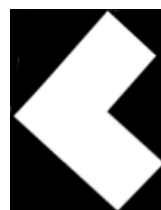


Town of Boones Mill, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2021



Creedle, Jones
& Associates, P.C.
Certified Public Accountants

Town of Boones Mill, Virginia

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FINANCIAL SECTION



**Creedle
Jones
& Associates**

A Professional Corporation

*Robin B. Jones, CPA, CFP
Kimberly W. Jackson, CPA*

Nadine L. Chase, CPA

Sherwood H. Creedle, Emeritus

*Members of
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Boones Mill, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

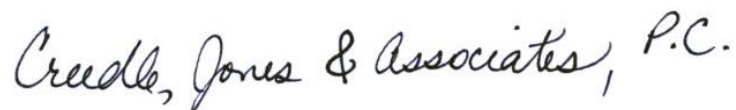
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to OPEB on pages 1-8, 40-42, and 43-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2022, on our consideration of the Town of Boones Mill, 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 Boone Mill, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Boones Mill, Virginia's internal control over financial reporting and compliance.



Creedle, Jones & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
April 9, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Boones Mill, Virginia presents the following discussion and analysis as an overview of the Town of Boones Mill, Virginia's financial activities for the fiscal year ending June 30, 2021. We encourage readers to read this discussion and analysis in conjunction with the Town's basic financial statements.

Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town's governmental activities exceeded its liabilities and deferred inflows of resources by \$1,302,588. Of this amount, \$14,081 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$2,729,499 with an unrestricted balance of \$39,336.
- The Town's total net position decreased by \$131,091 during the current fiscal year. Of this amount, a decrease of \$68,418 is related to governmental activities and a decrease of \$62,673 is attributed to business-type activities.
- As of June 30, 2021, the Town's Governmental Funds reported combined ending fund balances of \$49,093, a decrease of \$16,181 in comparison with the prior year. Approximately 40% of this amount is available for spending at the Town's discretion (unassigned fund balance).
- At the end of fiscal year 2021, the general fund unassigned fund balance was \$19,591, or approximately 6.15% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those found in the private sector. They also report the Town's net position and how they have changed during the fiscal year.

Statement of Net Position: presents information on all of the Town's assets and liabilities. The difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources can be used as one way to measure the Town's financial health or financial condition. Over time, increases or decreases in the net position can be one indicator of whether the Town's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the Town's property tax base and the condition of Town facilities.

Statement of Activities: presents information using the accrual basis accounting method and shows how the Town's net position changed during the fiscal year. All of the current year's revenues and expenses are shown in the Statement of Activities, regardless of when cash is received or paid.

The government-wide financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the Town include general government administration, public safety, public works, community development, and parks, recreation, and cultural. Public utilities represent the business-type activities.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported.

The Town has two types of funds:

Governmental Funds - Most of the Town's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Grant Fund, which are considered to be major funds.

Proprietary Funds – The Town uses an Enterprise Fund which operates in a manner similar to private business enterprises. Costs are recovered primarily through user charges. Proprietary Fund financial statements provide both long and short-term financial information.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as the budgetary comparison schedule.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Assets			
Current and other assets	\$ 209,217	\$ 42,053	\$ 251,270
Capital assets (net)	2,038,690	3,092,170	5,130,860
Other assets	-	3,871	3,871
Total Assets	2,247,907	3,138,094	5,386,001
Deferred Outflows of Resources	59,273	-	59,273
Total Assets and Deferred Outflows of Resources	<u>\$ 2,307,180</u>	<u>\$ 3,138,094</u>	<u>\$ 5,445,274</u>
Liabilities			
Other liabilities	\$ 146,600	\$ 6,588	\$ 153,188
Long-term liabilities	844,937	402,007	1,246,944
Total Liabilities	991,537	408,595	1,400,132
Deferred Inflows of Resources	13,055	-	13,055
Net Position			
Net investment in capital assets	1,259,005	2,690,163	3,949,168
Restricted	29,502	-	29,502
Unrestricted	14,081	39,336	53,417
Total Net Position	<u>1,302,588</u>	<u>2,729,499</u>	<u>4,032,087</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 2,307,180</u>	<u>\$ 3,138,094</u>	<u>\$ 5,445,274</u>

Statement of Activities

The following table summarizes revenues and expenses for the primary government:

Summary of Changes in Net Position

For the Fiscal Year Ended June 30, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Revenues			
Program Revenues			
Charges for services	\$ 57,274	\$ 165,464	\$ 222,738
Operating grants and contributions	63,452	-	63,452
General Revenues			
General property taxes, real and personal	34,756	-	34,756
Other taxes	141,579	-	141,579
Unrestricted revenues from use of money and property	43,876	-	43,876
Grants and contributions not restricted to specific programs	7,105	-	7,105
Miscellaneous	8,665	147	8,812
Total Revenues	356,707	165,611	522,318
Expenses			
General government administration	203,625	-	203,625
Public safety	99,895	-	99,895
Public works	20,588	-	20,588
Interest on long-term debt	31,186	4,608	35,794
Community development	20,000	-	20,000
Parks, recreation, and cultural	18,033	-	18,033
Water and sewer	-	255,474	255,474
Total Expenses	393,327	260,082	653,409
Change in Net Position Before Transfers	(36,620)	(94,471)	(131,091)
Transfers	(31,798)	31,798	-
Change in Net Position	(68,418)	(62,673)	(131,091)
Beginning Net Position	1,371,006	2,792,172	4,163,178
Ending Net Position	<u>\$ 1,302,588</u>	<u>\$ 2,729,499</u>	<u>\$ 4,032,087</u>

Governmental activities decreased the Town's net position by \$68,418 for fiscal year 2021. Revenues from governmental activities totaled \$356,707. Other taxes comprise the largest source of these revenues, totaling \$141,579 or 39.69% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$393,327. General government administration was the Town's largest program with expenses totaling \$203,625. Public safety, which totals \$99,895, represents the second largest expense.

