 70,975	\$ (86,464)	\$ (15,489)
Change in net position	\$ 253,880	\$ 11,238	\$ 265,118
Net position, beginning of year	3,614,880	9,786,958	13,401,838
Net position, end of year	\$ 3,868,760	\$ 9,798,196	\$ 13,666,956

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

Town of Colonial Beach, Virginia
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2022

	Water	Sewer	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,143,509	\$ 2,526,151	\$ 3,669,660
Payments for employees	(268,643)	(796,251)	(1,064,894)
Payments to suppliers	(357,968)	(873,915)	(1,231,883)
Net cash provided by (used for) operating activities	<u>\$ 516,898</u>	<u>\$ 855,985</u>	<u>\$ 1,372,883</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	\$ (4,563,544)	\$ (1,120,647)	\$ (5,684,191)
Proceeds from issuance of long-term debt	4,406,691	843,716	5,250,407
Connection fees	146,350	-	146,350
Purchase of capital assets	(136,698)	(85,475)	(222,173)
Interest paid on long-term debt	(77,542)	(88,355)	(165,897)
Net cash provided by (used for) capital and related financing activities	<u>\$ (224,743)</u>	<u>\$ (450,761)</u>	<u>\$ (675,504)</u>
Increase (decrease) in cash and cash equivalents	\$ 292,155	\$ 405,224	\$ 697,379
Cash and cash equivalents - beginning - (including restricted amounts)	<u>1,926,901</u>	<u>1,637,269</u>	<u>3,564,170</u>
Cash and cash equivalents - ending - (including restricted amounts)	<u><u>\$ 2,219,056</u></u>	<u><u>\$ 2,042,493</u></u>	<u><u>\$ 4,261,549</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 182,905	\$ 97,702	\$ 280,607
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	348,178	647,477	995,655
(Increase)/decrease in accounts receivable	(516)	4,291	3,775
(Increase)/decrease in due from other governmental units	-	126,395	126,395
(Increase)/decrease in net pension asset	(125,361)	(344,779)	(470,140)
(Increase)/decrease in deferred outflows of resources	12,153	43,324	55,477
Increase/(decrease) in net OPEB liability	(2,788)	(8,533)	(11,321)
Increase/(decrease) in accounts payable	8,205	46,675	54,880
Increase/(decrease) in deferred inflows of resources	94,114	250,073	344,187
Increase/(decrease) in compensated absences	8	(6,640)	(6,632)
Net cash provided by (used for) operating activities	<u><u>\$ 516,898</u></u>	<u><u>\$ 855,985</u></u>	<u><u>\$ 1,372,883</u></u>

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

Town of Colonial Beach, Virginia
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2022

	<u>Custodial Fund</u>
	<u>Northern Neck</u>
	<u>Regional</u>
	<u>Governor's School</u>
ASSETS	
Cash and cash equivalents	\$ 13,781
Total assets	<u>\$ 13,781</u>
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	\$ 13,781
Total net position	<u><u>\$ 13,781</u></u>

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

Town of Colonial Beach, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2022

	<u>Custodial Fund</u> <u>Northern Neck</u> <u>Regional</u> <u>Governor's School</u>
ADDITIONS	
Charges for services:	
Tuition	\$ 5,000
Miscellaneous	400
Revenue from the Commonwealth	10,322
Total additions	<u>\$ 15,722</u>
DEDUCTIONS	
Administrative expenses	15,340
Total deductions	<u>\$ 15,340</u>
Net increase (decrease) in fiduciary net position	<u>\$ 382</u>
Net position, beginning	13,399
Net position, ending	<u><u>\$ 13,781</u></u>

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

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements As of June 30, 2022

Note 1—Summary of Significant Accounting Policies:

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

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

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

Government-wide and Fund Financial Statements

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

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

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

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit. The Town has no blended component units at June 30, 2022.

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

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

None

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

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

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

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

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

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

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

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

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

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

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

1. Governmental Funds

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

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

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

Erosion Fund - The Erosion Fund is a special revenue fund that is used to account for financial resources accumulated to be used for beach erosion.

Special Revenue Funds - Special Revenue Funds account for and report the proceeds for specific sources that are restricted or committed to expenditure for specified purposes, other than debt service or certified projects. The only special revenue fund is the Forfeited Asset Fund, which is considered a major fund.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

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

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

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

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

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

The Colonial Beach Town School Board has the following funds:

Governmental Funds:

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

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

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

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

E. Cash and Cash Equivalents

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

F. Investments

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

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

G. Restricted Assets

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

H. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$301,442 at June 30, 2022 and is comprised of property taxes in the amount of \$60,263 and utility accounts in the amount of \$241,179.

Real and Personal Property Tax Data:

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

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

The Town bills and collects its own property taxes.

I. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the Town and Component Unit School Board as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. For infrastructure asset the same estimated minimum useful life is used (in excess of two years), but only those infrastructure projects that cost more than \$50,000 are reported as capital assets.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

I. Capital Assets (Continued)

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

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

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

J. Leases

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

Lessee

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

Lessor

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

J. Leases (Continued)

Key Estimates and Judgments

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

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

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

K. Prepaid Items

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

L. Compensated Absences

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

M. Use of Estimates

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

N. Net Position

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

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

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

O. Pensions

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

P. Other Postemployment Benefits (OPEB)

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

Q. Long-term Obligations

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

Q. Long-term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

R. Deferred Outflows/Inflows of Resources

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

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

S. Fund Balance

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

S. Fund Balance (Continued)

- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned. The Town's policy is to maintain an unassigned fund balance in the general fund equal to 15% of expenditures/operating revenues.

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

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

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

	General Fund	Capital Projects	Erosion Fund	Total
Fund Balances:				
Restricted:				
Debt service	\$ 3,521	\$ -	\$ -	\$ 3,521
Total Restricted Fund Balance	\$ 3,521	\$ -	\$ -	\$ 3,521
Committed:				
Fire department	\$ -	\$ 27,049	\$ -	\$ 27,049
Rescue squad	-	27,049	-	27,049
Schools	-	728,508	-	728,508
Total Committed Fund Balance	\$ -	\$ 782,606	\$ -	\$ 782,606
Assigned:				
Capital projects	\$ -	\$ 470,838	\$ -	\$ 470,838
PD funding	98,037	-	-	98,037
Parks master plan	30,000	-	-	30,000
Erosion funds	-	-	135,068	135,068
Total Assigned Fund Balance	\$ 128,037	\$ 470,838	\$ 135,068	\$ 733,943
Unassigned	\$ 2,978,840	\$ -	\$ -	\$ 2,978,840
Total Fund Balances	\$ 3,110,398	\$ 1,253,444	\$ 135,068	\$ 4,498,910

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 2—Stewardship, Compliance, and Accounting:

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

1. Prior to June 10th, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund and the School Operating Fund of the School Board.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, every year.
8. All budgetary data presented in the accompanying financial statements is from the revised budget as of June 30, 2022, as adopted and legally amended.
9. Excess of expenditures over appropriations:
For the year ended June 30, 2022, expenditures exceeded appropriations in the General Fund and the School Operating Fund.

