

TOWN OF TAZEWELL, VIRGINIA



ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2023

TOWN OF TAZEWELL, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

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

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
List of Elected and Appointed Officials	1

FINANCIAL SECTION

	<u>Exhibit</u>	<u>Page</u>
Independent Auditors' Report		2-4
 Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	5
Statement of Activities	2	6
Fund Financial Statements:		
Balance Sheet - Governmental Fund	3	7
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position	4	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund.....	5	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	6	10
Statement of Net Position - Proprietary Funds.....	7	11
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	8	12
Statement of Cash Flows - Proprietary Funds	9	13
Notes to the Financial Statements		14-59
 Required Supplementary Information:		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:		
General Fund	10	60
Schedules Related to Pension Funding:		
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios-Pension Plan .	11	61
Schedule of Employer Contributions-Pension Plan	12	62
Notes to Required Supplementary Information-Pension Plan	13	63
Schedules Related to OPEB Funding:		
Town Health Insurance OPEB:		
Schedule of Changes in Total OPEB Liability and Related Ratios	14	64
Notes to Required Supplementary Information	15	65
Line of Duty Act (LODA) Program:		
Schedule of Employer's Share of Net LODA OPEB Liability	16	66
Schedule of Employer Contributions.....	17	67
Notes to Required Supplementary Information	18	68

**TOWN OF TAZEWELL, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (Continued)

Other Supplementary Information:	<u>Exhibit</u>	<u>Page</u>
Combining Statements - Water and Sewer Fund		
Statement of Net Position	19	69
Statement of Revenues, Expenses, and Changes in Net Position.....	20	70
Statistical Information:	<u>Table</u>	<u>Page</u>
Fund Information:		
General Governmental Expenditures by Function	1	71
General Governmental Revenues by Source	2	72
Computation of Legal Debt Margin	3	73

COMPLIANCE SECTION

Compliance:	<u>Page</u>
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	74-75
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance	76-77
Schedule of Expenditures of Federal Awards	78-79
Schedule of Findings and Questioned Costs	80

INTRODUCTORY SECTION

TOWN OF TAZEWELL, VIRGINIA

TOWN COUNCIL

Michael Hoops, Mayor
Dr. Terry Mullins, Vice Mayor
Joe Beasley
Dr. Chris Brown
Dr. Glenn Catron
Emily Davis
David Fox

TOWN INDUSTRIAL/ECONOMIC DEVELOPMENT AUTHORITY BOARD

Kim Santolla, Chair
Nancy Brooks
Zach Cline
Zachary Hash
Derek Pridgen
Chris Wearmouth
Susan Whittaker

OTHER OFFICIALS

Todd Day..... Town Manager
Leeanne Billings Treasurer
Gillespie, Hart, Altizer & Whitesell, PC Town Attorney

FINANCIAL SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Tazewell, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Tazewell, Virginia's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Change in Accounting Principle

As described in Note 22 to the financial statements, in 2023, the Town of Tazewell adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. Our opinions are not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 21 to the financial statements, in 2023, the Town of Tazewell restated beginning balances to record a note receivable from the Tazewell PSA. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Tazewell, Virginia's basic financial statements. The accompanying combining financial statements and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform*

Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023, on our consideration of the Town of Tazewell, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Tazewell, 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 Tazewell, Virginia's internal control over financial reporting and compliance.

Robinson, Famer, Cox Associates

Blacksburg, Virginia
September 29, 2023

Basic Financial Statements

Town of Tazewell, Virginia
Statement of Net Position
At June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,081,158	\$ 2,018,924	\$ 4,100,082
Investments	3,092,642	-	3,092,642
Receivables (net of allowance for uncollectibles):			
Taxes receivable	100,621	-	100,621
Accounts receivable	254,607	408,001	662,608
Notes receivable	-	144,802	144,802
EMS and fire receivable	196,061	-	196,061
Due from other governmental units	3,043	14,160	17,203
Inventory/investment held for resale	-	302,430	302,430
Prepaid items	28,565	3,060	31,625
Capital assets, not being depreciated/amortized	2,277,964	1,317,874	3,595,838
Capital assets, net of accumulated depreciation/amortization	6,291,390	7,398,796	13,690,186
Total assets	<u>\$ 14,326,051</u>	<u>\$ 11,608,047</u>	<u>\$ 25,934,098</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 272,592	\$ 110,822	\$ 383,414
OPEB related items	865,870	64,625	930,495
Total deferred outflows of resources	<u>\$ 1,138,462</u>	<u>\$ 175,447</u>	<u>\$ 1,313,909</u>
LIABILITIES			
Accounts payable	\$ 100,870	\$ 89,824	\$ 190,694
Accrued liabilities	61,630	18,941	80,571
Customers' deposits	-	156,979	156,979
Accrued interest payable	-	7,996	7,996
Unearned revenue	1,410,239	958,309	2,368,548
Long-term liabilities:			
Due within one year	124,478	328,557	453,035
Due in more than one year	2,621,739	4,151,601	6,773,340
Total liabilities	<u>\$ 4,318,956</u>	<u>\$ 5,712,207</u>	<u>\$ 10,031,163</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - prepaid taxes	\$ 27,856	\$ -	\$ 27,856
Pension related items	195,365	82,177	277,542
OPEB related items	923,316	182,778	1,106,094
Total deferred inflows of resources	<u>\$ 1,146,537</u>	<u>\$ 264,955</u>	<u>\$ 1,411,492</u>
NET POSITION			
Net investment in capital assets	\$ 8,540,182	\$ 4,855,690	\$ 13,395,872
Restricted	55,261	-	55,261
Unrestricted (deficit)	1,403,577	950,642	2,354,219
Total net position	<u>\$ 9,999,020</u>	<u>\$ 5,806,332</u>	<u>\$ 15,805,352</u>

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 866,783	\$ -	\$ 243,521	\$ -	\$ (623,262)	\$ -	\$ (623,262)
Public safety	3,953,353	1,852,810	2,105,775	-	5,232	-	5,232
Public works	1,586,562	471,216	1,421,835	-	306,489	-	306,489
Health and welfare	-	-	-	-	-	-	-
Parks, recreation, and cultural	352,788	54,220	156,700	-	(141,868)	-	(141,868)
Community development	136,902	-	-	-	(136,902)	-	(136,902)
Interest on long-term debt	745	-	-	-	(745)	-	(745)
Total governmental activities	\$ 6,897,133	\$ 2,378,246	\$ 3,927,831	\$ -	\$ (591,056)	\$ -	\$ (591,056)
Business-type activities:							
Water and sewer fund	\$ 3,183,618	\$ 3,488,612	\$ 77,345	\$ 6,244	\$ -	\$ 388,583	\$ 388,583
IDA fund	467,537	-	456,711	-	-	(10,826)	(10,826)
Total business-type activities	\$ 3,651,155	\$ 3,488,612	\$ 534,056	\$ 6,244	\$ -	\$ 377,757	\$ 377,757
Total primary government	\$ 10,548,288	\$ 5,866,858	\$ 4,461,887	\$ 6,244	\$ (591,056)	\$ 377,757	\$ (213,299)
General revenues:							
General property taxes					\$ 1,000,724	\$ -	\$ 1,000,724
Other local taxes:							
Local sales and use taxes					366,350	-	366,350
Consumers' utility taxes					49,526	-	49,526
Business license taxes					343,085	-	343,085
Motor vehicle licenses					69,779	-	69,779
Bank stock tax					162,132	-	162,132
Cigarette Tax					210,000	-	210,000
Meals taxes					1,084,318	-	1,084,318
Other local taxes					58,390	-	58,390
Unrestricted revenues from use of money and property					143,951	2,663	146,614
Miscellaneous					116,854	4,529	121,383
Grants and contributions not restricted to specific programs					79,526	-	79,526
Transfers					(253,419)	253,419	-
Total general revenues and transfers					\$ 3,431,216	\$ 260,611	\$ 3,691,827
Change in net position					\$ 2,840,160	\$ 638,368	\$ 3,478,528
Net position - beginning, as restated					7,158,860	5,167,964	12,326,824
Net position - ending					\$ 9,999,020	\$ 5,806,332	\$ 15,805,352

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

Town of Tazewell, Virginia
Balance Sheet
Governmental Fund
At June 30, 2023

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 2,081,158
Investments	3,092,642
Receivables (net of allowance for uncollectibles):	
Taxes receivable	100,621
Accounts receivable	254,607
EMS and fire receivable	196,061
Due from other governmental units	3,043
Prepaid items	28,565
Total assets	<u>\$ 5,756,697</u>
LIABILITIES	
Accounts payable	\$ 100,870
Accrued payroll and related liabilities	61,630
Unearned revenue	1,410,239
Total liabilities	<u>\$ 1,572,739</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	\$ 122,110
Total deferred inflows of resources	<u>\$ 122,110</u>
FUND BALANCE	
Nonspendable	
Prepaid items	\$ 28,565
Restricted	55,261
Unassigned	3,978,022
Total fund balance	<u>\$ 4,061,848</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 5,756,697</u>

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

Town of Tazewell, Virginia
Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Position
At June 30, 2023

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 4,061,848
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets not being depreciated/amortized	\$ 2,277,964	
Capital assets being depreciated/amortized	12,578,205	
Accumulated depreciation/amortization	<u>(6,286,815)</u>	8,569,354
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue - property taxes	<u>\$ 94,254</u>	94,254
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 272,592	
OPEB related items	<u>865,870</u>	1,138,462
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Loans payable	\$ (29,172)	
Compensated absences	(147,494)	
Net pension liability	(27,723)	
Net OPEB liabilities	<u>(2,541,828)</u>	(2,746,217)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (195,365)	
OPEB related items	<u>(923,316)</u>	(1,118,681)
Net position of governmental activities		<u><u>\$ 9,999,020</u></u>