For the Town's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

Net Cost of Governmental Activities

For the Fiscal Year Ended June 30, 2021

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 203,625	\$ (203,625)
Public safety	99,895	(18,624)
Public works	20,588	(20,588)
Community development	20,000	19,455
Parks, recreation, and cultural	18,033	(18,033)
Debt service	<u>31,186</u>	<u>(31,186)</u>
Total	<u>\$ 393,327</u>	<u>\$ (272,601)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The Town's governmental funds reported combined ending fund balances of \$49,093. The combined governmental fund balance decreased \$68,418 from the prior year.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$19,591. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 6.15% of total fund expenditures.

The Capital Projects Fund has a total fund balance of \$29,502, all of which is restricted for ongoing and future capital projects.

BUDGETARY HIGHLIGHTS

General Fund

The following table provides a comparison of original budget, final budget, and actual revenues and expenditures in the General Fund:

Budgetary Comparison

General Fund

For the Fiscal Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues			
Taxes	\$ 39,600	\$ 39,600	\$ 33,308
Other	134,069	134,069	141,579
Fines and forfeitures	70,000	70,000	57,274
Use of money and property	31,330	31,330	43,876
Miscellaneous	-	-	8,665
Intergovernmental	<u>14,552</u>	<u>14,552</u>	<u>31,102</u>
Total	289,551	289,551	315,804
Expenditures	<u>289,551</u>	<u>289,551</u>	<u>318,542</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(2,738)
Other Financing Sources (Uses)			
Transfers	<u>-</u>	<u>-</u>	<u>14,491</u>
Total	<u>-</u>	<u>-</u>	<u>14,491</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,753</u>

The Town did make budget amendments during fiscal year 2021.

Actual revenues were more than final budget amounts by \$26,253, or 9.07%, while actual expenditures were \$28,991, or 10.01% more than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2021, the Town's governmental activities net capital assets total \$2,038,690, which represents a net decrease of \$71,086 or 3.37% over the previous fiscal year-end balance. The business-type activities net capital assets total \$3,092,170, a net decrease of \$96,438 or 3.02% over the previous fiscal year.

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Land	\$ 70,218	\$ -	\$ 70,218
Buildings and improvements	2,256,561	-	2,256,561
Furniture, equipment, and vehicles	71,337	-	71,337
Total Capital Assets	2,398,116	-	2,398,116
Less: Accumulated depreciation and amortization	288,340	71,086	359,426
Total Capital Assets, Net	<u>\$ 2,109,776</u>	<u>\$ (71,086)</u>	<u>\$ 2,038,690</u>

Business-Type Activities

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Land	\$ 418,200	\$ -	\$ 418,200
Buildings and improvements	5,640	-	5,640
Furniture, equipment, and vehicles	404,071	-	404,071
Infrastructure	3,489,967	-	3,489,967
Total Capital Assets	4,317,878	-	4,317,878
Less: Accumulated depreciation and amortization	1,129,270	96,438	1,225,708
Total Capital Assets, Net	<u>\$ 3,188,608</u>	<u>\$ (96,438)</u>	<u>\$ 3,092,170</u>

Long-Term Debt

As of June 30, 2021, the Town's long-term obligations total \$1,181,692.

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Primary Government			
Governmental Activities	\$ 805,903	\$ (26,218)	\$ 779,685
Total Governmental Activities	805,903	(26,218)	779,685
Business-Type Activities			
Enterprise Fund	427,332	(25,325)	402,007
Total Business-Type Activities	427,332	(25,325)	402,007
Total Primary Government	<u>\$ 1,233,235</u>	<u>\$ (51,543)</u>	<u>\$ 1,181,692</u>

More detailed information on the Town's long-term obligations is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2022 budget.

The average unemployment rate for Franklin County, where the Town of Boones Mill, Virginia is located, in June 2021 was 4.1%. This compares favorably to the state's rate of 4.5% and to the national rate of 6.1%.

According to the 2020 U.S. Census, the population in the Town of Boones Mill, Virginia was 230.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2022, which accounts for most of the Town's operational costs. The fiscal year 2022 adopted budget anticipates General Fund revenues and expenditures to be \$619,579 a 113.98% increase over the fiscal year 2021 final budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to B.T. Fitzpatrick, III, Town Manager, Town of Boones Mill, Virginia, telephone 540-334-5404.

BASIC FINANCIAL STATEMENTS

Town of Boones Mill, Virginia

Statement of Net Position

At June 30, 2021

Primary Government

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 186,744	\$ 18,071	\$ 204,815
Receivables, net	22,473	23,982	46,455
Capital Assets			
Land	70,218	418,200	488,418
Buildings and improvements	2,256,561	5,640	2,262,201
Furniture, equipment, and vehicles	71,337	404,071	475,408
Infrastructure	-	3,489,967	3,489,967
Less: Accumulated depreciation	(359,426)	(1,225,708)	(1,585,134)
Capital Assets, Net	2,038,690	3,092,170	5,130,860
Other Assets			
Prepaid expenses	-	3,871	3,871
Total Assets	2,247,907	3,138,094	5,386,001
Deferred Outflows of Resources			
Other post-employment benefits - LODA	59,273	-	59,273
Total Deferred Outflows of Resources	59,273	-	59,273
Total Assets and Deferred Outflows of Resources	<u>\$ 2,307,180</u>	<u>\$ 3,138,094</u>	<u>\$ 5,445,274</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 24,329	\$ 1,466	\$ 25,795
Prepaid deposit	1,400	-	1,400
Water deposits	-	5,122	5,122
Unearned grants	120,871	-	120,871
Long-Term Liabilities			
<i>Due within one year</i>			
Notes payable	109,921	33,734	143,655
<i>Due in more than one year</i>			
Notes payable	669,764	368,273	1,038,037
Other post-employment benefits - LODA	65,252	-	65,252
Total Liabilities	991,537	408,595	1,400,132
Deferred Inflows of Resources			
Other post-employment benefits - LODA	13,055	-	13,055
Total Deferred Inflows of Resources	13,055	-	13,055
Net Position			
Net investment in capital assets	1,259,005	2,690,163	3,949,168
Restricted	29,502	-	29,502
Unrestricted	14,081	39,336	53,417
Total Net Position	<u>1,302,588</u>	<u>2,729,499</u>	<u>4,032,087</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 2,307,180</u>	<u>\$ 3,138,094</u>	<u>\$ 5,445,274</u>