Note 3—Deposits and Investments:

Deposits

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

Investments

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 3—Deposits and Investments: (Continued)

Credit Risk

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

Concentration of Credit Risk

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

Interest Rate Risk

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

Custodial Credit Risk

As required by the Code of Virginia, all security holdings with maturities over 30 days may not be held in safekeeping with the “counterparty” to the investment transaction. The Town held no investments during the year ended June 30, 2022.

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 4—Due to/from Other Governments:

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit School Board</u>
Other Local Governments:			
Westmoreland County	\$ -	\$ 800	\$ -
Colonial Beach School Board	533,195	-	-
Commonwealth of Virginia:			
Local sales tax	76,591	-	-
State sales Tax	-	-	205,443
Communications tax	23,214	-	-
Federal Government:			
School fund grants	-	-	398,405
Total due from other governments	\$ <u>633,000</u>	\$ <u>800</u>	\$ <u>603,848</u>

At June 30, 2022, long-term amounts due to other local governments are as follows:

Other Local Governments:			
Town of Colonial Beach, Virginia	\$ -	\$ -	\$ 533,195
Westmoreland County	<u>939,808</u>	<u>-</u>	<u>-</u>
Total due to other governments	\$ <u>939,808</u>	\$ <u>-</u>	\$ <u>533,195</u>

On January 17, 2018, the Town entered into an agreement with Westmoreland County to pay a portion of the County's \$5,739,100 debt issuance. The Town's total portion to be paid is \$1,410,531. As of June 30, 2022, the outstanding balance to be paid is \$939,808.

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2022

Note 5—Capital Assets:

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

Primary Government:

	Balance July 1, 2021	Adjustments	Adjusted Balance July 1, 2021	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2022
Governmental activities:						
Capital assets not subject to depreciation:						
Land	\$ 1,420,775	\$ -	\$ 1,420,775	\$ -	\$ 45,183	\$ 1,375,592
Construction in progress	105,351	-	105,351	326,547	264,899	166,999
Total capital assets not subject to depreciation	\$ 1,526,126	\$ -	\$ 1,526,126	\$ 326,547	\$ 310,082	\$ 1,542,591
Capital assets subject to depreciation:						
Buildings and improvements	\$ 1,111,804	\$ -	\$ 1,111,804	\$ 158,255	\$ 92,106	\$ 1,177,953
Infrastructure	10,318,323	-	10,318,323	239,679	-	10,558,002
Equipment	2,657,167	-	2,657,167	61,075	-	2,718,242
Lease office space	-	88,731	88,731	-	-	88,731
Vehicles	918,100	-	918,100	371,106	-	1,289,206
Total capital assets subject to depreciation	\$ 15,005,394	\$ 88,731	\$ 15,094,125	\$ 830,115	\$ 92,106	\$ 15,832,134
Accumulated depreciation:						
Buildings and improvements	\$ 442,717	\$ -	\$ 442,717	\$ 35,759	\$ 74,087	\$ 404,389
Infrastructure	5,456,411	-	5,456,411	693,215	-	6,149,626
Equipment	1,124,797	-	1,124,797	189,360	-	1,314,157
Lease office space	-	-	-	39,436	-	39,436
Vehicles	718,168	-	718,168	84,197	-	802,365
Total accumulated depreciation	\$ 7,742,093	\$ -	\$ 7,742,093	\$ 1,041,967	\$ 74,087	\$ 8,709,973
Total capital assets subject to depreciation, net	\$ 7,263,301	\$ 88,731	\$ 7,352,032	\$ (211,852)	\$ 18,019	\$ 7,122,161
Governmental activities capital assets, net	\$ 8,789,427	\$ 88,731	\$ 8,878,158	\$ 114,695	\$ 328,101	\$ 8,664,752

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 5—Capital Assets: (Continued)

Primary Government: (Continued)

	<u>Balance July 1, 2021</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2022</u>
Business-type activities:				
Capital assets not subject to depreciation:				
Land	\$ 29,280	\$ -	\$ -	\$ 29,280
Construction in progress	<u>-</u>	<u>29,280</u>	<u>-</u>	<u>29,280</u>
Total capital assets not subject to depreciation	\$ <u>29,280</u>	\$ <u>29,280</u>	\$ <u>-</u>	\$ <u>58,560</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 32,521,518	\$ 185,727	\$ -	\$ 32,707,245
Equipment	851,648	7,166	-	858,814
Vehicles	<u>1,006,938</u>	<u>-</u>	<u>-</u>	<u>1,006,938</u>
Total capital assets subejct to depreciation	\$ <u>34,380,104</u>	\$ <u>192,893</u>	\$ <u>-</u>	\$ <u>34,572,997</u>
Accumulated depreciation:				
Buildings and improvements	\$ 13,998,267	\$ 826,642	\$ -	\$ 14,824,909
Equipment	510,193	66,929	-	577,122
Vehicles	<u>374,857</u>	<u>102,084</u>	<u>-</u>	<u>476,941</u>
Total accumulated depreciation	\$ <u>14,883,317</u>	\$ <u>995,655</u>	\$ <u>-</u>	\$ <u>15,878,972</u>
Total capital assets subject to depreciation, net	\$ <u>19,496,787</u>	\$ <u>(802,762)</u>	\$ <u>-</u>	\$ <u>18,694,025</u>
Business-type activities capital assets, net	\$ <u><u>19,526,067</u></u>	\$ <u><u>(773,482)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>18,752,585</u></u>

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2022

Note 5—Capital Assets: (Continued)