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

Town of Tazewell, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2023

	<u>General</u>
REVENUES	
General property taxes	\$ 1,002,442
Other local taxes	2,343,580
Permits, privilege fees, and regulatory licenses	23,524
Fines and forfeitures	30,092
Revenue from the use of money and property	143,951
Charges for services	2,324,630
Miscellaneous	116,854
Intergovernmental	4,007,357
Total revenues	<u>\$ 9,992,430</u>
EXPENDITURES	
Current:	
General government administration	\$ 840,315
Public safety	3,575,880
Public works	1,323,971
Parks, recreation, and cultural	356,792
Community development	136,902
Capital projects	701,659
Debt service:	
Principal retirement	32,100
Interest and other fiscal charges	745
Total expenditures	<u>\$ 6,968,364</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,024,066</u>
OTHER FINANCING SOURCES (USES)	
Transfers out	\$ (253,419)
Total other financing sources (uses)	<u>\$ (253,419)</u>
Net change in fund balances	\$ 2,770,647
Fund balance - beginning	1,291,201
Fund balance - ending	<u><u>\$ 4,061,848</u></u>

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

Town of Tazewell, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of Governmental Fund
to the Statement of Activities
For the Year Ended June 30, 2023

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

Net change in fund balances - total governmental funds	\$	2,770,647
--	----	-----------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the detail of items supporting this adjustment:

Capital outlays	\$ 914,155	
Depreciation expense	<u>(613,031)</u>	301,124

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.

Loss on disposal of assets		(84,549)
----------------------------	--	----------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		(1,718)
----------------	--	---------

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

Principal repayments:		
Loans payable		32,100

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

Change in compensated absences	\$ 10,855	
Change in pension related items	9,986	
Change in OPEB related items	<u>(198,285)</u>	(177,444)

Change in net position of governmental activities	\$	<u><u>2,840,160</u></u>
---	----	-------------------------

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

Town of Tazewell, Virginia
Statement of Net Position
Proprietary Funds
At June 30, 2023

	Enterprise Funds		
	<u>Water and Sewer Fund</u>	<u>IDA Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,010,862	\$ 8,062	\$ 2,018,924
Accounts receivable, net of allowances for uncollectibles	408,001	-	408,001
Due from other governmental units	14,160	-	14,160
Prepaid items	3,060	-	3,060
Note receivable, current portion	7,333	-	7,333
Total current assets	<u>\$ 2,443,416</u>	<u>\$ 8,062</u>	<u>\$ 2,451,478</u>
Noncurrent assets:			
Note receivable, net of current portion	\$ 137,469	\$ -	\$ 137,469
Inventory/investment held for resale	-	302,430	302,430
Capital assets not being depreciated/amortized	842,391	475,483	1,317,874
Capital assets, net of accumulated depreciation/amortization	7,381,206	17,590	7,398,796
Net capital assets	<u>\$ 8,223,597</u>	<u>\$ 493,073</u>	<u>\$ 8,716,670</u>
Total noncurrent assets	<u>\$ 8,361,066</u>	<u>\$ 795,503</u>	<u>\$ 9,156,569</u>
Total assets	<u>\$ 10,804,482</u>	<u>\$ 803,565</u>	<u>\$ 11,608,047</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 110,822	\$ -	\$ 110,822
OPEB related items	64,625	-	64,625
Total deferred outflows of resources	<u>\$ 175,447</u>	<u>\$ -</u>	<u>\$ 175,447</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 89,824	\$ -	\$ 89,824
Accrued payroll and related liabilities	18,941	-	18,941
Customers' deposits	156,979	-	156,979
Accrued interest payable	7,996	-	7,996
Unearned revenue	958,309	-	958,309
Note payable - Tazewell PSA - current portion	15,867	-	15,867
Bonds and notes payable - current portion	259,529	-	259,529
Lease liability - current portion	-	152	152
Compensated absences - current portion	53,009	-	53,009
Total current liabilities	<u>\$ 1,560,454</u>	<u>\$ 152</u>	<u>\$ 1,560,606</u>
Noncurrent liabilities:			
Bonds and notes payable - net of current portion	\$ 3,184,237	-	\$ 3,184,237
Lease liability - net of current portion	-	18,139	18,139
Note payable - Tazewell PSA - net of current portion	383,056	-	383,056
Compensated absences - net of current portion	17,669	-	17,669
Net pension liability	7,830	-	7,830
Net OPEB liability	540,670	-	540,670
Total noncurrent liabilities	<u>\$ 4,133,462</u>	<u>\$ 18,139</u>	<u>\$ 4,151,601</u>
Total liabilities	<u>\$ 5,693,916</u>	<u>\$ 18,291</u>	<u>\$ 5,712,207</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 82,177	\$ -	\$ 82,177
OPEB related items	182,778	-	182,778
Total deferred inflows of resources	<u>\$ 264,955</u>	<u>\$ -</u>	<u>\$ 264,955</u>
NET POSITION			
Net investment in capital assets	\$ 4,380,908	\$ 474,782	\$ 4,855,690
Unrestricted	640,150	310,492	950,642
Total net position	<u>\$ 5,021,058</u>	<u>\$ 785,274</u>	<u>\$ 5,806,332</u>

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

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

	Enterprise Funds		
	<u>Water and Sewer Fund</u>	<u>IDA Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Charges for services	\$ 3,476,773	\$ -	\$ 3,476,773
Penalties and service charges	11,839	-	11,839
Miscellaneous	4,529	-	4,529
Total operating revenues	<u>\$ 3,493,141</u>	<u>\$ -</u>	<u>\$ 3,493,141</u>
OPERATING EXPENSES			
Salaries, wages and fringes	\$ 783,631	\$ -	\$ 783,631
Fringe benefits	375,749	-	375,749
Insurance	15,376	-	15,376
Office supplies	25,804	-	25,804
Postage	11,529	-	11,529
Telecommunications	13,169	-	13,169
Uniforms	7,761	-	7,761
Training	8,178	-	8,178
Maintenance	120,551	-	120,551
System evaluation	20,743	-	20,743
Equipment	7,793	-	7,793
Motor fuel and oil	21,405	-	21,405
Water works fees	5,901	-	5,901
Wastewater fees	9,657	-	9,657
Supplies	86,209	-	86,209
Purchased water	829,131	-	829,131
Utilities	244,385	-	244,385
Chemicals	82,591	-	82,591
Miscellaneous	28,027	4,879	32,906
Community and economic development incentives	-	458,245	458,245
Depreciation/amortization	413,358	489	413,847
Total operating expenses	<u>\$ 3,110,948</u>	<u>\$ 463,613</u>	<u>\$ 3,574,561</u>
Operating income (loss)	<u>\$ 382,193</u>	<u>\$ (463,613)</u>	<u>\$ (81,420)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	\$ 2,663	\$ -	\$ 2,663
Noncapital grants	77,345	456,711	534,056
Interest expense	(72,670)	(3,924)	(76,594)
Total nonoperating revenues (expenses)	<u>\$ 7,338</u>	<u>\$ 452,787</u>	<u>\$ 460,125</u>
Income (loss) before contributions and transfers	<u>\$ 389,531</u>	<u>\$ (10,826)</u>	<u>\$ 378,705</u>
Capital contributions	6,244	-	6,244
Transfers in	-	253,419	253,419
Change in net position	<u>\$ 395,775</u>	<u>\$ 242,593</u>	<u>\$ 638,368</u>
Total net position - beginning, as restated	4,625,283	542,681	5,167,964
Total net position - ending	<u>\$ 5,021,058</u>	<u>\$ 785,274</u>	<u>\$ 5,806,332</u>

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

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

	Enterprise Funds		
	Water and Sewer Fund	IDA Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 3,442,916	\$ -	\$ 3,442,916
Payments to suppliers	(1,727,368)	(493,044)	(2,220,412)
Payments to and for employees	(1,142,911)	-	(1,142,911)
Net cash provided by (used for) operating activities	\$ 572,637	\$ (493,044)	\$ 79,593
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	\$ -	\$ 253,419	\$ 253,419
Intergovernmental revenue	77,345	466,178	543,523
Net cash provided by (used for) noncapital financing activities	\$ 77,345	\$ 719,597	\$ 796,942
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	\$ (135,256)	\$ -	\$ (135,256)
Principal payments on bonds and notes	(241,624)	(247,151)	(488,775)
Principal payments on amounts due to Tazewell PSA	(23,800)	-	(23,800)
Principal payments on lease payable	-	(139)	(139)
Proceeds from indebtedness	131,955	-	131,955
Payments received on note receivable	7,333	-	7,333
Issuance of note receivable - related to construction	(3,015)	-	(3,015)
Capital contributions	6,244	-	6,244
Interest expense	(74,131)	(4,598)	(78,729)
Net cash provided by (used for) capital and related financing activities	\$ (332,294)	\$ (251,888)	\$ (584,182)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$ 2,663	\$ -	\$ 2,663
Net cash provided by (used for) investing activities	\$ 2,663	\$ -	\$ 2,663
Net increase (decrease) in cash and cash equivalents	\$ 320,351	\$ (25,335)	\$ 295,016
Cash and cash equivalents - beginning	1,690,511	33,397	1,723,908
Cash and cash equivalents - ending	\$ 2,010,862	\$ 8,062	\$ 2,018,924
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 382,193	\$ (463,613)	\$ (81,420)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation/amortization	\$ 413,358	\$ 489	\$ 413,847
Change in assets, deferred outflows, liabilities, and deferred inflows:			
Accounts receivable	(15,701)	-	(15,701)
Deferred outflows of resources	(8,652)	-	(8,652)
Prepaid items	(14)	-	(14)
Net pension asset	141,244	-	141,244
Amount from other governmental units	(5,626)	-	(5,626)
Customer deposits	7,609	-	7,609
Accounts payable	(189,144)	(29,920)	(219,064)
Accrued payroll and related liabilities	(18,496)	-	(18,496)
Unearned revenue	(36,507)	-	(36,507)
Compensated absences	(10,034)	-	(10,034)
Net pension liability	7,830	-	7,830
Net OPEB liability	89,402	-	89,402
Deferred inflows of resources	(184,825)	-	(184,825)
Total adjustments	\$ 190,444	\$ (29,431)	\$ 161,013
Net cash provided by (used for) operating activities	\$ 572,637	\$ (493,044)	\$ 79,593

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

TOWN OF TAZEVELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023

Note 1-Summary of Significant Accounting Policies:

The financial statements of the Town of Tazewell, Virginia (the “Town”) conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. Financial reporting entity:

The Town was established in 1916. It is a political subdivision of the Commonwealth of Virginia operating under the Mayor-Council form of government. The Town consists of a mayor and six other council members. The Town is part of Tazewell County, Virginia and has taxing powers subject to statewide restrictions and tax limits. The Town provides a full range of municipal services including police, fire and rescue, refuse collection, public improvements, planning and zoning, general administrative services, recreation, and water and wastewater services. The financial statements present the Town as the primary government. A component unit is an entity for which the Town is considered to be financially accountable. The Town has no related or jointly governed organization.