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

Town of Boones Mill, Virginia
Statement of Activities
For the Year Ended June 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>
Primary Government					
Governmental Activities					
General government administration	\$ 203,625	\$ -	\$ -	\$ (203,625)	\$ (203,625)
Public safety	99,895	57,274	23,997	(18,624)	(18,624)
Public works	20,588	-	-	(20,588)	(20,588)
Community development	20,000	-	39,455	19,455	19,455
Parks, recreation, and cultural	18,033	-	-	(18,033)	(18,033)
Interest on long-term debt	31,186	-	-	(31,186)	(31,186)
Total Governmental Activities	393,327	57,274	63,452	(272,601)	(272,601)
Business-Type Activities					
Water and sewer funds	260,082	165,464	-		\$ (94,618)
Total Business-Type Activities	260,082	165,464	-		(94,618)
Total Primary Government	\$ 653,409	\$ 222,738	\$ 63,452		(94,618)
					(367,219)
General Revenues					
Taxes					
General property taxes, real and personal				34,756	-
Other local taxes				141,579	-
Unrestricted revenues from use of money and property				43,876	-
Grants and contributions not restricted to specific programs				7,105	-
Miscellaneous				8,665	147
Transfers				(31,798)	31,798
Total General Revenues and Transfers				204,183	31,945
Change in Net Position				(68,418)	(62,673)
Net Position - Beginning of Year				1,371,006	2,792,172
Net Position - End of Year				\$ 1,302,588	\$ 2,729,499
					\$ 4,032,087

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

Town of Boones Mill, Virginia

Balance Sheet

Governmental Funds

At June 30, 2021

	<u>General Fund</u>	<u>Capital Projects Grant Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and investments	\$ 36,371	\$ 150,373	\$ 186,744
Property taxes receivable	13,524	-	13,524
Other receivables	8,949	-	8,949
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 58,844</u>	<u>\$ 150,373</u>	<u>\$ 209,217</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 24,329	\$ -	\$ 24,329
Prepaid deposit	1,400	-	1,400
Unearned grants	-	120,871	120,871
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	25,729	120,871	146,600
Deferred Inflows of Resources			
Unavailable revenue - taxes	13,524	-	13,524
	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	13,524	-	13,524
Fund Balance			
Restricted	-	29,502	29,502
Unassigned	19,591	-	19,591
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>19,591</u>	<u>29,502</u>	<u>49,093</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 58,844</u>	<u>\$ 150,373</u>	<u>\$ 209,217</u>

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

Town of Boones Mill, Virginia

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2021

Total Fund Balances for Governmental Funds	\$	49,093
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Total net position reported for governmental activities in the Statement of Net Position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$	70,218	
Other Capital Assets, net of accumulated depreciation		<u>1,968,472</u>	2,038,690

Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds financial statements.

Unavailable revenue - taxes	13,524
-----------------------------	--------

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to OPEB	59,273	
Deferred inflows of resources related to OPEB	<u>(13,055)</u>	46,218

Liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Notes payable	(779,685)	
Other post-employment benefit liability	<u>(65,252)</u>	(844,937)

Total Net Position of Governmental Activities	\$	<u><u>1,302,588</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

Town of Boones Mill, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2021

	<u>General Fund</u>	<u>Capital Projects Grant Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 33,308	\$ -	\$ 33,308
Other local taxes	141,579	-	141,579
Fines and forfeitures	57,274	-	57,274
Use of money and property	43,876	-	43,876
Miscellaneous	8,665	-	8,665
<i>Intergovernmental</i>			
Revenue from the Commonwealth of Virginia	31,102	-	31,102
Revenue from the Federal Government	-	39,455	39,455
Total Revenues	315,804	39,455	355,259
Expenditures			
Current			
General government administration	151,778	-	151,778
Public safety	84,513	1,100	85,613
Public works	20,588	-	20,588
Community development	-	20,000	20,000
Parks, recreation, and cultural	4,259	-	4,259
Debt service	57,404	-	57,404
Total Expenditures	318,542	21,100	339,642
Excess (Deficiency) of Revenues Over Expenditures	(2,738)	18,355	15,617
Other Financing Sources (Uses)			
Transfers	14,491	(46,289)	(31,798)
Total Other Financing Sources (Uses)	14,491	(46,289)	(31,798)
Net Change in Fund Balance	11,753	(27,934)	(16,181)
Fund Balance - Beginning of Year	7,838	57,436	65,274
Fund Balance - End of Year	\$ 19,591	\$ 29,502	\$ 49,093

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

Town of Boones Mill, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds \$ (16,181)

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

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 as depreciation expense.

Capitalized assets	\$ -	
Depreciation	(71,086)	(71,086)

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statements, but recognized in the Statement of Activities.