Component Unit - School Board:	Balance July 1, 2021	Adjustments	Adjusted Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets not subject to depreciation:						
Land	\$ 57,210	\$ -	\$ 57,210	\$ -	\$ -	\$ 57,210
Total capital assets not subject to depreciation	\$ 57,210	\$ -	\$ 57,210	\$ -	\$ -	\$ 57,210
Capital assets subject to depreciation:						
Buildings and improvements	\$ 13,546,869	\$ -	\$ 13,546,869	\$ 79,850	\$ -	\$ 13,626,719
Equipment	256,882	-	256,882	77,190	-	334,072
Lease equipment	-	16,852	16,852	-	-	16,852
Vehicles	1,284,872	-	1,284,872	151,064	-	1,435,936
Total capital assets subject to depreciation	\$ 15,088,623	\$ 16,852	\$ 15,105,475	\$ 308,104	\$ -	\$ 15,413,579
Accumulated depreciation:						
Buildings and improvements	\$ 2,780,171	\$ -	\$ 2,780,171	\$ 326,699	\$ -	\$ 3,106,870
Equipment	139,541	-	139,541	41,250	-	180,791
Lease equipment	-	-	-	14,445	-	14,445
Vehicles	840,310	-	840,310	133,530	-	973,840
Total accumulated depreciation	\$ 3,760,022	\$ -	\$ 3,760,022	\$ 515,924	\$ -	\$ 4,275,946
Total capital assets subject to depreciation, net	\$ 11,328,601	\$ 16,852	\$ 11,345,453	\$ (207,820)	\$ -	\$ 11,137,633
School Board capital assets, net	\$ 11,385,811	\$ 16,852	\$ 11,402,663	\$ (207,820)	\$ -	\$ 11,194,843

Depreciation expense was charged to functions/programs as follows:

Primray Government:

Governmental activities:

General government administration	\$ 51,378
Public safety	195,192
Public works	712,630
Parks, recreation and cultural	1,267
Community development	81,500
Total Governmental activities	\$ 1,041,967

Business-type activities:

Water fund	\$ 348,178
Sewer fund	647,477
Total Business-type activities	\$ 995,655
Component Unit School Board	\$ 515,924

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 6—Long-Term Obligations:

Primary Government:

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

	Balance at July 1, 2021	Adjustments	Adjusted Balance at July 1, 2021	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2022	Amounts Due Within One Year
Governmental Activities Obligations:							
General obligation bonds	\$ 9,432,160	\$ -	\$ 9,432,160	\$ 1,325,693	\$ 1,577,160	\$ 9,180,693	\$ 273,501
Bond premium	270,117	-	270,117	-	11,101	259,016	11,101
Equipment purchase agreement	116,005	-	116,005	-	32,966	83,039	31,898
Compensated absences	123,182	-	123,182	24,246	12,318	135,110	13,511
Lease liability	-	88,731	88,731	-	37,990	50,741	40,366
Net OPEB liability	119,710	-	119,710	40,813	70,596	89,927	-
Total Governmental Activities Obligations	\$ 10,061,174	\$ 88,731	\$ 10,149,905	\$ 1,390,752	\$ 1,742,131	\$ 9,798,526	\$ 370,377
Business-type Activities Obligations:							
General obligation bonds	\$ 9,780,201	\$ -	\$ 9,780,201	\$ 5,250,407	\$ 5,639,351	\$ 9,391,257	\$ 500,477
Equipment purchase agreement	159,501	-	159,501	-	44,840	114,661	45,902
Compensated absences	37,514	-	37,514	-	6,632	30,882	3,088
Net OPEB liability	45,505	-	45,505	15,514	26,835	34,184	-
Total Business-type Activities Obligations	\$ 10,022,721	\$ -	\$ 10,022,721	\$ 5,265,921	\$ 5,717,658	\$ 9,570,984	\$ 549,467

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	Governmental Activities						Business-type Activities			
	General Obligation		Lease Liability		Equipment		General Obligation		Equipment	
	Bonds				Purchase Agreement		Bonds		Purchase Agreement	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 273,501	\$ 308,837	\$ 40,366	\$ 1,055	\$ 31,898	\$ 1,689	\$ 500,478	\$ 170,158	\$ 45,902	\$ 2,431
2024	312,470	294,294	10,375	56	32,595	948	616,953	152,257	46,905	1,365
2025	323,760	281,391	-	-	18,546	192	623,842	142,815	21,854	275
2026	336,018	267,951	-	-	-	-	634,599	133,209	-	-
2027	336,241	256,525	-	-	-	-	597,726	123,840	-	-
2028-2032	1,852,915	1,108,908	-	-	-	-	2,698,927	480,872	-	-
2033-2037	2,370,788	820,100	-	-	-	-	1,941,388	257,871	-	-
2038-2042	1,990,000	505,445	-	-	-	-	512,368	155,718	-	-
2043-2047	1,385,000	136,166	-	-	-	-	503,845	106,170	-	-
2048-2052	-	-	-	-	-	-	542,138	53,584	-	-
2053-2057	-	-	-	-	-	-	204,207	10,475	-	-
2058	-	-	-	-	-	-	14,786	162	-	-
Total	<u>\$ 9,180,693</u>	<u>\$ 3,979,617</u>	<u>\$ 50,741</u>	<u>\$ 1,111</u>	<u>\$ 83,039</u>	<u>\$ 2,829</u>	<u>\$ 9,391,257</u>	<u>\$ 1,787,131</u>	<u>\$ 114,661</u>	<u>\$ 4,071</u>

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term obligations:

	<u>Interest Rate</u>	<u>Year Issued</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
General Obligation Bonds:						
General Obligation Public Improvement Bonds	0.00%	2008	2029	\$ 2,672,000	\$ -	\$ 835,578
General Obligation Public Improvement Bonds	2.50%	2010	2058	1,088,000	-	833,493
USDA Rural Development Note Payable	2.13%	2021	2031	382,200	-	344,550
General Obligation Sewer Bonds	1.88%	2013	2053	2,460,000	-	2,127,229
General Obligation Bond - Key Government	1.83%	2021	2038	1,325,693	1,325,693	5,250,407
Virginia Public School Authority Bonds	3.52%	2015	2046	8,630,000	7,855,000	-
Virginia Public School Authority Bonds - Bond Premium					259,016	-
Total					\$ 9,439,709	\$ 9,391,257
Equipment purchase agreement:						
Master Equipment	2.31%	2015	2024	\$ 718,000	\$ 83,039	\$ 114,661
Total					\$ 83,039	\$ 114,661
Lease liability:						
Police department office space lease	3.25%	2021	2024	\$ 88,731	\$ 50,741	\$ -
Total					\$ 50,741	\$ -
Compensated absences					\$ 135,110	\$ 30,882
Net OPEB liability					\$ 89,927	\$ 34,184
Total long-term obligations					\$ 9,798,526	\$ 9,570,984