Blended Component Unit - The business-type activities column in the financial statements includes the financial data of the Town’s blended component unit.

The Town of Tazewell Industrial Development Authority (“IDA”) encourages and provides financing for industrial development in the Town. The IDA board members are appointed by the Town Council. The IDA is fiscally dependent upon the Town because the Town provides significant funding and debt of the IDA is covered by a support agreement with the Town. In addition, the IDA does not have separate taxing powers. The IDA is reported as a proprietary fund and does not issue separate financial statements.

For financial reporting purposes the Town includes all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or dependent upon the Town Council. Control by, or dependence upon, the Town Council was determined on the basis of the following:

1. The Town's ability to designate the management or significantly control the operations of the entity.
2. The Town's responsibility for the fiscal matters of the entity, including the authorization of budgetary appropriations, funding of operating deficiencies, control or use of surplus funds, responsibility for debts, and control over the collections and disbursement of funds.
3. The scope of public services rendered by and the geographic location of the entity.

Based on the foregoing criteria, the financial activities of no other organizations are included in the accompanying financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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

B. Government-wide financial statements:

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

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

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

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

C. Budgetary basis of accounting

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

1. During the regular May Council meetings, the Town Manager submits a proposed operating and capital budget for the fiscal year commencing the following July 1. This 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 for the general fund is legally enacted through passage of an Appropriations Ordinance. Town Council may, from time to time, amend the budget, providing for additional expenditures and the means for financing them.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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

C. Budgetary basis of accounting (Continued)

4. The Appropriations Ordinance places legal restrictions on expenditures at the department or category level. The appropriations for each department or category can be revised only by Town Council. The Town Manager is authorized to transfer amounts within general governmental departments.
5. Formal budgetary integration is employed as a management control device during the year.
6. Budgets are adopted utilizing the modified accrual of accounting.
7. Appropriations lapse on June 30 for all Town units.
8. All budget data presented is the final revised budget.

For the year ended June 30, 2023, expenditures did not exceed appropriations in any departments.

At year end, no funds had deficit fund equity.

D. Measurement focus, basis of accounting, and financial statement presentation:

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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

D. Measurement focus, basis of accounting, and financial statement presentation: (Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

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

The Town reports the following major governmental fund:

The *general fund* is the primary operating fund of the Town. The fund is used to account for and report for all financial resources except those required to be accounted for and reported in another fund.

The Town reports the following major proprietary funds:

Proprietary funds consist of enterprise funds. *Enterprise funds* account for financing and services to the general public where all or most of the operating expenses involved are intended to be recovered in the form of user charges, or where management has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for management control, accountability, or other purposes. The enterprise funds consist of the activities related to water and sewer services and the IDA fund.

The *IDA fund* accounts for activities for the IDA, a blended component unit of the Town. The IDA encourages and provides financing for industrial development in the Town.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the Town's proprietary fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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

D. Measurement focus, basis of accounting, and financial statement presentation: (Continued)

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

E. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:

1. Cash and Cash Equivalents

The Town's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the Town's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

2. Investments

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

3. Property Taxes

Property is assessed at 100% of its fair market value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on December 5th. Personal property taxes are due and collectible annually on December 5th. Personal property taxes do not create a lien on property. The County of Tazewell, Virginia is responsible for the assessments, while the Town bills and collects its own property taxes.

4. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$365,252 for the General Fund and \$186,559 for the Water and Sewer Fund at June 30, 2023. The allowance consists of unpaid taxes in the amount of \$75,691, unpaid garbage bills of \$34,460, ambulance services of \$255,101, and unpaid water/sewer bills of \$186,559.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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

E. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(Continued)

5. Use of Estimates

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

6. Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

7. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, lease, subscriptions, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's life is not capitalized.

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

Property, plant, equipment, lease assets, subscriptions assets, and infrastructure of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	25-40
Utility plants and buildings in service	25-40
Infrastructure	25
Machinery, equipment, and vehicles	5-10
Equipment, furniture, and fixtures	5-10
Right-to-use lease land	40
Right-to-use lease equipment	5
Subscription asset	5

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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

E. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(Continued)

7. Capital Assets (Continued)

Infrastructure assets are roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. and include all assets constructed since July 1, 2001. The retroactive reporting of general infrastructure is optional and the Town has chosen not to report these assets.

8. Compensated Absences

The Town's policies allow for the accumulation of personal time off (PTO) until termination or retirement. Such absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability is reported in governmental fund only when the leave is due and payable.

9. Pensions

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

10. Other Postemployment Benefits (OPEB) - Line of Duty Act Program

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

11. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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

E. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(Continued)

11. Long-term Obligations (Continued)

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

12. Fund Balance

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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

- E. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(Continued)

12. Fund Balance (Continued)

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

13. Deferred Outflows/Inflows of Resources

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

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

Remainder of page left blank intentionally

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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

E. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(Continued)

14. Net Position

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

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

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

15. Leases and Subscription Based IT Arrangements

The Town has one lease asset and one subscription-based IT arrangement (SBITAs) requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

Lessee

The Town recognizes lease liabilities and intangible right-to-use lease assets (lease asset) with an initial value of \$5,000, individually or in the aggregate in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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

E. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(Continued)

15. Leases and Subscription Based IT Arrangements (Continued)

Lessee (Continued)

The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Subscriptions

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

Key estimates and judgements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 2-Deposits and Investments:

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

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

Interest Rate Risk: The Town has not adopted an investment policy for interest rate risk. Investments subject to interest rate risk are presented below along with their corresponding maturities.

Investment Maturities (in years)		
Investment Type	Fair Value	1 Year
LGIP	\$ 4,221,705	\$ 4,221,705

Custodial Credit Risk - Investments: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town’s investments at June 30, 2023 were held in the Town’s name by the Town’s custodial bank.

Credit Risk of Debt Securities: The Town’s rated debt investments as of June 30, 2023 were rated by Standard & Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor’s rating scale.

Town's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
LGIP	\$ 4,221,705

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 3-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	Governmental Activities	Business-type Activities	Total
<u>Local Government:</u>			
Tazewell PSA	\$ -	\$ 14,160	\$ 14,160
<u>Commonwealth of Virginia:</u>			
Noncategorical aid	3,043	-	3,043
Total	\$ 3,043	\$ 14,160	\$ 17,203

Note 4-Interfund Activity:

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

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 253,419
IDA Fund	253,419	-
Total	\$ 253,419	\$ 253,419

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

As of June 30, 2023, there were no interfund obligations.

Remainder of page left blank intentionally

TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 5-Long-term Obligations:

Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2023:

	Balance July 1, 2022	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2023
Direct borrowings and placements -				
Loans payable	\$ 61,272	\$ -	\$ (32,100)	\$ 29,172
Compensated absences	158,349	107,907	(118,762)	147,494
Net pension liability ⁽¹⁾	-	704,367	(676,644)	27,723
Net OPEB liabilities	2,412,687	1,417,642	(1,288,501)	2,541,828
Total	<u>\$ 2,632,308</u>	<u>\$ 2,229,916</u>	<u>\$ (2,116,007)</u>	<u>\$ 2,746,217</u>

⁽¹⁾ Beginning balance was a net pension asset; however, the ending balance is a net pension liability.

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

Year Ending June 30,	Direct Borrowings and Placements	
	Principal	Interest
2024	\$ 13,857	\$ 439
2025	14,126	170
2026	1,189	2
Totals	<u>\$ 29,172</u>	<u>\$ 611</u>

TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 5-Long-term Obligations: (Continued)

Governmental Activities Obligations: (Continued)

Details of long-term obligations:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
Direct Borrowings and Placements:						
Loan Payable	1.92%	2022	2026	\$ 55,000	\$ 29,172	\$ 13,857
Total Direct Borrowings and Placements					\$ 29,172	\$ 13,857
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 147,494	\$ 110,621
Net Pension Liability	n/a	n/a	n/a	n/a	27,723	-
Net OPEB Liabilities	n/a	n/a	n/a	n/a	2,541,828	-
Total other obligations					\$ 2,717,045	\$ 110,621
Total long-term obligations					\$ 2,746,217	\$ 124,478

In the event of default for the loan payable from direct borrowings and placements, the lender may declare the entire unpaid principal and interest on the issuance as due and payable.