1,448

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. Changes in the following accounts are as follows:

Deferred outflows - OPEB	18,125	
Deferred inflows - OPEB	(8,871)	
Other postemployment benefits	(18,071)	
Net Adjustment		(8,817)

Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.

Repayments on debt	26,218	26,218
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Change in Net Position of Governmental Activities \$ (68,418)

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

Town of Boones Mill, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2021

	Business-Type Activities - Water and Sewer Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 18,071
Receivables, net	<u>23,982</u>
Total Current Assets	42,053
Capital Assets	
Land	418,200
Buildings and improvements	5,640
Furniture, equipment, and vehicles	404,071
Infrastructure	3,489,967
Less: Accumulated depreciation	<u>(1,225,708)</u>
Total Noncurrent Assets	3,092,170
Other Assets	
Prepaid expenses	<u>3,871</u>
Total Other Assets	<u>3,871</u>
Total Assets	<u><u>\$ 3,138,094</u></u>
Liabilities	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 1,466
Current portion of long-term debt	<u>33,734</u>
Total Current Liabilities	35,200
Noncurrent Liabilities	
Water deposits	5,122
Long-term debt, net of current portion	<u>368,273</u>
Total Noncurrent Liabilities	<u>373,395</u>
Total Liabilities	408,595
Net Position	
Net investment in capital assets	2,690,163
Unrestricted	<u>39,336</u>
Total Net Position	<u>2,729,499</u>
Total Liabilities and Net Position	<u><u>\$ 3,138,094</u></u>

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

Town of Boones Mill, Virginia

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds

Year Ended June 30, 2021

	Business-Type Activities - Water and Sewer Fund
Operating Revenues	
Water and sewer charges	\$ 165,464
Miscellaneous	<u>147</u>
Total Operating Revenues	165,611
Operating Expenses	
Salaries	14,999
Fringe benefits	1,294
Contract services	88,484
Depreciation	96,438
Insurance	6,799
Miscellaneous	665
Professional fees	3,383
Utilities/telephone	5,586
Water and sewer fees	4,453
Water and sewer maintenance	<u>33,373</u>
Total Operating Expenses	<u>255,474</u>
Operating Loss	(89,863)
Nonoperating Revenues (Expenses)	
Interest expense	<u>(4,608)</u>
Total Nonoperating Revenues (Expenses)	<u>(4,608)</u>
Loss Before Transfers	(94,471)
Operating Transfers	<u>31,798</u>
Net Operating Transfers	<u>31,798</u>
Change in Net Position	(62,673)
Total Net Position - Beginning of Year	<u>2,792,172</u>
Total Net Position - End of Year	<u><u>\$ 2,729,499</u></u>

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

Town of Boones Mill, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2021

	Business-Type Activities - Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 165,729
Payments to personnel and related costs	(16,293)
Payments to suppliers	<u>(152,917)</u>
Net Cash Used in Operating Activities	(3,481)
Cash Flows from Noncapital Financing Activities	
Transfer from (to) other funds	<u>31,798</u>
Net Cash Provided by Noncapital Financing Activities	31,798
Cash Flows from Capital and Related Financing Activities	
Payment on long-term debt - principal	(25,325)
Payment on long-term debt - interest	<u>(4,608)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(29,933)</u>
Net Decrease in Cash and Cash Equivalents	(1,616)
Cash and Cash Equivalents - Beginning of Year	<u>19,687</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 18,071</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (89,863)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities</i>	
Depreciation expense	96,438
<i>Changes in assets and liabilities</i>	
Receivables, net	118
Prepaid expenses	(3,871)
Accounts payable and accrued liabilities	<u>(6,303)</u>
Net Cash Used in Operating Activities	<u><u>\$ (3,481)</u></u>

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

Town of Boones Mill, Virginia

Notes to the Financial Statements

Year Ended June 30, 2021

1 Summary of Significant Accounting Policies

Narrative Profile

The Town of Boones Mill, Virginia (the "Town"), which was incorporated in 1927, has a population of approximately 230. The Town is located in Franklin County, Virginia. The Town is governed by the Town Manager, Chief Administrative Officer, an elected Mayor, and a six-member Council with each serving administrative and legislative functions.

The Town engages in a comprehensive range of municipal services, including general government administration, public safety, public works, community development, and parks, recreation, and cultural.

The financial statements of the Town have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). The more significant of the government's accounting policies are described below:

1-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 Boones Mill, Virginia (the primary government).

1-B. Financial Reporting Model

The Town's Comprehensive Annual Financial Report includes management's discussion and analysis, the basic financial statements, and required supplementary information, described as follows:

Management's Discussion and Analysis – The basic financial statements are accompanied by a narrative introduction as well as an analytical overview of the Town's financial activities.

Government-wide Financial Statements – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the Town as a whole. These financial statements focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the Town's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the Town at year end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each identifiable activity of the business-type activities of the Town. Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The Town does not allocate indirect expenses to functions in the Statement of Activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not considered to be program revenues are reported as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the Town.

Fund Financial Statements – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and proprietary funds are reported in separate columns.

Reconciliation of Government-wide and Fund Financial Statements – Since the governmental funds financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total governmental activities net position as shown on the government-wide Statement of Net Position is presented. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position of governmental activities as shown on the government-wide Statement of Activities is presented.

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons.

1-C. Financial Statement Presentation

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

- **Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the Town's major governmental funds:
 - *General Fund* – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
 - *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. There are no Special Revenue Funds as of June 30, 2021.
 - *Capital Projects Funds* – Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. The Capital Projects Fund as of June 30, 2021 consists of the Grant Fund.
- **Proprietary Funds** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has one enterprise fund, the Water and Sewer Fund, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges.
- **Fiduciary Funds (Custodial Funds)** – Fiduciary funds 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. Custodial funds utilize the accrual basis of accounting. 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 financial statements. There are no Fiduciary Funds as of June 30, 2021.