VPSA Bond

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

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 6—Long-Term Obligations: (Continued)

Discretely Presented Component Unit-School Board:

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

	Balance at July 1, 2021	Adjustments	Adjusted Balance at July 1, 2021	Increases	Decreases	Balance at June 30, 2022	Amounts Due Within One Year
Component Unit-School Board:							
Compensated absences	\$ 177,270	\$ -	\$ 177,270	\$ -	\$ 37,567	\$ 139,703	\$ 13,970
Lease liability	-	16,852	16,852	-	14,438	2,414	2,414
Net pension liability	6,245,987	-	6,245,987	1,239,816	4,125,158	3,360,645	-
Net OPEB liabilities	865,128	-	865,128	178,119	270,988	772,259	-
Total Component Unit-School Board	\$ 7,288,385	\$ 16,852	\$ 7,305,237	\$ 1,417,935	\$ 4,448,151	\$ 4,275,021	\$ 16,384

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

Year Ending June 30	Lease Liability	
	Principal	Interest
2023	\$ 2,414	\$ 2
Total	\$ 2,414	\$ 2

The above lease liability is for a copier lease that was issued in 2021 with an original issue amount of \$16,852. The interest rate is 3.25% and matures in 2023.

Note 7—Deferred/Unavailable Revenue:

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

Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$300,822 at June 30, 2022.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2022 but paid in advance by the taxpayers totaled \$96,732 at June 30, 2022.

Note 8—Contingent Liabilities:

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 8—Contingent Liabilities: (Continued)

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

There were no construction contracts were outstanding at June 30, 2022.

Note 9—Litigation:

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

Note 10—Risk Management:

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

Note 11—Pension Plans:

Plan Description

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

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 11—Pension Plans: (Continued)

Plan Description (Continued)

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

Average Final Compensation and Service Retirement Multiplier

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

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

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

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 11—Pension Plans: (Continued)

Employees Covered by Benefit Terms

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

	<u>Primary Government</u>
Inactive members or their beneficiaries currently receiving benefits	50
Inactive members:	
Vested inactive members	11
Non-vested inactive members	38
Inactive members active elsewhere in VRS	<u>39</u>
Total inactive members	88
Active members	<u>48</u>
Total covered employees	<u><u>186</u></u>

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2022 was 1.88% 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 \$30,825 and \$26,426 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Liability (Asset)

The net pension liability (asset) (NPL(A)) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Town's net pension liability (asset) was measured as of June 30, 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.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 11—Pension Plans: (Continued)

Actuarial Assumptions - General Employees

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 11—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 11—Pension Plans: (Continued)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 11—Pension Plans: (Continued)

Long-Term Expected Rate of Return

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 11—Pension Plans: (Continued)

Discount Rate (Continued)

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.

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 6,729,471	\$ 7,455,285	\$ (725,814)
Changes for the year:			
Service cost	\$ 213,560	\$ -	\$ 213,560
Interest	442,805	-	442,805
Assumption changes	268,655	-	268,655
Differences between expected and actual experience	(283,566)	-	(283,566)
Contributions - employer	-	27,888	(27,888)
Contributions - employee	-	99,260	(99,260)
Net investment income	-	2,024,215	(2,024,215)
Benefit payments	(338,784)	(338,784)	-
Administrative expenses	-	(5,108)	5,108
Other changes	-	190	(190)
Net changes	\$ 302,670	\$ 1,807,661	\$ (1,504,991)
Balances at June 30, 2021	\$ 7,032,141	\$ 9,262,946	\$ (2,230,805)

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)	\$ (1,381,402)	\$ (2,230,805)	\$ (2,933,177)

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 11—Pension Plans: (Continued)

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

For the year ended June 30, 2022, the Town recognized pension expense of (\$187,848). At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 136,641
Change of assumptions	129,456	-
Net difference between projected and actual earnings on pension plan investments	-	1,004,656
Proportionate Share	3,499	3,499
Employer contributions subsequent to the measurement date	30,825	-
Total	\$ 163,780	\$ 1,144,796

\$30,825 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, subsequent to the measurement date will be recognized as a reduction of (increase to) the Net Pension Liability (Asset) in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government
2023	\$ (242,570)
2024	(229,430)
2025	(234,181)
2026	(305,660)
2027	-
Thereafter	-

Pension Plan Data

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 11—Pension Plans: (Continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually required employer contribution rate for the year ended June 30, 2022 was 16.62% 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 earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$613,396 and \$612,385 for the years ended June 30, 2022 and June 30, 2021, respectively.

In June 2021, the Commonwealth made a special contribution of approximately \$61.3 million to the VRS Teacher Retirement Plan. This special payment was authorized by a budget amendment included in Chapter 552 of the 2021 Appropriation Act, and is classified as a non-employer contribution.

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

At June 30, 2022, the school division reported a liability \$3,360,645 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion was 0.04329% as compared to 0.04290% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized pension expense of \$31,543. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 11—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

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

At June 30, 2022, the school division reported 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	\$ -	\$ 286,240
Change of assumptions	588,776	-
Net difference between projected and actual earnings on pension plan investments	-	2,117,788
Changes in proportion and differences between employer contributions and proportionate share of contributions	57,710	134,068
Employer contributions subsequent to the measurement date	613,396	-
Total	\$ <u>1,259,882</u>	\$ <u>2,538,096</u>

\$613,396 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 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	\$ (462,077)
2024	(415,667)
2025	(430,187)
2026	(584,356)
2027	677

Actuarial Assumptions

The total pension liability for the VRS Teacher 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.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 11—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

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

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 11—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2021, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	53,381,141
Plan Fiduciary Net Position		45,617,878
Employers' Net Pension Liability (Asset)	\$	<u>7,763,263</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		85.46%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

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

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

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

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

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

Net Pension Liability (Asset)	\$	6,485,863	\$	3,360,645	\$	789,736
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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 11—Pension Plans: (Continued)

Primary Government and Component Unit School Board

Pension Plan Fiduciary Net Position

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

Note 12—Interfund Transfers:

Interfund transfers for the year ended June 30, 2022 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ 421,000	\$ -
Capital Projects	-	421,000
Total	<u>\$ 421,000</u>	<u>\$ 421,000</u>
Component Unit- School Board:		
School Operating	\$ 242,719	\$ -
School Cafeteria	-	242,719
Total	<u>\$ 242,719</u>	<u>\$ 242,719</u>

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

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

Plan Description

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

Plan Description (Continued)

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural 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.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the Town were \$13,844 and \$11,890 for the years ended June 30, 2022 and June 30, 2021, respectively.