Remainder of page left blank intentionally

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 5-Long-term Obligations: (Continued)Business-type Activities Obligations:

The following is a summary of long-term obligation transactions of the Water and Sewer Fund for the year ended June 30, 2023:

	<u>Balance July 1, 2022</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2023</u>
Direct Borrowings and Placements -				
Revenue bonds	\$ 1,232,640	\$ -	\$ (43,306)	\$ 1,189,334
General obligation bonds	2,320,795	7,535	(194,740)	2,133,590
Bond payable	247,151	-	(247,151)	-
Note payable	-	124,420	(3,578)	120,842
Note payable - Tazewell PSA	422,723	-	(23,800)	398,923
Lease liability	18,430	-	(139)	18,291
Compensated absences	80,712	50,500	(60,534)	70,678
Net pension liability ⁽¹⁾	-	241,992	(234,162)	7,830
Net OPEB liability	451,268	154,402	(65,000)	540,670
	<u>451,268</u>	<u>154,402</u>	<u>(65,000)</u>	<u>540,670</u>
Total	<u>\$ 4,773,719</u>	<u>\$ 578,849</u>	<u>\$ (872,410)</u>	<u>\$ 4,480,158</u>

⁽¹⁾ Beginning balance was a net pension asset; however, the ending balance is a net pension liability.

Remainder of page left blank intentionally

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 5-Long-term Obligations: (Continued)Business-type Activities Obligations: (Continued)

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

Year Ending June 30,	Direct Borrowings and Placements		Lease Liability	
	Principal	Interest	Principal	Interest
2024	275,396	75,221	152	366
2025	282,871	70,296	166	363
2026	288,714	64,454	180	359
2027	294,740	58,427	194	356
2028	296,110	52,219	209	352
2029-2033	1,069,750	188,268	1,287	1,691
2034-2038	617,959	111,379	1,743	1,545
2039-2043	635,149	42,211	2,280	1,349
2044-2048	79,752	17	2,911	1,097
2049-2053	2,248	-	3,647	777
2054-2058	-	-	4,506	379
2059	-	-	1,016	20
Totals	<u>\$ 3,842,689</u>	<u>\$ 662,492</u>	<u>\$ 18,291</u>	<u>\$ 8,654</u>

Remainder of page left blank intentionally

TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2023

Note 5-Long-term Obligations: (Continued)

Business-type Activities Obligations: (Continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Direct Borrowings and Placements:						
Revenue Bond-Rural Development	3.25%	2003	2043	\$ 1,800,000	\$ 1,189,334	\$ 43,992
Notes Payable:						
Note Payable - Backhoe Loan	5.95%	2023	2028	\$ 124,400	\$ 120,842	\$ 22,247
Tazewell PSA - Note Payable	0.00%	2020	2049	476,000	398,923	15,867
Total Notes Payable					<u>\$ 519,765</u>	<u>\$ 38,114</u>
General Obligation Bonds:						
Virginia Resources Authority	2.25%	2015	2046	\$ 518,022	\$ 385,236	\$ 15,447
Virginia Resources Authority	2.25%	2015	2046	108,598	62,098	1,893
Virginia Resources Authority	1.55%	2013	2034	2,988,696	1,324,251	157,619
Virginia Resources Authority ¹	0.00%	2021	2046	458,287	362,005	18,331
Total General Obligation Bonds					<u>\$ 2,133,590</u>	<u>\$ 193,290</u>
Total direct borrowings and placements					<u>\$ 3,842,689</u>	<u>\$ 275,396</u>
Other Obligations:						
Lease Liability	2.00%	2020	2059	\$ 19,209	\$ 18,291	\$ 152
Compensated Absences	n/a	n/a	n/a	n/a	70,678	53,009
Net OPEB Liability	n/a	n/a	n/a	n/a	540,670	-
Net Pension Liability	n/a	n/a	n/a	n/a	7,830	-
Total other obligations					<u>\$ 637,469</u>	<u>\$ 53,161</u>
Total long-term obligations					<u>\$ 4,480,158</u>	<u>\$ 328,557</u>

Revenue bonds are secured by revenue of the water and sewer fund.

¹ As of June 30, 2023, only \$380,336 has been drawn down on this loan.

If an event of default occurs with VRA bonds, the principal of the bond(s) may be declared immediately due and payable to the register owner of the bond(s) by written notice to the Authority. In the event of default for the bond payable from direct borrowings and placements, the lender may declare the entire unpaid principal and interest on the issuance as due and payable.

Arbitrage Rebate Compliance:

As of June 30, 2023 and for the year then ended, the Town was not liable for any amounts due under current rules governing arbitrage earnings.

Debt Purpose:

All of the bonds issued in either the governmental activities or business-type activities as listed above were issued for capital projects, land purchases, or refunding bonds previously issued for capital projects.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 6-Pension Plan:

Plan Description

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

Benefit Structures

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

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

Remainder of page left blank intentionally

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 6-Pension Plan: (Continued)

Benefit Structures (Continued)

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

Average Final Compensation and Service Retirement Multiplier

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

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

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

Remainder of page left blank intentionally

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 6-Pension Plan: (Continued)***Employees Covered by Benefit Terms***

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	47
Inactive members:	
Vested inactive members	9
Non-vested inactive members	29
Inactive members active elsewhere in VRS	<u>27</u>
Total inactive members	65
Active members	<u>72</u>
Total covered employees	<u><u>184</u></u>

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2023 was 9.42% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$231,468 and \$172,208 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Liability

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 6-Pension Plan: (Continued)

Actuarial Assumptions - General Employees

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 6-Pension Plan: (Continued)**Actuarial Assumptions - General Employees (Continued)**

Mortality rates: (Continued)

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

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

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

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

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 6-Pension Plan: (Continued)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

Remainder of page left blank intentionally

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 6-Pension Plan: (Continued)***Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)*****Mortality Rates: (Continued)**

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

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

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

Remainder of page left blank intentionally

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 6-Pension Plan: (Continued)**Long-Term Expected Rate of Return**

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

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

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

**On October 19, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Remainder of page left blank intentionally

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 6-Pension Plan: (Continued)**Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances at June 30, 2021	\$ 8,586,598	\$ 9,155,254	\$ (568,656)
Changes for the year:			
Service cost	\$ 301,718	\$ -	\$ 301,718
Interest	585,682	-	585,682
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	(4,192)	-	(4,192)
Contributions - employer	-	172,208	(172,208)
Contributions - employee	-	122,578	(122,578)
Net investment income	-	(10,326)	10,326
Benefit payments, including refunds of employee contributions	(423,091)	(423,091)	-
Administrative expenses	-	(5,673)	5,673
Other changes	-	212	(212)
Net changes	\$ 460,117	\$ (144,092)	\$ 604,209
Balances at June 30, 2022	\$ 9,046,715	\$ 9,011,162	\$ 35,553

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 6-Pension Plan: (Continued)***Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate***

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

	Rate		
	1% Decrease (5.75%)	Discount (6.75%)	1% Increase (7.75%)
Town's			
Net Pension Liability (Asset)	\$ 1,243,221	\$ 35,553	\$ (948,910)

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

For the year ended June 30, 2023, the Town recognized pension expense of \$212,864. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,009	\$ 2,878
Change in assumptions	109,658	-
Change in proportionate shares	19,281	19,281
Net difference between projected and actual earnings on pension plan investments	-	255,383
Employer contributions subsequent to the measurement date	231,466	-
Total	\$ 383,414	\$ 277,542

Remainder of page left blank intentionally

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 6-Pension Plan: (Continued)

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

\$231,466 reported as deferred outflows of resources related to pensions resulting from the Town’s contributions subsequent to the measurement date will be recognized as a reduction/increase of the Net Pension Liability/Asset in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>		
2024	\$	7,534
2025		(83,631)
2026		(174,255)
2027		124,758

Pension Plan Data

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

Remainder of page left blank intentionally

TOWN OF TAZEWell, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 7-Capital Assets:

Capital asset activity for the year ended June 30, 2023 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 2,018,576	\$ -	\$ -	\$ 2,018,576
Construction in progress	110,270	416,058	(266,940)	259,388
Total capital assets not being depreciated/amortized	<u>\$ 2,128,846</u>	<u>\$ 416,058</u>	<u>\$ (266,940)</u>	<u>\$ 2,277,964</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	\$ 2,845,349	\$ 275,113	\$ -	\$ 3,120,462
Infrastructure	4,719,299	-	-	4,719,299
Vehicles	2,938,983	347,587	(380,707)	2,905,863
Equipment, furniture, and fixtures	1,690,244	85,922	-	1,776,166
Subscription assets	-	56,415	-	56,415
Total capital assets being depreciated/amortized	<u>\$ 12,193,875</u>	<u>\$ 765,037</u>	<u>\$ (380,707)</u>	<u>\$ 12,578,205</u>
Accumulated depreciation/amortization:				
Buildings and improvements	\$ (1,361,136)	\$ (96,506)	\$ -	\$ (1,457,642)
Infrastructure	(1,240,618)	(147,622)	-	(1,388,240)
Vehicles	(2,321,050)	(197,969)	296,158	(2,222,861)
Equipment, furniture, and fixtures	(1,047,138)	(163,484)	-	(1,210,622)
Subscription assets	-	(7,450)	-	(7,450)
Total accumulated depreciation/amortization	<u>\$ (5,969,942)</u>	<u>\$ (613,031)</u>	<u>\$ 296,158</u>	<u>\$ (6,286,815)</u>
Total capital assets being depreciated/amortized, net	<u>\$ 6,223,933</u>	<u>\$ 152,006</u>	<u>\$ (84,549)</u>	<u>\$ 6,291,390</u>
Governmental activities capital assets, net	<u>\$ 8,352,779</u>	<u>\$ 568,064</u>	<u>\$ (351,489)</u>	<u>\$ 8,569,354</u>

The subscription assets were paid in advance. Accordingly, there is no related liabilities associated with same.