1-D. Measurement Focus and Basis of Accounting

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.

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government administration, public safety, public works, etc.) which are otherwise being supported by general government revenues, (property taxes, 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 (general government administration, public safety, public works, 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 as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, if applicable, are recorded only when payment is due.

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 expenditures. 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

1-E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1-E-1 Cash and Cash Equivalents

The Town maintains separate deposit accounts for each fund.

1-E-2 Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portions of the interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as internal balances.

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 approximately \$2,420 at June 30 for trade receivables.

Water and sewer receivables	\$ 26,402
Less: Allowance for uncollectibles	<u>(2,420)</u>
Water and Sewer Receivables, Net	<u>\$ 23,982</u>

Real and Personal Property Tax Data

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

Real Property Personal Property

Levy	January 1	January 1
Due Date	February 28	February 28
Lien Date	March 1	March 1

The Town bills and collects its own property taxes.

A 10% penalty or \$10 minimum is levied on all taxes not collected on or before their due date. An interest charge of 10% per annum is also levied on such taxes beginning on January 1.

1-E-3 Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

1-E-4 Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The Town reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$500. The Town's infrastructure consists of water distribution and wastewater collection systems. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and improvements	39.5 years
Furniture, equipment, and vehicles	5 to 20 years
Infrastructure	40 years

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

1-E-5 Deferred Outflows/Inflows of Resources

The Statement of Net Position includes a separate section for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. This category also includes amounts related to pensions for certain actuarially determined differences between projected and actual investment earnings.

The Statement of Net Position also includes a separate section for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will be recognized as revenue in the future period to which it applies. Currently, this category includes revenue received in advance, and amounts related to pensions for certain actuarially determined differences between projected and actual experience.

Deferred Inflows of Resources in the Governmental Funds Balance Sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans, and notes receivable.

1-E-6 Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance

benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's 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.

1-E-7 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net position.

Governmental Fund Balances – Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which resources can be spent. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all amounts not classified as nonspendable, restricted, committed, or assigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

1-E-8 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for utilities. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings and interest paid on long-term debt.

1-E-9 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

1-E-10 Long-Term Obligations

The Town reports long-term debt of Governmental Funds at face value in the general long-term debt account group. The face value of the debt is believed to approximate fair value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by Proprietary Funds are reported as liabilities in the appropriate funds.

1-E-11 Adoption of New GASB Statements

The Town did not adopt any new GASB statements during the fiscal year ended June 30, 2021.

1-F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The Town Council annually adopts budgets for the various funds of the primary government. All appropriations are legally controlled at the department level for the primary Government Funds. Unexpended appropriations lapse at the end of each fiscal year.

Budgetary Data

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

1. Prior to April 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget 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, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Expenditures in Excess of Appropriations

Expenditures exceeded appropriations in the general fund.

Fund Deficits

No funds had fund balance deficits.

3 Cash and Cash Equivalents

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.

The following is a summary of cash and cash equivalents:

<u>Asset Type</u>	<u>Balance June 30, 2021</u>		
Deposit accounts	\$	204,815	
Total Cash	\$	204,815	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government			
Cash and cash equivalents	\$ 186,744	\$ 18,071	\$ 204,815

4 Receivables

Receivables at June 30, 2021 consist of the following:

	<u>Primary Government</u>	
	<u>Governmental Activities General</u>	<u>Business-Type Activities</u>
Receivables		
Property taxes	\$ 13,524	\$ -
Other	8,949	-
Water and sewer	-	26,402
	<hr/>	<hr/>
Total Receivables	22,473	26,402
Less: Allowance for doubtful accounts	-	(2,420)
	<hr/>	<hr/>
Net Receivables	<u>\$ 22,473</u>	<u>\$ 23,982</u>

5 Interfund Transfers

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

<u>Primary Government</u>	<u>Transfer to</u>	<u>Transfer from</u>
General Fund		
To Water and Sewer Fund	\$ 23,951	\$ -
From Grant Fund	-	38,442
Total General Fund	23,951	38,442
Water and Sewer Fund		
From General Fund	-	23,951
From Grant Fund	-	7,848
Total Water and Sewer Fund	-	31,799
Grant Fund		
To General Fund	38,442	-
To Water and Sewer Fund	7,848	-
Total Grant Fund	46,290	-
Total Transfers	<u>\$ 70,241</u>	<u>\$ 70,241</u>

Transfers between funds were primarily to support operations of the funds.

6 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets Not Being Depreciated				
Land	\$ 70,218	\$ -	\$ -	\$ 70,218
Total Capital Assets Not Being Depreciated	70,218	-	-	70,218
Other Capital Assets				
Buildings and improvements	2,256,561	-	-	2,256,561
Furniture, equipment, and vehicles	71,337	-	-	71,337
Total Other Capital Assets	2,327,898	-	-	2,327,898
Less: Accumulated depreciation for				
Buildings and improvements	226,515	65,621	-	292,136
Furniture, equipment, and vehicles	61,825	5,465	-	67,290
Total Accumulated Depreciation	288,340	71,086	-	359,426
Other Capital Assets, Net	2,039,558	(71,086)	-	1,968,472
Net Capital Assets	\$ 2,109,776	\$ (71,086)	\$ -	\$ 2,038,690

Depreciation expense was allocated as follows:

General government administration	\$ 51,847
Public safety	5,465
Parks, recreation, and cultural	13,774
Total Depreciation Expense	\$ 71,086