Contributions to the GLI Plan from the Component Unit School Board professional group were \$20,790 and \$20,691 for the years ended June 30, 2022 and June 30, 2021, respectively.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

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

At June 30, 2022, the Town reported a liability of \$124,111 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional group reported a liability of \$216,088 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the Town's proportion was 0.01070% as compared to 0.00990% at June 30, 2020. At June 30, 2021, the Component Unit School Board professional group's proportion was 0.01860% as compared to 0.01830% at June 30, 2020.

For the year ended June 30, 2022, the Town recognized GLI OPEB expense of \$6,378. For the year ended June 30, 2022, the Component Unit School Board professional group recognized GLI OPEB expense of \$7,651. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Primary Government		Component School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,155	\$ 946	\$ 24,646	\$ 1,646
Net difference between projected and actual earnings on GLI OPEB plan investments	-	29,623	-	51,576
Change of assumptions	6,842	16,981	11,913	29,566
Changes in proportionate share	16,634	5,076	5,931	10,734
Employer contributions subsequent to the measurement date	13,844	-	20,790	-
Total	\$ 51,475	\$ 52,626	\$ 63,280	\$ 93,522

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

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

\$13,844 and \$20,790 respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the Town and Component Unit School Board professional group’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 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:

Year Ended June 30	Primary		Component Unit	
	Government		School Board (professional)	
2023	\$	(4,821)	\$	(11,847)
2024		(3,199)		(10,439)
2025		(1,779)		(10,218)
2026		(5,670)		(16,122)
2027		474		(2,406)
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 and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

Actuarial Assumptions (Continued)

Mortality Rates - Teachers (Continued)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

NET GLI OPEB Liability

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

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

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

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	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 Strategy	6.00%	3.29%	0.20%
PIP - Private Investment Partner	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 that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

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

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

	Rate		
	1% Decrease	Current	1% Increase
	(5.75%)	Discount	(7.75%)
		(6.75%)	
Town's proportionate share of the GLI Plan Net OPEB Liability	\$ 181,331	\$ 124,111	\$ 77,903
Component School Board (professional)'s proportionate share of the GLI Plan Net OPEB Liability	\$ 315,713	\$ 216,088	\$ 135,637

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 (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

Plan Description (Continued)

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2022 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$46,496 and \$46,364 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the school division reported a liability of \$556,171 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2021 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion of the VRS Teacher Employee HIC was 0.04333% as compared to 0.04290% at June 30, 2020.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

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

For the year ended June 30, 2022, the school division recognized VRS Teacher Employee HIC OPEB expense of \$42,170. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 9,705
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	7,326
Change of assumptions	15,034	2,235
Change in proportionate share	9,708	21,961
Employer contributions subsequent to the measurement date	<u>46,496</u>	<u>-</u>
Total	\$ <u><u>71,238</u></u>	\$ <u><u>41,227</u></u>

\$46,496 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

2023	\$ (3,807)
2024	(3,890)
2025	(4,378)
2026	(4,736)
2027	(595)
Thereafter	921

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

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 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%-5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality Rates - Teachers

- Pre-Retirement:
 - Pub-2010 Amount Weighted Teacher Employee Rates projected generationally; 110% of rates for males
- Post-Retirement:
 - Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females
- Post-Disablement:
 - Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females
- Beneficiaries and Survivors:
 - Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally
- Mortality Improvement Scale:
 - Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

Actuarial Assumptions (Continued)

Mortality Rates - Teachers (Continued)

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

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

Net Teacher Employee HIC OPEB Liability

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

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$ 1,477,874
Plan Fiduciary Net Position	194,305
Teacher Employee net HIC OPEB Liability (Asset)	<u>\$ 1,283,569</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	13.15%

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	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 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

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

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan				
Net HIC OPEB Liability	\$	626,094	\$ 556,171	\$ 496,999

Teacher Employee HIC OPEB Fiduciary Net Position

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

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

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

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

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Town's LODA coverage is fully covered or "insured" through VRSA. This is built into the LODA coverage cost presented in the annual renewals. The Town's LODA premium for the year ended June 30, 2022 was \$10,293.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2022

Note 16 - Summary of Other Postemployment Benefit Plans:

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liabilities	OPEB Expense
VRS OPEB Plans:								
Group Life Insurance Plan (Note 13):								
Town	\$ 51,475	\$ 52,626	\$ 124,111	\$ 6,378	\$ -	\$ -	\$ -	\$ -
School Board Professional	-	-	-	-	63,280	93,522	216,088	7,651
Teacher Health Insurance Credit Plan (Note 14)	-	-	-	-	71,238	41,227	556,171	42,170
Totals	<u>\$ 51,475</u>	<u>\$ 52,626</u>	<u>\$ 124,111</u>	<u>\$ 6,378</u>	<u>\$ 134,518</u>	<u>\$ 134,749</u>	<u>\$ 772,259</u>	<u>\$ 49,821</u>

Note 17—Leases Receivable:

The Town leases a tower to tenants under the following lease contract. In fiscal year 2022, the Town recognized principal and interest revenue in the amount of \$7,104 and \$6,835, respectively. A description of the lease is as follows:

Lease Description	Start Date	End Date	Payment Frequency	Discount Rate	Receivable Balance
Tower lease	7/1/2021	3/22/2040	Monthly	3.25%	<u>\$ 226,171</u>

Expected future payments at June 30, 2022 are as follows:

Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2023	\$ 6,684	\$ 7,252	\$ 13,936
2024	6,905	7,031	13,936
2025	7,133	6,803	13,936
2026	9,136	6,542	15,678
2027	9,437	6,240	15,677
2028	9,749	5,929	15,678
2029	10,070	5,608	15,678
2030	10,402	5,275	15,677
2031	12,735	4,903	17,638
2032	13,155	4,483	17,638
2033	13,589	4,049	17,638
2034	14,037	3,600	17,637
2035	14,500	3,137	17,637
2036	17,216	2,626	19,842
2037	17,784	2,058	19,842
2038	18,371	1,471	19,842
2039	18,977	865	19,842
2040	16,291	244	16,535
Total	<u>\$ 226,171</u>	<u>\$ 78,116</u>	<u>\$ 304,287</u>