Remainder of page left blank intentionally

TOWN OF TAZEWell, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 7-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 404,371	\$ -	\$ -	\$ 404,371
Construction in progress	913,503	-	-	913,503
Total capital assets not being depreciated/amortized	<u>\$ 1,317,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,317,874</u>
Capital assets, being depreciated/amortized:				
Right-to-use lease land	\$ 18,567	\$ -	\$ -	\$ 18,567
Machinery and equipment	800,797	135,256	-	936,053
Utility plant and buildings in service	17,270,472	-	-	17,270,472
Total capital assets being depreciated/amortized	<u>\$ 18,089,836</u>	<u>\$ 135,256</u>	<u>\$ -</u>	<u>\$ 18,225,092</u>
Accumulated depreciation/amortization:				
Right-to-use lease land	\$ (488)	\$ (489)	\$ -	\$ (977)
Machinery and equipment	(724,333)	(39,432)	-	(763,765)
Utility plant and buildings in service	(9,687,628)	(373,926)	-	(10,061,554)
Total accumulated depreciation/amortization	<u>\$ (10,412,449)</u>	<u>\$ (413,847)</u>	<u>\$ -</u>	<u>\$ (10,826,296)</u>
Total capital assets being depreciated/amortized, net	<u>\$ 7,677,387</u>	<u>\$ (278,591)</u>	<u>\$ -</u>	<u>\$ 7,398,796</u>
Business-type activities capital assets, net	<u>\$ 8,995,261</u>	<u>\$ (278,591)</u>	<u>\$ -</u>	<u>\$ 8,716,670</u>

Remainder of page left blank intentionally

TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 7-Capital Assets: (Continued)

Primary Government: (Continued)

Depreciation/amortization expense was charged to functions/programs of the Town as follows:

Governmental activities:	
General government administration	\$ 37,473
Public safety	238,721
Public works	238,768
Parks, recreation, and cultural	<u>98,069</u>
Total depreciation expense - governmental activities	<u>\$ 613,031</u>
Business type activities:	
Water and sewer	\$ 413,358
IDA	<u>489</u>
Total depreciation/amortization expense - business-type activities	<u>\$ 413,847</u>

Note 8-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; and natural disasters. The Town participates with other localities in a public entity risk pool for their coverage of general liability and workers compensation with the Virginia Risk Sharing Association. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Virginia Risk Sharing Association contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available funds and/or excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. Settled claims have not exceeded pool coverage in any of the past three fiscal years. The Town carried commercial insurance, as necessary, for other risks of loss.

Remainder of page left blank intentionally

TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 9-Aggregate OPEB Information:

The following is a summary of deferred outflows, deferred inflows, net OPEB liabilities, and OPEB expense for the year ended June 30, 2023.

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
Other Postemployment Benefits - Health Insurance	\$ 146,055	\$ 636,200	\$ 2,124,513	\$ 227,796
Line of Duty Act (LODA) Program	784,440	469,894	957,985	188,793
Totals	<u>\$ 930,495</u>	<u>\$ 1,106,094</u>	<u>\$ 3,082,498</u>	<u>\$ 416,589</u>

Note 10-Other Postemployment Benefits (OPEB) - Health Insurance:

Plan Description

In addition to the pension benefits, the Town administers a single-employer defined benefit healthcare plan, The Town of Tazewell OPEB Plan. Participants must meet eligibility requirements based on service earned with the Town to be eligible to receive benefits upon retirement. Only participants who retire directly from active service are eligible for the OPEB as follows:

- Employees retiring after 50 years of age and 10 year of service.
- Employees retiring after 55 years of age and 5 years of service.

The plan does not issue a publicly available financial report.

Benefits Provided

Benefits include medical, dental and vision insurance. The Town contributes 80% of the premium until the retiree reaches the age of 65. The Town makes no contributions to retirees for post-65 coverage as Medicare eligible retirees pay 100% of the Medicare supplement premium.

Plan Membership

At June 30, 2023 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	64
Total retirees and spouses with coverage	<u>8</u>
Total	<u>72</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 10-Other Postemployment Benefits (OPEB) - Health Insurance: (Continued)

Contributions

The Town does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Town. The amount paid by the Town for OPEB as the benefits came due during the year ended June 30, 2023 was \$132,469.

Total OPEB Liability

The Town's total OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of July 1, 2022, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Actuarial Assumptions

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate - A 3.65% discount rate was used for measuring the plan's June 30, 2023 total OPEB liability. This assumption is similar to yields implied by theoretical 20-year general obligation bond indices as of June 30, 2023. (This compares to the 3.54% discount rate used to measure the plan's June 30, 2022 total OPEB liability.)

Inflation Rate - 2.50% annual rate of inflation.

Coverage Elections - The Town assumes 90% of future retirees will elect health coverage upon retirement. The Town assumes 90% of future retirees electing medical coverage will also elect to cover their spouse.

Option Elections - The proportion of members in each option will remain constant.

Mortality, Retirement, Withdrawal and Disability Rates - The actuarial valuation relied primarily on the most recent experience study performed for VRS. This study examined actual VRS experience over the four-year period ending June 30, 2020. The demographic assumptions recommended as a result of this study were adopted by the VRS Board of Trustees on April 20, 2021. Information relative to same is presented in the Town's pension disclosures.

Age-Related Claims Cost Assumption - A blended premium rate for active employees and retirees under age 65 is a common practice. Medical costs generally increase with age, so the result is the blended premium rate is higher than the true underlying cost for actives and the blended premium rate is lower than the true underlying cost for retirees. GASB addresses this practice by requiring the plan sponsor to determine the liabilities and costs for retiree benefits after removing the effect of any implicit rate subsidies. The net cost of the plan is equal to the true underlying cost minus the portion of the cost paid by the retiree.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 10-Other Postemployment Benefits (OPEB) - Health Insurance: (Continued)

Actuarial Assumptions (Continued)

Age-Related Claims Cost Assumption (continued) - Milliman's *Health Cost Guidelines* (Guidelines) was used to estimate the true underlying cost of each medical option and used these estimated costs to calculate the GASB liabilities and costs.

Healthcare Trend Assumption - The healthcare trend rate assumption starts at 5.90% increasing to 6.30% and then decreasing to 3.90% over 49 years.

The date of the most recent actuarial experience study for which significant assumptions were based on actual experience over the four-year period ending June 30, 2020.

Changes in Total OPEB Liability

		<u>Total OPEB Liability</u>
Balances at June 30, 2022	\$	2,048,296
Changes for the year:		
Service cost		252,505
Interest		79,125
Effect of economic/demographic gains or losses		(58,993)
Effect of assumptions changes or inputs		(63,951)
Benefit payments		(132,469)
Net changes		<u>76,217</u>
Balances at June 30, 2023	\$	<u><u>2,124,513</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.65%) or one percentage point higher (4.65%) than the current discount rate:

	<u>Rate</u>		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(2.65%)</u>	<u>Rate (3.65%)</u>	<u>(4.65%)</u>
\$	<u>2,298,106</u>	\$ <u>2,124,513</u>	\$ <u>1,965,413</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 10-Other Postemployment Benefits (OPEB) - Health Insurance: (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.90% decreasing ultimate rate of 2.90%) or one percentage point higher (6.90% decreasing ultimate rate of 4.90%) than the current healthcare cost trend rates:

Rates		
Healthcare Cost		
1% Decrease (4.90% decreasing to 2.90%)	Trend (5.90% decreasing to 3.90%)	1% Increase (6.90% decreasing to 4.90%)
\$ 1,851,076	\$ 2,124,513	\$ 2,450,359

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2023, the Town recognized OPEB expense in the amount of \$227,796. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 296,277
Changes in assumptions	47,636	241,504
Changes in proportionate share	98,419	98,419
Total	\$ 146,055	\$ 636,200

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30	
2024	\$ (103,834)
2025	(118,563)
2026	(129,490)
2027	(111,364)
2028	(19,210)
Thereafter	(7,684)

Additional disclosures on changes in total OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 11-Line of Duty Act (LODA) Program:

Plan Description

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA 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 LODA 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. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System). 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 described below:

Eligible Employees

All 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) are automatically covered by the LODA Program. As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program.

Benefit Amounts

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as 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; or 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.

The LODA program also provides health insurance benefits. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 11-Line of Duty Act (LODA) Program: (Continued)

Contributions

The contribution requirements for the LODA Program 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 LODA Program for the year ended June 30, 2023 was \$681.84 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021 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 LODA Program from the entity were \$32,217 and \$34,863 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

At June 30, 2023, the entity reported a liability of \$957,984 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2022 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2022, the entity's proportion was 0.25310% as compared to 0.18500% at June 30, 2021.

For the year ended June 30, 2023, the entity recognized LODA OPEB expense of \$188,793. 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, 2023, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 73,599	\$ 179,045
Net difference between projected and actual earnings on LODA OPEB plan investments	-	4,097
Change in assumptions	267,155	236,283
Change in proportion	411,469	50,469
Employer contributions subsequent to the measurement date	32,217	-
Total	\$ 784,440	\$ 469,894

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 11-Line of Duty Act (LODA) Program: (Continued)***LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB (Continued)***

\$32,217 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, 2024. 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

2024	\$	59,958
2025		60,046
2026		60,139
2027		31,293
2028		25,446
Thereafter		45,447

Actuarial Assumptions

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

Inflation	2.50%
Salary increases, including inflation:	
Locality employees	N/A
Medical cost trend rates assumption:	
Under age 65	7.00%-4.75%
Ages 65 and older	5.25%-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	3.69%, including inflation*

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 11-Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 11-Line of Duty Act (LODA) Program: (Continued)

Net LODA OPEB Liability

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

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 385,669
Plan Fiduciary Net Position	<u>7,214</u>
LODA Net OPEB Liability (Asset)	<u>\$ 378,455</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.87%

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 3.69% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.69% 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, 2022.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.69%. 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 ended June 30, 2022, 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.