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Business-Type Activities

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets Not Being Depreciated				
Land	\$ 418,200	-	-	\$ 418,200
Total Capital Assets Not Being Depreciated	418,200	-	-	418,200
Other Capital Assets				
Buildings and improvements	5,640	-	-	5,640
Furniture, equipment, and vehicles	404,071	-	-	404,071
Infrastructure	3,489,967	-	-	3,489,967
Total Other Capital Assets	3,899,678	-	-	3,899,678
Less: Accumulated depreciation for				
Buildings and improvements	5,640	-	-	5,640
Furniture, equipment, and vehicles	388,630	5,598	-	394,228
Infrastructure	735,000	90,840	-	825,840
Total Accumulated Depreciation	1,129,270	96,438	-	1,225,708
Other Capital Assets, Net	2,770,408	(96,438)	-	2,673,970
Net Capital Assets	\$ 3,188,608	(96,438)	-	\$ 3,092,170

7 Long-Term Debt

PRIMARY GOVERNMENT

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

	<u>Governmental Activities</u>		
<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 109,921	\$ 30,654	\$ 140,575
2023	20,260	29,764	50,024
2024	21,191	28,833	50,024
2025	22,164	27,860	50,024
2026	23,182	26,841	50,023
2027-2031	103,884	96,218	200,102
2032-2036	159,060	91,064	250,124
2037-2041	199,112	51,013	250,125
2042-2044	120,911	7,443	128,354
Total	\$ 779,685	\$ 389,690	\$ 1,169,375

<u>Year Ended June 30,</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 33,734	\$ 5,778	\$ 39,512
2023	34,377	5,136	39,513
2024	35,041	4,472	39,513
2025	35,728	3,784	39,512
2026	36,438	3,075	39,513
2027-2031	156,476	4,842	161,318
2032-2036	62,666	-	62,666
2037	<u>7,547</u>	<u>-</u>	<u>7,547</u>
Total	<u>\$ 402,007</u>	<u>\$ 27,087</u>	<u>\$ 429,094</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the Town:

	<u>Balance July 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities					
General Fund					
<i>Carter Bank & Trust</i>					
The Town has a \$100,000 line of credit with Carter Bank and Trust with an interest rate of 2.00%.	\$ 91,401	\$ -	\$ -	\$ 91,401	\$ 91,401
<i>Carter Bank & Trust</i>					
The loan is payable in 48 monthly installments of \$484.20 with an interest rate of 2.50%. This note had a principal amount of \$22,079 used to purchase a police vehicle.	5,256	-	5,256	-	-
<i>Virginia Community Capital Bank</i>					
The loan was a construction loan with monthly interest only payments due until converted to a permanent loan on February 5, 2018. The loan is payable in 300 monthly installments of \$4,168.74 with an interest rate of 4.50%.	<u>709,246</u>	<u>-</u>	<u>20,962</u>	<u>688,284</u>	<u>18,520</u>
Total Governmental Activities	805,903	-	26,218	779,685	109,921

	<u>Balance July 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Business-Type Activities					
Enterprise Funds					
<i>Virginia Resources Authority</i>					
Semiannual payments are approximately \$19,082 with an interest rate of 2.46% through January 1, 2030. This note had a principal amount of \$300,000.	163,955	-	7,713	156,242	15,811
<i>Virginia Resources Authority</i>					
Semiannual payments will be approximately \$6,267 with no stated payable interest through November 1, 2037. This note had a principal amount of \$239,413, proceeds used to rehabilitate the pump station.	208,080	-	12,533	195,547	12,768
<i>Carter Bank & Trust</i>					
Monthly payments are approximately \$626 with an interest rate of 4.61% through July 1, 2029. This note had a principal amount of \$60,000 used to make upgrades and repairs to the Town's water and wastewater infrastructure.	55,297	-	5,079	50,218	5,155
Total Enterprise Funds	427,332	-	25,325	402,007	33,734
Grand Total - All Debt	\$ 1,233,235	\$ -	\$ 51,543	\$ 1,181,692	\$ 143,655

8 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2021 is determined as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Net Investment in Capital Assets		
Cost of capital assets	\$ 2,398,116	\$ 4,317,878
Less: Accumulated depreciation	359,426	1,225,708
Book value	2,038,690	3,092,170
Less: Capital related debt	779,685	402,007
Net Investment in Capital Assets	\$ 1,259,005	\$ 2,690,163

9 Deferred Inflows of Resources and Unearned Revenue

Deferred inflows of resources and unearned revenues are comprised of the following:

Governmental Funds - General Fund

Deferred Inflows of Resources

Delinquent taxes not collected within 60 days	\$ 13,524
Total Deferred Inflows of Resources -	\$ 13,524

Unearned Revenues - Capital Projects

Grant Fund

Unearned revenue - CARES Act	\$ 120,871
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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 joined together with other local governments in Virginia to form the Virginia Risk Sharing Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Town pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Town continues to carry commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Surety bond coverage is as follows:

Jean Rucker - Treasurer/Clerk	\$ 100,000
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11 Commitments and Contingencies

If applicable, federal programs in which the Town participates were audited in accordance with the 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). Pursuant to the requirements of the Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the 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.

12 Litigation

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

13 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed 10% of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Property	<u>\$ 22,217,751</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 2,221,775
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross debt	<u>779,685</u>
Legal Debt Margin - June 30, 2021	<u>\$ 1,442,090</u>

Note: Includes all long-term general obligation bonded debt. Excludes capital leases and compensated absences.

14 Other-Post Employment Benefits - Line of Duty Act

Plan Description

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

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

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS
<p>Eligible Employees</p> <p>The eligible employees of the Line of Duty Act Program (LODA) include paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).</p>
<p>Benefit Amounts</p> <p>The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none"> • <i>Death:</i> The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: <ul style="list-style-type: none"> ○ \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after ○ \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. ○ An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001. • <i>Health Insurance:</i> The Line of Duty Act program provides health insurance benefits. <ul style="list-style-type: none"> ○ Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. ○ Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

Contributions

The contribution requirements for the Line of Duty Act Program (LODA) are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2021 was \$717.31 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the entity were \$2,511 and \$2,117 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the entity reported a liability of \$65,252 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2020 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2020, the entity's proportion was 0.01558% as compared to 0.01315% at June 30, 2019.