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 18—Adoption of Accounting Principles:

The Town implemented provisions of Governmental Accounting Standards Board Statement Nos. 87, *Leases* and 92, *Omnibus 2020* during the fiscal year ended June 30, 2022. Statement No. 87, *Leases* requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Statement No. 92, *Omnibus 2020* addresses a variety of topics, including leases. No restatement of beginning net position was required as a result of this implementation. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2021 related to the leases:

Primary Government:

	Governmental Activities	General Fund
Lessee activity:		
Lease assets	\$ 88,731	\$ -
Lease liabilities	\$ 88,731	\$ -
Lessor activity:		
Leases receivable	\$ 233,272	\$ 233,272
Deferred inflows of resources - leases	\$ 233,272	\$ 233,272

Component Unit:

	School Board	School Operating Fund
Lessor activity:		
Lease assets	\$ 16,852	\$ -
Lease liabilities	\$ 16,852	\$ -

Note 19—Upcoming Pronouncements:

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2022

Note 19—Upcoming Pronouncements: (Continued)

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

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

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

Note 20—COVID-19 Pandemic Funding and Subsequent Events:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Town, COVID-19 impacted various parts of its 2022 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the Town is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2023.

ARPA Funding

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

On June 27, 2022, the Town received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$1,773,217 from the initial allocation are reported as unearned revenue as of June 30.

ESF Funding

The CARES Act also established the Education Stabilization Fund (ESF) and allocated \$30.75 billion to the U.S. Department of Education. The ESF is composed of three primary emergency relief funds: (1) a Governor's Emergency Education Relief (GEER) Fund, (2) an Elementary and Secondary School Emergency Relief (ESSER) Fund, and (3) a Higher Education Emergency Relief (HEER) Fund. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) was signed into law on December 27, 2021 and added \$81.9 billion to the ESF. In March 2022, the American Rescue Plan Act (ARP Act), in support of ongoing state and institutional COVID-19 recovery efforts, added more than \$170 billion to the ESF. The School Board is receiving this funding from the Virginia Department of Education on a reimbursement basis.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
General property taxes:				
Real property	\$ 4,398,523	\$ 4,398,523	\$ 4,058,108	\$ (340,415)
Personal property	490,303	490,303	630,021	139,718
Penalties and interest	65,878	65,878	65,764	(114)
Other local taxes:				
Food and lodging	549,873	549,873	772,952	223,079
Bank stock	69,485	69,485	74,067	4,582
Business license taxes	111,329	111,329	131,152	19,823
Local sales and use taxes	289,034	289,034	416,909	127,875
Consumer utility taxes	105,121	105,121	107,357	2,236
Motor vehicle license	53,366	53,366	69,590	16,224
Cigarette tax	82,291	82,291	66,432	(15,859)
Permits, privilege fees, and regulatory licenses	48,381	48,381	63,371	14,990
Fines and forfeitures	12,975	12,975	22,625	9,650
Revenue from the use of money and property:				
Interest	2,121	2,121	14,476	12,355
Rental of property	13,387	13,387	21,342	7,955
Charges for services	205,297	256,297	331,476	75,179
Miscellaneous	20,360	20,359	25,830	5,471
Recovered costs	-	224,419	224,419	-
Intergovernmental:				
Commonwealth	1,268,072	1,374,358	1,292,709	(81,649)
Federal	-	-	154,640	154,640
Total revenues	\$ 7,785,796	\$ 8,167,500	\$ 8,543,240	\$ 375,740
EXPENDITURES				
Current:				
General government administration	\$ 1,199,738	\$ 1,430,873	\$ 1,312,624	\$ 118,249
Public safety	1,816,022	2,121,077	2,017,377	103,700
Public works	1,511,948	2,183,874	2,331,595	(147,721)
Health and welfare	4,800	4,800	4,800	-
Education	2,155,730	2,155,730	2,155,730	-
Parks, recreation, and cultural	70,715	88,015	82,191	5,824
Community development	255,585	500,606	495,171	5,435
Nondepartmental	117,674	117,674	117,940	(266)
Debt service:				
Principal retirement	317,656	1,642,229	1,648,116	(5,887)
Interest and other fiscal charges	335,928	317,244	350,441	(33,197)
Total expenditures	\$ 7,785,796	\$ 10,562,122	\$ 10,515,985	\$ 46,137
Excess (deficiency) of revenues over (under) expenditures				
	\$ -	\$ (2,394,622)	\$ (1,972,745)	\$ 421,877
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 421,000	\$ 421,000	\$ -
Issuance of general obligation bonds	-	1,325,693	1,325,693	-
Total other financing sources (uses)	\$ -	\$ 1,746,693	\$ 1,746,693	\$ -
Net change in fund balances				
	\$ -	\$ (647,929)	\$ (226,052)	\$ 421,877
Fund balances - beginning	-	647,929	3,336,450	2,688,521
Fund balances - ending	\$ -	\$ -	\$ 3,110,398	\$ 3,110,398

Town of Colonial Beach, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Primary Government
For the Measurement Dates of June 30, 2014 through June 30, 2021

	2021	2020	2019
Total pension liability			
Service cost	\$ 213,560	\$ 218,103	\$ 208,619
Interest	442,805	414,318	399,424
Changes of assumptions	268,655	-	171,767
Differences between expected and actual experience	(283,566)	114,695	(26,576)
Benefit payments	(338,784)	(311,391)	(331,085)
Net change in total pension liability	\$ 302,670	\$ 435,725	\$ 422,149
Total pension liability - beginning	6,729,471	6,293,746	5,871,597
Total pension liability - ending (a)	\$ 7,032,141	\$ 6,729,471	\$ 6,293,746
Plan fiduciary net position			
Contributions - employer	\$ 27,888	\$ 31,914	\$ 33,873
Contributions - employee	99,260	93,125	85,960
Net investment income	2,024,215	142,684	475,781
Benefit payments	(338,784)	(311,391)	(331,085)
Administrator charges	(5,108)	(4,910)	(4,813)
Other	190	(168)	(300)
Net change in plan fiduciary net position	\$ 1,807,661	\$ (48,746)	\$ 259,416
Plan fiduciary net position - beginning	7,455,285	7,504,031	7,244,615
Plan fiduciary net position - ending (b)	\$ 9,262,946	\$ 7,455,285	\$ 7,504,031
Town's net pension liability (asset) - ending (a) - (b)	\$ (2,230,805)	\$ (725,814)	\$ (1,210,285)
Plan fiduciary net position as a percentage of the total pension liability	131.72%	110.79%	119.23%
Covered payroll	\$ 2,185,859	\$ 2,024,411	\$ 1,820,161
Town's net pension liability (asset) as a percentage of covered payroll	-102.06%	-35.85%	-66.49%