Remainder of page left blank intentionally

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 11-Line of Duty Act (LODA) Program: (Continued)***Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate***

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.69%, 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 (2.69%) or one percentage point higher (4.69%) than the current rate:

	Discount Rate		
	1% Decrease (2.69%)	Current (3.69%)	1% Increase (4.69%)
Town's proportionate share of the total LODA Net OPEB Liability	\$ 1,093,530	\$ 957,984	\$ 847,092

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

Because the LODA Program contains a provision 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 the 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:

	Health Care Trend Rates		
	1% Decrease (6.00% decreasing to 3.75%)	Current (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Town's proportionate share of the LODA Net OPEB Liability	\$ 807,310	\$ 957,984	\$ 1,147,104

LODA OPEB Fiduciary Net Position

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 12-Deferred/ Unavailable Revenue:

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

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 94,254
Prepaid property taxes due after June 30 but paid in advance by taxpayers	27,856	27,856
	\$ 27,856	\$ 122,110

Note 13-Unearned Revenue:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Town had unearned revenue of \$1,410,239, which is comprised of unspent American Rescue Plan Act funds.

The enterprise fund reports unearned revenue in connection with receipt of capital assets from the sale of capacity rights to the Town's sewer treatment plant. Revenue is recognized over the term of the agreement. During the year ended June 30, 2023, \$36,507 of revenue was recognized under this agreement. At June 30, 2023, the Town had \$958,309 in unearned revenue under this agreement.

Note 14-Contingencies:**Grants**

Federal programs in which the Town participates may be subjected to audit by the Federal Government or a related oversight agency, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 15-Commitments:

At June 30, 2023, the Town had no outstanding construction commitments.

In February 2021, the IDA and Dragon Property Holdings, LLC (DPH) signed a property development agreement for the acquisition and renovation of the Sunnyside property. The IDA has agreed to purchase the Sunnyside property for \$300,000 and provide \$850,000 in upfits to the property. Both the IDA and DPH have agreed to raise grant funding in order to facilitate the IDA's ability to purchase the property and provide uplifts of at least \$1,150,000. After the IDA has allowed expenditure of funds granted that totals \$850,000 in uplifts to the property, DPH and the EDA will enter into a mutually agreeable four year lease agreement where DPH will lease the property for \$60,000 per year with a right of first purchase option to acquire the property at the end of the lease term for \$1.

Note 16-Litigation:

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

Note 17-Service Contract:

Effective September 1996, the Town entered into an agreement with the Tazewell County Public Service Authority (the "PSA") to purchase water for a forty-year period at which time the agreement may be renewed in additional five-year increments. The Town also conveyed its water treatment plant to the PSA as part of the agreement. For 2023, the Town paid approximately \$825,000 to the PSA for water.

Note 18-Sewer Treatment Capacity:

During 2010, the Town entered into an agreement with the PSA whereby the Town allocated 40% of its sewer treatment plant capacity to the Tazewell County Public Service Authority (PSA). Pursuant to terms of the agreement, the Town and PSA will proportionally share in certain capital cost deemed necessary under such agreement. At year end, the Town recorded a note receivable from the PSA in the amount of \$144,802. Such amount represents 40% of the Town's 2021 VRA bond. It is anticipated that the PSA will make payments annually in an amount equal to 40% of the debt service payments due under the bond. Accordingly, payments are anticipated at \$7,333 annually through 2042 with a final payment of \$5,483 due in 2043. These payments are subject to change as the Town continues to draw upon the aforementioned loan.

The PSA will also pay a monthly Treatment and Disposal Volume Charge determined by the Town's total direct and indirect costs to maintain the facility and the number of gallons discharged into the facility by the PSA. Any unexpected capital expenditures along with necessary maintenance, repairs, replacements, or upgrades, of any sanitary sewer lines used to transport the PSA's flow into the facility will be paid by both parties based on their respective capacities in the facility. Both parties will each contribute \$500, \$1,000 in total, per month to a capital reserve fund not to exceed \$50,000 to assist with unexpected capital expenditures. In addition, under this agreement, an annual true up of the volume charges to the PSA for wastewater and treatment and disposal charges will be calculated based on the Town's audited expenses incurred for the preceding fiscal year. The Town estimates the true-up due annually for financial reporting purposes based on prior year actual data.

TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 19-Restricted Fund Balance/Net Position:

At year end the following amounts were restricted as to use:

Purpose	Governmental Activities
	General Fund
North Tazewell Train Station	\$ 3,031
Fire Program Funds	40,242
Scholarship Fund	11,988
Total restricted fund balance	\$ 55,261

Note 20-Jointly Constructed Asset:

The Town entered into an agreement with the Tazewell County Public Service Authority for the joint construction of a water tank. Terms of the agreement require the Town to make payments to the PSA equal to the debt service on their prorated share of the asset (water tank). An asset with a gross value of \$462,389 has been recorded in the accompanying financial statements. In addition, a liability has been reported as an amount due to the Tazewell County PSA for the Town's share of the related liability.

Note 21-Restatement of Beginning Balances:

The financial statements have been restated to record a note receivable due from the Tazewell PSA as follows:

	Sewer Fund	Water and Sewer Fund	Business-Type Activities
Beginning net position, as previously stated	\$ 3,485,599	\$ 4,476,163	\$ 5,018,844
To record a receivable from the Tazewell PSA	149,120	149,120	149,120
Beginning net position, as restated	\$ 3,634,719	\$ 4,625,283	\$ 5,167,964

Note 22-Adoption of Accounting Principle:

The Town implemented the financial reporting provision of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, during the fiscal year ended June 30, 2023. The statement increases the usefulness of governments' financial statements by establishing a definition and reporting standards for SBITA's. The statement defines a SBITA as a "contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction." The statement establishes that a SBITA results in an intangible right-to-use subscription asset and corresponding subscription liability. No restatement of prior year net position was necessary as a result of the implementation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 23-Upcoming Pronouncements:

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

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

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

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

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

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

Required Supplementary Information

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
General property taxes	\$ 934,000	\$ 1,086,500	\$ 1,002,442	\$ (84,058)
Other local taxes	1,919,500	2,184,500	2,343,580	159,080
Permits, privilege fees, and regulatory licenses	7,800	20,300	23,524	3,224
Fines and forfeitures	33,750	33,750	30,092	(3,658)
Revenue from the use of money and property	9,500	9,500	143,951	134,451
Charges for services	1,847,500	2,337,500	2,324,630	(12,870)
Miscellaneous	54,918	386,317	116,854	(269,463)
Intergovernmental	1,715,707	3,928,711	4,007,357	78,646
Total revenues	<u>\$ 6,522,675</u>	<u>\$ 9,987,078</u>	<u>\$ 9,992,430</u>	<u>\$ 5,352</u>
EXPENDITURES				
Current:				
General government administration	\$ 734,087	\$ 902,587	\$ 840,315	\$ 62,272
Public safety	3,316,601	3,820,327	3,575,880	244,447
Public works	1,483,862	1,548,501	1,323,971	224,530
Parks, recreation, and cultural	708,498	713,485	356,792	356,693
Community development	125,900	146,400	136,902	9,498
Capital projects	73,321	2,474,651	701,659	1,772,992
Debt service:				
Principal retirement	44,924	53,646	32,100	21,546
Interest and other fiscal charges	4,276	746	745	1
Total expenditures	<u>\$ 6,491,469</u>	<u>\$ 9,660,343</u>	<u>\$ 6,968,364</u>	<u>\$ 2,691,979</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 31,206</u>	<u>\$ 326,735</u>	<u>\$ 3,024,066</u>	<u>\$ 2,697,331</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (31,206)	\$ (326,735)	\$ (253,419)	\$ 73,316
Total other financing sources (uses)	<u>\$ (31,206)</u>	<u>\$ (326,735)</u>	<u>\$ (253,419)</u>	<u>\$ 73,316</u>
Net change in fund balances	\$ -	\$ -	\$ 2,770,647	\$ 2,770,647
Fund balances - beginning	-	-	1,291,201	1,291,201
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,061,848</u>	<u>\$ 4,061,848</u>