For the year ended June 30, 2021, the entity recognized LODA OPEB expense of \$11,326. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,927	\$ 8,896
Net difference between projected and actual earnings on LODA OPEB program investments	-	93
Change in assumptions	17,468	4,066
Changes in proportionate share	32,367	-
Employer contributions subsequent to the measurement date	<u>2,511</u>	<u>-</u>
Total	<u>\$ 59,273</u>	<u>\$ 13,055</u>

\$2,511 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2022	\$ 6,881
2023	6,898
2024	6,916
2025	6,921
2026	6,927
Thereafter	9,164

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation -	
General state employees	N/A
SPORS employees	N/A
VaLORS employees	N/A
Locality employees	N/A
Medical cost trend rates assumption -	
Under age 65	7.00% - 4.75%
Ages 65 and older	5.375% - 4.75%
Year of ultimate trend rate	
Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	2.21%, including inflation*

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return.

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

Mortality rates – SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality rates – ValORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality rates – Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality rates – Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net LODA OPEB Liability

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

	<u>Line of Duty Act Program</u>
Total LODA OPEB Liability	\$ 423,147
Plan Fiduciary Net Position	<u>4,333</u>
LODA Net OPEB Liability (Asset)	<u><u>\$ 418,814</u></u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.02%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 2.21% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investment's 6.75% assumption. Instead, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2020.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 2.21%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	1.00% Decrease <u>1.21%</u>	Current Discount <u>2.21%</u>	1.00% Increase <u>3.21%</u>
Covered Employer's Proportionate Share of the LODA Net OPEB Liability	\$ 77,453	\$ 65,252	\$ 56,055

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

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

	1.00% Decrease 6.00% decreasing to <u>3.75%</u>	Current Discount Rate 7.00% decreasing to <u>4.75%</u>	1.00% Increase 8.00% decreasing to <u>5.75%</u>
Covered Employer's Proportionate Share of the LODA Net OPEB Liability	\$ 53,933	\$ 65,252	\$ 80,057

LODA OPEB Plan Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

15 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2021 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2021. Management has performed their analysis through April 9, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Boones Mill, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2021

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Real estate taxes	\$ 36,926	\$ 36,926	\$ 26,181	\$ (10,745)
Personal property taxes	2,674	2,674	1,896	(778)
Delinquent taxes	-	-	4,235	4,235
Penalties and interest	-	-	996	996
Total General Property Taxes	39,600	39,600	33,308	(6,292)
Other Local Taxes				
Bank franchise taxes	34,569	34,569	38,353	3,784
Local sales taxes	11,500	11,500	11,758	258
Meals tax	60,000	60,000	62,747	2,747
Gross receipts tax	22,000	22,000	16,066	(5,934)
Motor vehicle license	-	-	7,637	7,637
Utility taxes	6,000	6,000	5,018	(982)
Total Other Local Taxes	134,069	134,069	141,579	7,510
Fines and Forfeitures	70,000	70,000	57,274	(12,726)
Revenue from Use of Money and Property				
Revenue from use of money	-	-	1	1
Revenue from use of property	31,330	31,330	43,875	12,545
Total Use of Money and Property	31,330	31,330	43,876	12,546
Miscellaneous				
Miscellaneous	-	-	8,665	8,665
Total Miscellaneous	-	-	8,665	8,665
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Railroad Rolling Stock tax	2,300	2,300	2,243	(57)
Skills Games tax	-	-	1,152	1,152
Communications tax	3,200	3,200	2,310	(890)
PPTRA	1,400	1,400	1,400	-
Total Noncategorical Aid	6,900	6,900	7,105	205
<i>Categorical Aid</i>				
Fire Program	-	-	15,000	15,000
Police Department	7,652	7,652	8,997	1,345
Total Categorical Aid	7,652	7,652	23,997	16,345
Total Intergovernmental	14,552	14,552	31,102	16,550
Total Revenues	289,551	289,551	315,804	26,253

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Current Expenditures				
General Government Administration				
Town Council	5,040	5,040	3,850	1,190
Salaries and wages	99,172	99,172	98,276	896
Payroll taxes and fringe benefits	16,787	16,787	16,910	(123)
Professional fees	8,500	8,500	4,076	4,424
Office	2,800	2,800	4,530	(1,730)
Miscellaneous	4,386	4,386	10,638	(6,252)
Telephone	3,480	3,480	4,428	(948)
Advertising	500	500	347	153
Insurance	6,799	6,799	7,018	(219)
Fees and contributions	<u>1,300</u>	<u>1,300</u>	<u>1,705</u>	<u>(405)</u>
Total General Government Administration	148,764	148,764	151,778	(3,014)
Public Safety				
<i>Police Department</i>				
Salaries	38,720	38,720	38,250	470
Payroll taxes and fringe benefits	9,730	9,730	17,284	(7,554)
Vehicle	2,250	2,250	1,908	342
Equipment and supplies	1,750	1,750	2,571	(821)
Fuel	5,500	5,500	6,436	(936)
Uniforms	500	500	-	500
Miscellaneous	<u>2,944</u>	<u>2,944</u>	<u>3,064</u>	<u>(120)</u>
Total Police Department	61,394	61,394	69,513	(8,119)
<i>Fire Department</i>				
Grants	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>(15,000)</u>
Total Fire Department	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>(15,000)</u>
Total Public Safety	61,394	61,394	84,513	(23,119)
Public Works				
<i>Building and Grounds</i>				
Electricity	14,000	14,000	14,942	(942)
Repairs and maintenance	<u>1,000</u>	<u>1,000</u>	<u>5,646</u>	<u>(4,646)</u>
Total Building and Grounds	<u>15,000</u>	<u>15,000</u>	<u>20,588</u>	<u>(5,588)</u>
Total Public Works	15,000	15,000	20,588	(5,588)
Parks, Recreation, and Cultural				
Train depot	8,558	8,558	4,124	4,434
Farmer's market	<u>-</u>	<u>-</u>	<u>135</u>	<u>(135)</u>
Total Parks, Recreation, and Cultural	8,558	8,558	4,259	4,299