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

Exhibit 13

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

Town of Colonial Beach, Virginia

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

For the Measurement Dates of June 30, 2014 through June 30, 2021

	<u>2021</u>	<u>2020</u>
Proportion of the Net Pension Liability (Asset)	0.04329%	0.04290%
Proportionate Share of the Net Pension Liability (Asset)	\$ 3,360,645	\$ 6,245,987
Covered Payroll	3,831,743	3,763,080
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	87.71%	165.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.46%	71.47%

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

2019	2018	2017	2016	2015	2014
0.04279%	0.04463%	0.04537%	0.04481%	0.04374%	0.04438%
\$ 5,631,408	\$ 5,248,000	\$ 5,580,000	\$ 6,280,000	\$ 5,506,000	\$ 5,363,000
3,669,722	3,491,446	3,544,861	3,267,444	3,138,519	3,121,667
153.46%	150.31%	157.41%	192.20%	175.43%	171.80%
73.51%	74.81%	72.92%	68.28%	70.68%	70.88%

Town of Colonial Beach, Virginia
Schedule of Employer Contributions - Pension Plans
For the Years Ended June 30, 2015 through June 30, 2022

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

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

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

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

Component Unit School Board - Professional Employees:

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

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

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

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

Town of Colonial Beach, Virginia
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2017 through June 30, 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	\$ 13,844	\$ 13,844	\$ -	\$ 2,563,618	0.54%
2021	11,890	11,890	-	2,201,839	0.54%
2020	10,594	10,594	-	2,037,363	0.52%
2019	9,486	9,486	-	1,824,321	0.52%
2018	9,067	9,067	-	1,739,681	0.52%
2017	9,482	9,482	-	1,819,836	0.52%
Component Unit School Board (professional):					
2022	\$ 20,790	\$ 20,790	\$ -	\$ 3,850,064	0.54%
2021	20,691	20,691	-	3,831,743	0.54%
2020	19,568	19,568	-	3,763,080	0.52%
2019	18,793	18,793	-	3,614,112	0.52%
2018	18,797	18,797	-	3,491,446	0.54%
2017	18,877	18,877	-	3,544,861	0.53%

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

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

Teachers

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

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Town of Colonial Beach, Virginia
Schedule of School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2021

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

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

Town of Colonial Beach, Virginia
Schedule of Employer Contributions
Teacher Employee Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2017 through June 30, 2022

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

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

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

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

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES*

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*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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Town of Colonial Beach, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2022

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	School Activity <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 500	\$ 604,788	\$ 82,974	\$ 688,262
Receivables (net of allowance for uncollectibles):				
Accounts receivable	5,104	-	-	5,104
Due from other funds	280,034	-	-	280,034
Due from other governmental units	601,704	2,144	-	603,848
Prepaid items	60,245	-	-	60,245
Total assets	<u>\$ 947,587</u>	<u>\$ 606,932</u>	<u>\$ 82,974</u>	<u>\$ 1,637,493</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 414,392	\$ 1,020	\$ -	\$ 415,412
Due to other funds	-	280,034	-	280,034
Due to other governmental units	533,195	-	-	533,195
Total liabilities	<u>\$ 947,587</u>	<u>\$ 281,054</u>	<u>\$ -</u>	<u>\$ 1,228,641</u>
FUND BALANCES				
Assigned:				
Education	\$ -	\$ 325,878	\$ 82,974	\$ 408,852
Total fund balances	<u>\$ -</u>	<u>\$ 325,878</u>	<u>\$ 82,974</u>	<u>\$ 408,852</u>

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

Total fund balances per above	\$ 408,852
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets, cost	\$ 15,470,789	
Accumulated depreciation	<u>(4,275,946)</u>	11,194,843

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

Pension related items	\$ 1,259,882	
OPEB related items	<u>134,518</u>	1,394,400

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

Lease liability	\$ (2,414)	
Compensated absences	(139,703)	
Net pension liability	(3,360,645)	
Net OPEB liabilities	<u>(772,259)</u>	(4,275,021)

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

Pension related items	\$ (2,538,096)	
OPEB related items	<u>(134,749)</u>	(2,672,845)

Net position of governmental activities	<u>\$ 6,050,229</u>
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Town of Colonial Beach, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2022

	School Operating Fund	School Cafeteria Fund	School Activity Funds	Total Governmental Funds
REVENUES				
Charges for services	\$ 14,172	\$ 19,018	\$ -	\$ 33,190
Miscellaneous	101,489	1,221	95,601	198,311
Intergovernmental:				
Local government	2,405,730	-	-	2,405,730
Commonwealth	5,410,212	17,567	-	5,427,779
Federal	1,145,536	556,334	-	1,701,870
Total revenues	<u>\$ 9,077,139</u>	<u>\$ 594,140</u>	<u>\$ 95,601</u>	<u>\$ 9,766,880</u>
EXPENDITURES				
Current:				
Education	\$ 9,305,364	\$ 452,270	\$ 129,174	\$ 9,886,808
Debt service:				
Principal retirement	14,438	-	-	14,438
Interest and other fiscal charges	56	-	-	56
Total expenditures	<u>\$ 9,319,858</u>	<u>\$ 452,270</u>	<u>\$ 129,174</u>	<u>\$ 9,901,302</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (242,719)</u>	<u>\$ 141,870</u>	<u>\$ (33,573)</u>	<u>\$ (134,422)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 242,719	\$ -	\$ -	\$ 242,719
Transfers out	-	(242,719)	-	(242,719)
Total other financing sources (uses)	<u>\$ 242,719</u>	<u>\$ (242,719)</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ (100,849)	\$ (33,573)	\$ (134,422)
Fund balances - beginning	-	426,727	116,547	543,274
Fund balances - ending	<u>\$ -</u>	<u>\$ 325,878</u>	<u>\$ 82,974</u>	<u>\$ 408,852</u>
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:				
Net change in fund balances - total governmental funds - per above				\$ (134,422)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.				
Capital outlays			\$ 308,104	
Depreciation expense			(515,924)	(207,820)
The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.				
Principal retirement on lease liability				14,438
Special contributions received from the Commonwealth for the teacher cost sharing pool are not reported in the governmental funds				
				26,566
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.				
Change in compensated absences			\$ 37,567	
Change in pension related items			582,502	
Change in OPEB related items			17,598	637,667
Change in net position of governmental activities				<u>\$ 336,429</u>