Town of Tazewell, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Pension Plan
For the Measurement Dates June 30, 2014 through June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 301,718	\$ 288,388	\$ 210,799	\$ 179,383	\$ 184,641	\$ 182,645	\$ 162,448	\$ 159,244	\$ 159,643
Interest	585,682	497,445	463,326	434,836	420,207	428,414	395,660	387,474	366,277
Changes in benefit terms	-	273,862	-	-	-	-	(37,298)	-	-
Differences between expected and actual experience	-	287,963	-	197,476	-	(110,726)	-	-	-
Net investment income	(4,192)	33,113	146,038	138,453	(90,679)	(297,667)	262,365	(105,444)	-
Benefit payments	(423,091)	(327,459)	(301,920)	(294,086)	(316,276)	(323,549)	(279,932)	(315,859)	-
Net change in total pension liability	\$ 460,117	\$ 1,053,312	\$ 518,243	\$ 656,062	\$ 197,893	\$ (120,883)	\$ 476,194	\$ (25,850)	\$ (165,664)
Total pension liability - beginning	\$ 8,586,598	\$ 7,533,286	\$ 7,015,043	\$ 6,358,981	\$ 6,161,088	\$ 6,281,971	\$ 5,805,777	\$ 5,706,192	\$ 5,343,936
Total pension liability - ending (a)	\$ 9,046,715	\$ 8,586,598	\$ 7,533,286	\$ 7,015,043	\$ 6,358,981	\$ 6,161,088	\$ 6,281,971	\$ 5,805,777	\$ 5,706,192
Plan fiduciary net position									
Contributions - employer	\$ 172,208	\$ 174,818	\$ 71,228	\$ 67,114	\$ 114,662	\$ 117,604	\$ 101,017	\$ 93,319	\$ 98,541
Contributions - employee	122,578	121,402	117,521	107,970	101,599	102,534	86,660	79,627	82,807
Net investment income	(10,326)	1,979,398	137,373	454,839	477,130	715,290	100,250	261,411	793,580
Benefit payments	(423,091)	(327,459)	(301,920)	(294,086)	(316,276)	(323,549)	(306,981)	(341,689)	(165,664)
Administrator charges	(5,673)	(4,818)	(4,670)	(4,513)	(4,113)	(4,153)	(3,678)	(3,700)	(4,222)
Other	212	188	(163)	(287)	(426)	(634)	(43)	(55)	42
Net change in plan fiduciary net position	\$ (144,092)	\$ 1,943,529	\$ 19,369	\$ 331,037	\$ 372,576	\$ 607,092	\$ (22,775)	\$ 88,913	\$ 805,084
Plan fiduciary net position - beginning	\$ 9,155,254	\$ 7,211,725	\$ 7,192,356	\$ 6,861,319	\$ 6,488,743	\$ 5,881,651	\$ 5,904,426	\$ 5,815,513	\$ 5,010,429
Plan fiduciary net position - ending (b)	\$ 9,011,162	\$ 9,155,254	\$ 7,211,725	\$ 7,192,356	\$ 6,861,319	\$ 6,488,743	\$ 5,881,651	\$ 5,904,426	\$ 5,815,513
Town's net pension liability (asset) - ending (a) - (b)	\$ 35,553	\$ (568,656)	\$ 321,561	\$ (177,313)	\$ (502,338)	\$ (327,655)	\$ 400,320	\$ (98,649)	\$ (109,321)
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.61%	106.62%	95.73%	102.53%	107.90%	105.32%	93.63%	101.70%	101.92%
Covered payroll	\$ 2,520,064	\$ 2,595,131	\$ 2,516,152	\$ 2,286,698	\$ 2,128,304	\$ 2,165,434	\$ 1,813,465	\$ 1,631,896	\$ 1,631,896
Town's net pension liability (asset) as a percentage of covered payroll	1.41%	-21.91%	12.78%	-7.75%	-23.60%	-15.13%	22.07%	-6.05%	-6.70%

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

Town of Tazewell, Virginia
Schedule of Employer Contributions - Pension Plan
For the Years Ended June 30, 2014 through June 30, 2023

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2023	\$ 231,468	\$ 231,468	\$ -	\$ 2,653,851	8.72%
2022	172,208	172,208	-	2,520,064	6.83%
2021	174,818	174,818	-	2,595,131	6.74%
2020	71,228	71,228	-	2,516,152	2.83%
2019	67,114	67,114	-	2,286,698	2.93%
2018	114,662	114,662	-	2,128,304	5.39%
2017	117,604	117,604	-	2,165,434	5.43%
2016	101,017	101,017	-	1,813,465	5.57%
2015	93,319	93,319	-	1,631,896	5.72%
2014	98,540	98,540	-	1,656,141	5.95%

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

Town of Tazewell, Virginia
Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2023

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

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Town of Tazewell, Virginia
Schedule of Changes in Total OPEB Liability and Related Ratios - Health Insurance
For the Measurement Dates June 30, 2019 through June 30, 2023

	2023	2022	2021	2020	2019
Total OPEB liability					
Service cost	\$ 252,505	\$ 310,513	\$ 305,088	\$ 208,213	\$ 191,769
Interest	79,125	49,469	55,662	75,110	75,837
Effect of economic/demographic gains or losses	(58,993)	-	(441,109)	-	-
Effect of assumptions changes or inputs	(63,951)	(231,751)	(41,694)	129,562	53,071
Benefit payments	(132,469)	(118,650)	(105,033)	(168,278)	(133,386)
Net change in total OPEB liability	\$ 76,217	\$ 9,581	\$ (227,086)	\$ 244,607	\$ 187,291
Total OPEB liability - beginning	2,048,296	2,038,715	2,265,801	2,021,194	1,833,903
Total OPEB liability - ending	\$ 2,124,513	\$ 2,048,296	\$ 2,038,715	\$ 2,265,801	\$ 2,021,194
 Covered employee payroll	 \$ 2,587,918	 \$ 2,532,012	 \$ 2,532,012	 \$ 2,781,543	 \$ 2,135,889
 Town total OPEB liability (asset) as a percentage of covered payroll	 82.09%	 80.90%	 80.52%	 81.46%	 94.63%

Schedule is intended to show information for 10 years. Information prior to the 2019 valuation is not available. However, additional years will be included as they become available.

Town of Tazewell, Virginia
Notes to Required Supplementary Information - Health Insurance OPEB
For the Year Ended June 30, 2023

Valuation Date: 7/1/2022
Measurement Date: 6/30/2023

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.54% as of June 30, 2022; 3.65% as of June 30, 2023
Inflation	2.50% per year as of June 30, 2022; 2.50% per year as of June 30, 2023
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.90% decreasing to 3.90% over 49 years
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Mortality Rates-General Employees	The pre-retirement mortality rates are based on Pub-2010 Amount Weighted General Employee Rates to age 80, projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates; females set forward 2 years. 25% of deaths are assumed to be service-related. The post-retirement mortality rates are based on Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% for females; Base rates are projected generationally with a Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.
Mortality Rates-Public Safety	The pre-retirement mortality rates are based on Pub-2010 Amount Weighted Safety Employee Rates generationally to age 80; males 95% of rates; 105% for females set forward 2 years. Base rates are projected generationally with a Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. 35% of deaths are assumed to be service-related. The post-retirement mortality rates are based on Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years. Base rates are projected generationally with a Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

Town of Tazewell, Virginia
Schedule of Employer's Share of Net LODA OPEB Liability
Line of Duty Act (LODA) Program
For the Measurement Dates of June 30, 2017 through June 30, 2022

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2022	0.18500%	\$ 957,984	\$ N/A	N/A	1.87%
2021	0.18500%	815,659	N/A	N/A	1.68%
2020	0.16880%	706,876	N/A	N/A	1.02%
2019	0.16039%	575,458	N/A	N/A	0.60%
2018	0.17978%	564,000	N/A	N/A	0.60%
2017	0.19464%	511,000	N/A	N/A	1.30%

*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.

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

Town of Tazewell, Virginia
 Schedule of Employer Contributions
 Line of Duty Act (LODA) Program
 For the Years Ended June 30, 2017 through June 30, 2023

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2023	\$ 32,217	\$ 32,217	\$ -	\$ N/A	N/A
2022	34,863	34,863	-	N/A	N/A
2021	25,465	25,465	-	N/A	N/A
2020	22,937	22,937	-	N/A	N/A
2019	21,526	21,526	-	N/A	N/A
2018	19,149	19,149	-	N/A	N/A
2017	20,993	20,993	-	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, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan.

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

Town of Tazewell, Virginia
Notes to Required Supplementary Information
Line of Duty Act (LODA) Program
For the Year Ended June 30, 2023

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2021 valuation were based on results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Other Supplementary Information

Town of Tazewell, Virginia
Combining Statement of Net Position
Proprietary Fund
At June 30, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Total Water and Sewer Fund</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 880,843	\$ 1,130,019	\$ 2,010,862
Accounts receivable, net of allowances for uncollectibles	201,560	206,441	408,001
Due from other governmental units	9,213	4,947	14,160
Prepaid items	1,530	1,530	3,060
Note receivable, current portion	-	7,333	7,333
Total current assets	\$ 1,093,146	\$ 1,350,270	\$ 2,443,416
Noncurrent assets:			
Note receivable, net of current portion	\$ -	\$ 137,469	\$ 137,469
Capital assets not being depreciated	98,874	743,517	842,391
Capital assets, net of accumulated depreciation	2,840,551	4,540,655	7,381,206
Total capital assets	\$ 2,939,425	\$ 5,284,172	\$ 8,223,597
Total noncurrent assets	\$ 2,939,425	\$ 5,421,641	\$ 8,361,066
Total assets	\$ 4,032,571	\$ 6,771,911	\$ 10,804,482
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 42,629	\$ 68,193	\$ 110,822
OPEB related items	23,171	41,454	64,625
Total deferred outflows of resources	\$ 65,800	\$ 109,647	\$ 175,447
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 72,054	\$ 17,770	\$ 89,824
Accrued payroll and related liabilities	6,766	12,175	18,941
Customers' deposits	156,979	-	156,979
Accrued interest payable	2,922	5,074	7,996
Unearned revenue	-	958,309	958,309
Amount due to Tazewell PSA - current portion	15,867	-	15,867
General obligation bonds and notes - current portion	17,340	175,950	193,290
Revenue bonds payable - current portion	43,992	-	43,992
Note payable - current portion	22,247	-	22,247
Compensated absences - current portion	19,920	33,089	53,009
Total current liabilities	\$ 358,087	\$ 1,202,367	\$ 1,560,454
Noncurrent liabilities:			
General obligation bonds and notes - net of current portion	\$ 429,994	\$ 1,510,306	\$ 1,940,300
Revenue bonds payable - net of current portion	1,145,342	-	1,145,342
Note payable - net of current portion	98,595	-	98,595
Amount due to Tazewell PSA - current portion	383,056	-	383,056
Compensated absences - net of current portion	6,640	11,029	17,669
Net pension liability	2,848	4,982	7,830
Net OPEB liability	196,197	344,473	540,670
Total noncurrent liabilities	\$ 2,262,672	\$ 1,870,790	\$ 4,133,462
Total liabilities	\$ 2,620,759	\$ 3,073,157	\$ 5,693,916
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 31,995	\$ 50,182	\$ 82,177
OPEB related items	72,929	109,849	182,778
Total deferred inflows of resources	\$ 104,924	\$ 160,031	\$ 264,955
NET POSITION			
Net investment in capital assets	\$ 782,992	\$ 3,597,916	\$ 4,380,908
Unrestricted	589,696	50,454	640,150
Total net position	\$ 1,372,688	\$ 3,648,370	\$ 5,021,058