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Debt Service	<u>55,835</u>	<u>55,835</u>	<u>57,404</u>	<u>(1,569)</u>
Total Expenditures	<u>289,551</u>	<u>289,551</u>	<u>318,542</u>	<u>(28,991)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(2,738)	(2,738)
Other Financing Sources (Uses)				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>14,491</u>	<u>(14,491)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>14,491</u>	<u>(14,491)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	11,753	<u>\$ 11,753</u>
Fund Balance - Beginning of Year			<u>7,838</u>	
Fund Balance - End of Year			<u>\$ 19,591</u>	

Town of Boones Mill, Virginia

Schedule of Employer's Share of Net OPEB Liability Line of Duty Act Program (LODA) For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employer's Proportion of the Net LODA OPEB Liability (Asset)	0.01558%	0.01315%	0.01200%
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset)	65,252	47,181	38,000
Covered - Employee Payroll	36,918 *	30,520 *	17,200 *
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered - Employee Payroll	176.75% *	154.59% *	220.93% *
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.02%	0.79%	0.60%

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

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

NOTE: Information for 2017 not available

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Line of Duty Act Program (LODA) for each year is presented on page 132 of the VRS 2020 Annual Report.

Town of Boones Mill, Virginia

Schedule of Employer Contributions

Line of Duty Act Program (LODA)

For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll (4)	Contributions as a % of Covered - Employee Payroll (5)
2021	\$ 2,511	\$ 2,511	\$ -	\$ 38,250	6.56%
2020	2,117	2,117	-	36,918	5.73%
2019	1,764	1,764	-	30,520	5.78%
2018	1,277	1,277	-	17,200	7.42%
2017	N/A	N/A	N/A	N/A*	N/A*
2016	N/A	N/A	N/A	N/A*	N/A*
2015	N/A	N/A	N/A	N/A*	N/A*
2014	N/A	N/A	N/A	N/A*	N/A*
2013	N/A	N/A	N/A	N/A*	N/A*
2012	N/A	N/A	N/A	N/A*	N/A*

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

For Reference Only

Column 1 – Employer contribution rate multiplied by the covered-employee payroll

Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website

Column 4 – Covered-employee payroll amount for the fiscal year

Town of Boones Mill, Virginia

Notes to Required Supplementary Information – OPEB LODA

For the Year Ended June 30, 2021

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

General State Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

SPORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Employees in the Largest Ten Locality Employers with Public Safety Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

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

OTHER INFORMATION

Table 1

Town of Boones Mill, Virginia

Pledged Revenue Coverage
Last Ten Fiscal Years
(Unaudited)

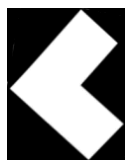
Water and Sewer Revenue Bonds

<u>Fiscal Year</u>	<u>Gross Revenue⁽¹⁾</u>		<u>Less Operating Expenses⁽²⁾</u>		<u>Net Revenues Available for Debt Service</u>	<u>Debt Service</u>		<u>Coverage</u>
						<u>Principal</u>	<u>Interest</u>	
2012	\$	159,763	\$	138,104	\$ 21,659	\$ 27,861	\$ 8,114	0.60
2013		142,274		107,313	34,961	21,685	7,028	1.22
2014		165,007		113,884	51,123	14,271	6,393	2.47
2015		156,185		126,006	30,179	13,404	6,054	1.55
2016		157,080		171,259	(14,179)	37,392	6,571	(0.32)
2017		175,149		163,932	11,217	18,088	6,354	0.46
2018		192,262		179,963	12,299	24,584	6,125	0.40
2019		168,051		203,663	(35,612)	31,752	5,223	(0.96)
2020		248,277		252,068	(3,791)	42,273	7,358	(0.08)
2021		165,611		159,036	6,575	25,325	4,608	0.22

⁽¹⁾Operating revenues and interest income

⁽²⁾Net of depreciation and amortization

COMPLIANCE SECTION



**Creedle
Jones
& Associates**

A Professional Corporation

*Robin B. Jones, CPA, CFP
Kimberly W. Jackson, CPA*

Nadine L. Chase, CPA

Sherwood H. Creedle, Emeritus

*Members of
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants*

**INDEPENDENT AUDITOR'S 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 Town Council
Town of Boones Mill, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Boones Mill, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Boones Mill, Virginia's basic financial statements, and have issued our report thereon dated April 9, 2022.

Internal Control Over Financial Reporting

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

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

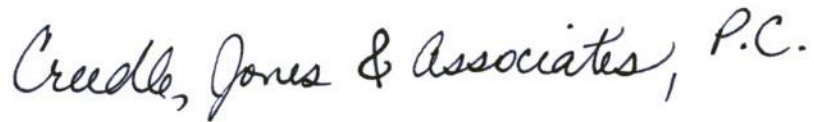
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.

A handwritten signature in dark ink that reads "Creedle, Jones & Associates, P.C." in a cursive, flowing script.

Creedle, Jones & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
April 9, 2022