Town of Colonial Beach, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2022

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 25,000	\$ 25,000	\$ 14,172	\$ (10,828)
Miscellaneous	25,001	25,001	101,489	76,488
Intergovernmental:				
Local government	2,055,730	2,305,730	2,405,730	100,000
Commonwealth	4,955,511	4,955,511	5,410,212	454,701
Federal	712,879	712,879	1,145,536	432,657
Total revenues	<u>\$ 7,774,121</u>	<u>\$ 8,024,121</u>	<u>\$ 9,077,139</u>	<u>\$ 1,053,018</u>
EXPENDITURES				
Education	\$ 8,081,581	\$ 8,067,087	\$ 9,305,364	\$ (1,238,277)
Debt service:				
Principal retirement	-	14,438	14,438	-
Interest and other fiscal charges	-	56	56	-
Total expenditures	<u>\$ 8,081,581</u>	<u>\$ 8,081,581</u>	<u>\$ 9,319,858</u>	<u>\$ (1,238,277)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (307,460)</u>	<u>\$ (57,460)</u>	<u>\$ (242,719)</u>	<u>\$ (185,259)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 242,719	\$ 242,719
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 242,719</u>	<u>\$ 242,719</u>
Net change in fund balances	\$ (307,460)	\$ (57,460)	\$ -	\$ 57,460
Fund balances - beginning	307,460	57,460	-	(57,460)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of Town of Colonial Beach Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Colonial Beach, Virginia's basic financial statements and have issued our report thereon dated November 17, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs 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 Town of Colonial Beach, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Town of Colonial Beach, Virginia's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Town of Colonial Beach, Virginia's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Town of Colonial Beach, 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 the response.

Purpose of This Report

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 17, 2022

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

Auditors' Responsibilities for the Audit of Compliance (Continued)

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

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

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

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

Report on Internal Control over Compliance

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

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

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

Report on Internal Control over Compliance (Continued)

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

Robinson, Farnum, Cox Associates

Richmond, Virginia
November 17, 2022

Town of Colonial Beach, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Agriculture:			
Pass-Through Payments:			
Child Nutrition Cluster:			
Virginia Department of Agriculture and Consumer Services:			
Food Distribution	10.555	45707	\$ 36,712
Virginia Department of Education:			
National School Lunch Program	10.555	40623	275,767
COVID-19 - National School Lunch Program	10.555	40623	14,049
			<u>\$ 326,528</u>
Summer Food Service Program for Children	10.559	17901-45707	\$ 65,889
School Breakfast Program	10.553	40591	114,596
			<u>\$ 507,013</u>
Virginia Department of Agriculture and Consumer Services:			
Child and Adult Care Food Program	10.558	70027/70028	\$ 31,564
COVID-19 - Child and Adult Care Food Program	10.558	70027/70028	17,143
State Pandemic EBT Administrative Costs Grant	10.649	86556	614
			<u>\$ 556,334</u>
Total Department of Agriculture			
Department of the Treasury:			
Pass-Through Payments:			
Virginia Department of Accounts:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Available	\$ 151,406
Department of Justice:			
Pass Through Payments:			
Virginia Department of Criminal Justice Services:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	39001-61011	\$ 3,234
Department of Education:			
Pass-Through Payments:			
Virginia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	42901	\$ 269,260
Special Education Cluster:			
Special Education - Grants to States	84.027	70110	\$ 116,812
Special Education - Preschool Grants	84.173	62521	8,553
Career and Technical Education - Basic Grants to States	84.048	60531	1,999
Twenty-First Century Community Learning Centers	84.287	60565	191,493
Rural Education	84.358	43481	6,485
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	61480	18,133
COVID-19 - Governor's Emergency Education Relief (GEER) Fund	84.425C	60177	\$ 31,695
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	60177	317,911
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	60177	172,226
Student Support and Academic Enrichment Program	84.424	60281	10,969
			<u>\$ 1,145,536</u>
Total Department of Education			
Total Expenditures of Federal Awards			<u>\$ 1,856,510</u>

See accompanying notes to schedule of expenditures of federal awards.

Town of Colonial Beach, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 154,640
Total primary government	\$ 154,640

Component Unit School Board:

School Operating Fund	\$ 1,145,536
School Cafeteria Fund	556,334
Total Component Unit School Board	\$ 1,701,870
Total federal expenditures per basic financial statements	\$ 1,856,510

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 1,856,510

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

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

Note 7 - Loan Balances

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

Town of Colonial Beach, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 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 no

Significant deficiency(ies) identified? yes ✓ none reported

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes ✓ no

Significant deficiency(ies) identified? yes ✓ none reported

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

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

Identification of major programs:

Assistance Listing Number(s)
84.425
10.553/10.555/10.559

Name of Federal Program or Cluster
Education Stabilization Fund
Child Nutrition Cluster

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

\$750,000

Auditee qualified as low-risk auditee?

 yes ✓ no

**Town of Colonial Beach, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022 (Continued)**

Section II-Financial Statement Findings

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

Criteria:

The Town and School Board are responsible for establishing and maintaining effective internal controls and for fair presentation of the financial statements including the related disclosures, in conformity with the U.S. generally accepted accounting principles.

Condition:

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

Effect of Condition:

As a result of the lack of segregation of duties, due to the limited number of personnel involved in accounting transactions, there is a higher risk that errors or misappropriation could occur and not be detected within a timely manner.

Cause of Condition:

There is a limited number of personnel involved in functions related to payroll, accounts payable, accounts receivable, and cash disbursements due to staffing constraints.

Recommendation:

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

Management's Response:

Current staffing makes complete separation of duties impossible to implement. Management continues to look at each function to minimize risk.

Section III-Federal Award Findings and Questioned Costs

None

Town of Colonial Beach, Virginia

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

Findings - Financial Statement Audit:

Finding 2021-001: Segregation of Duties (Material Weakness)

Condition:

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

Recommendation:

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

Current Status:

Finding is repeated in the current year as 2022-001.

Finding 2021-002: Special Tests and Provisions - Community Facilities Loans and Grants (Assistance Listing 10.766)

Condition:

A debt service reserve fund was not established by the Town.

Recommendation:

The Town needs to create a debt service reserve for the required amount in the loan/grant agreement.

Current Status:

Finding was corrected for FY 2022.