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

Town of Tazewell, Virginia
Combining Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Total Water and Sewer Fund</u>
OPERATING REVENUES			
Charges for services:			
Charges for services	\$ 2,023,733	\$ 1,453,040	\$ 3,476,773
Penalties and service charges	5,687	6,152	11,839
Miscellaneous	4,529	-	4,529
Total operating revenues	<u>\$ 2,033,949</u>	<u>\$ 1,459,192</u>	<u>\$ 3,493,141</u>
OPERATING EXPENSES			
Salaries, wages and fringes	\$ 275,213	\$ 508,418	\$ 783,631
Fringe benefits	128,258	247,491	375,749
Insurance	7,689	7,687	15,376
Office supplies	17,340	8,464	25,804
Postage	5,816	5,713	11,529
Telecommunications	3,554	9,615	13,169
Uniforms	754	7,007	7,761
Training	4,116	4,062	8,178
Maintenance	64,958	55,593	120,551
System evaluation	-	20,743	20,743
Equipment	418	7,375	7,793
Motor fuel and oil	9,674	11,731	21,405
Water works fees	5,901	-	5,901
Wastewater fees	-	9,657	9,657
Supplies	56,294	29,915	86,209
Purchased water	829,131	-	829,131
Utilities	49,845	194,540	244,385
Chemicals	-	82,591	82,591
Miscellaneous	13,719	14,308	28,027
Depreciation	128,615	284,743	413,358
Total operating expenses	<u>\$ 1,601,295</u>	<u>\$ 1,509,653</u>	<u>\$ 3,110,948</u>
Operating income (loss)	<u>\$ 432,654</u>	<u>\$ (50,461)</u>	<u>\$ 382,193</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	\$ 397	\$ 2,266	\$ 2,663
Noncapital grants	-	77,345	77,345
Interest expense	(50,927)	(21,743)	(72,670)
Total nonoperating revenues (expenses)	<u>\$ (50,530)</u>	<u>\$ 57,868</u>	<u>\$ 7,338</u>
Income before contributions and transfers	<u>\$ 382,124</u>	<u>\$ 7,407</u>	<u>\$ 389,531</u>
Contributed capital	<u>-</u>	<u>6,244</u>	<u>6,244</u>
Change in net position	<u>\$ 382,124</u>	<u>\$ 13,651</u>	<u>\$ 395,775</u>
Total net position - beginning, as restated	990,564	3,634,719	4,625,283
Total net position - ending	<u>\$ 1,372,688</u>	<u>\$ 3,648,370</u>	<u>\$ 5,021,058</u>

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

Statistical Information

Table 1

Town of Tazewell, Virginia
General Governmental Expenditures by Function
Last Ten Fiscal Years

Fiscal Year	General and Financial Administration			Parks, Recreation, and Cultural				Debt Service		Total
	Public Safety	Public Works	Community Development	Capital Outlay	Debt Service					
2013-14	\$ 735,709	\$ 1,445,140	\$ 1,289,641	\$ 342,256	\$ -	\$ 479,339	\$ 98,449	\$ 4,390,534		
2014-15	749,359	1,596,981	1,764,012	379,408	-	305,786	61,184	4,856,730		
2015-16	846,402	1,961,563	2,379,047	469,937	-	1,112,846	139,807	6,909,602		
2016-17	816,425	2,001,069	1,540,952	514,481	-	1,144,011	136,132	6,153,070		
2017-18	734,404	1,979,222	1,668,430	424,632	728,597	1,294,386	842,845	7,672,516		
2018-19	852,328	2,206,756	1,434,573	523,943	397,942	285,087	62,098	5,762,727		
2019-20	716,265	2,678,111	2,529,642	366,764	127,294	126,194	835,450	7,379,720		
2020-21	790,036	2,827,506	1,833,781	411,379	164,951	380,732	340,608	6,748,993		
2021-22	723,289	3,272,022	1,554,115	389,797	123,449	483,675	45,381	6,591,728		
2022-23	840,315	3,575,880	1,323,971	356,792	136,902	701,659	32,845	6,968,364		

Restatements have not been applied retroactively.

Table 2

Town of Tazewell, Virginia
General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Revenue from the										Total
	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Use of Money and Property	Charges for Services	Refuse Charges	Inter-governmental	Miscellaneous		
2012-13	\$ 854,002	\$ 1,069,875	\$ 263,122	\$ 73,316	\$ 2,504	\$ 321,025	\$ 395,795	\$ 1,350,960	\$ 38,552	\$ 4,369,151	
2013-14	797,897	1,107,274	252,986	65,190	632	357,001	393,884	1,406,412	75,949	4,457,225	
2014-15	855,569	1,274,358	270,571	46,172	308	344,169	398,036	1,529,203	100,637	4,819,023	
2015-16	827,328	1,329,286	256,332	55,028	2,463	442,500	389,133	3,392,383	102,006	6,796,459	
2016-17	849,414	1,352,602	229,531	53,554	12,558	430,714	340,676	2,452,547	86,051	5,807,647	
2017-18	861,739	1,765,128	1,495	50,620	13,685	451,215	378,536	3,017,118	183,716	6,723,252	
2018-19	854,944	1,772,854	1,705	46,870	8,424	554,374	391,004	1,397,117	197,721	5,225,013	
2019-20	869,972	1,909,351	2,686	23,629	7,865	1,271,888	395,011	1,966,877	129,525	6,576,804	
2020-21	992,901	2,106,602	14,286	33,900	12,334	1,365,663	402,420	1,657,967	416,795	7,002,868	
2021-22	969,006	2,219,332	12,655	61,211	12,407	1,574,978	434,454	2,056,494	195,101	7,535,638	
2022-23	1,002,442	2,343,580	23,524	30,092	143,951	1,857,159	467,471	4,007,357	116,854	9,992,430	

Table 3

**Town of Tazewell, Virginia
Computation of Legal Debt Margin
At June 30, 2023**

Total assessed value of taxed real property	\$ 276,856,400
Debt limit - 10 percent of total assessed value	27,685,640
Amount of debt applicable to debt limit	<u>(3,443,766)</u>
Legal debt margin	<u>\$ 24,241,874</u>
Total net debt applicable to the limit as percentage of debt limit	12.44%

COMPLIANCE SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

**To the Honorable Members of
the Town Council
Town of Tazewell, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Tazewell, Virginia as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Tazewell, Virginia basic financial statements, and have issued our report thereon dated September 29, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Tazewell, 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.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
September 29, 2023



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

To the Honorable Member of
the Town Council
Town of Tazewell, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Tazewell, Virginia's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
September 29, 2023

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

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	
UNITED STATES DEPARTMENT OF AGRICULTURE:				
Direct payments:				
Water and Waste Disposal Systems for Rural Communities	10.760	Not applicable	\$	10,764
Community Facilities Loans and Grants	10.766	Not applicable		50,000
Pass through payments from:				
<i>Virginia Department of Forestry:</i>				
Cooperative Forestry Assistance	10.664	WR-72-22 VFA GRANT22		1,527
Total Department of Agriculture			\$	62,291
DEPARTMENT OF TRANSPORTATION:				
Pass through payments from:				
<i>National Highway Traffic Safety Administration:</i>				
Highway Safety Cluster				
		FOP-2022-52321-22321/ FSC-2022-52249-22249/ BPT-2023-53014-23014	\$	10,662
State and Community Highway Safety	20.600			
		FM6OT-2022-52242-22242/ BM6OT-2023-53004-23004	6,875	17,537
National Priority Safety Programs	20.616			
Total Department of Transportation			\$	17,537
DEPARTMENT OF JUSTICE:				
Direct payments:				
COVID-19 - Coronavirus Emergency Supplemental Funding	16.034	20VDBX0141	\$	10,888
Total Department of Justice			\$	10,888
NATIONAL ENDOWMENT FOR ART:				
Pass through payments from:				
<i>Virginia Commission for the Arts</i>				
Promotion of the Arts Partnership Agreements	45.025	Not Available		225
DEPARTMENT OF TREASURY:				
Direct payments:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Not applicable	2,317,658	
Pass through payments from:				
<i>VA Department of Housing and Community Development</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	23IRFARPA17	316,372	
Total Department of Treasury				2,634,030
EXECUTIVE OFFICE OF THE PRESIDENT				
Pass through payments from:				
High Intensity Drug Trafficking Areas Program	95.001	SR79XCJKHFP9		14,924
Total Expenditures of Federal Awards			\$	2,739,895

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

Notes to Schedule of Expenditures of Federal Awards

Note A--Basis of Presentation:

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

Note B--Summary of Significant Accounting Policies

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

(2) Pass-through entity indentifying number are presented where available.

(3) The Town did not elect the 10% de minimis indirect cost rate because they only request direct costs for reimbursement.

NOTE C--Subrecipients

The Town did not have any subrecipients for the year ended June 30, 2023.

Note D--Relationship to the Financial Statements:

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

Primary government:

General Fund - Intergovernmental	\$ 4,007,357
Less: Revenue from the Commonwealth	(1,594,598)
Business-type activities - Noncapital Grants	534,056
Less: Revenue from Nonfederal sources	(217,684)
Business-type activities - Capital Contributions	6,244
Less: Revenue from Nonfederal sources	(3,015)
Business-type activities - Federal Debt Proceeds	<u>7,535</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards

\$ 2,739,895

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516 (a)?	No

Identification of major programs:

<u>Assistance Listing #</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Status of Prior Audit Findings

There were no prior year audit findings reported.