

TOWN OF COLONIAL BEACH, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

TOWN OF COLONIAL BEACH, VIRGINIA

ANNUAL FINANCIAL REPORT

**FOR THE YEAR
ENDED JUNE 30, 2021**

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TOWN OF COLONIAL BEACH, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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INTRODUCTORY SECTION

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TOWN OF COLONIAL BEACH, VIRGINIA

Town Council

Robin Schick, Mayor

Mike Cabrey
Tom Moncure
Kenneth Allison

Caryn Self Sullivan
Powell Duggan
Vicki Roberson

Town School Board

Michelle Payne, Chair
Tara Seeber, Vice Chair

Audra Lucas-Peyton
Terri McClure

Patrice Lyburn

Other Officials

Town Clerk.....Heather Oliver
Town Attorney.....Vivian Seay Giles
Chief of Police.....Bruce Hough
Town ManagerIndia Adams-Jacobs
Superintendent of Schools.....Dashan Turner

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FINANCIAL SECTION

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Independent Auditors' Report

**To the Honorable Members of the Board of Supervisors
Town of Colonial Beach
Colonial Beach, Virginia**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Change in Accounting Principle

As described in Note 17 to the financial statements, in 2021, the Town adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities* during the fiscal year ended June 30, 2021. Our opinion is not modified with respect to this matters.

Restatement of Beginning Balances

As described in Note 17 to the financial statements, in 2021, the Town restated beginning balances to reflect the requirements of GASB Statement No. 84. Our opinion is not modified with respect to this matter.

Other Matters

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 on pages 66 and 67-78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Colonial Beach, Virginia's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Supplementary and Other Information (Continued)

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2021, on our consideration of Town of Colonial Beach, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Colonial Beach, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Colonial Beach, Virginia's internal control over financial reporting and compliance.

Robinson, Farnum, Cox Associates

Richmond, Virginia
November 8, 2021

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Town of Colonial Beach, Virginia
Statement of Net Position
June 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Cash and cash equivalents	\$ 6,969,605	\$ 3,166,803	\$ 10,136,408	\$ 574,090
Receivables (net of allowance for uncollectibles):				
Taxes receivable	254,906	-	254,906	-
Accounts receivable	123,225	67,102	190,327	9,380
Due from other governmental units	100,941	127,195	228,136	312,575
Prepaid items	43,852	-	43,852	-
Net pension asset	475,627	250,187	725,814	-
Restricted assets:				
Restricted cash and cash equivalents	3,521	397,367	400,888	-
Capital assets (net of accumulated depreciation):				
Land	1,420,775	29,280	1,450,055	57,210
Buildings and improvements	669,087	18,523,251	19,192,338	10,766,698
Equipment	1,532,370	341,455	1,873,825	117,341
Vehicles	199,932	632,081	832,013	444,562
Infrastructure	4,861,912	-	4,861,912	-
Construction in progress	105,351	-	105,351	-
Total assets	\$ 16,761,104	\$ 23,534,721	\$ 40,295,825	\$ 12,281,856
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 228,605	\$ 109,401	\$ 338,006	\$ 1,559,847
OPEB related items	32,446	12,332	44,778	136,106
Total deferred outflows of resources	\$ 261,051	\$ 121,733	\$ 382,784	\$ 1,695,953
LIABILITIES				
Accounts payable and other accrued liabilities	\$ 465,823	\$ 127,845	\$ 593,668	\$ 352,771
Accrued interest payable	165,380	66,491	231,871	-
Due to other governmental units	1,057,482	-	1,057,482	-
Unearned revenue	1,877,386	-	1,877,386	-
Long-term liabilities:				
Due within one year	340,145	604,148	944,293	17,727
Due in more than one year	9,721,029	9,418,573	19,139,602	7,270,658
Total liabilities	\$ 13,627,245	\$ 10,217,057	\$ 23,844,302	\$ 7,641,156
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 116,043	\$ -	\$ 116,043	\$ -
Pension related items	-	34,166	34,166	561,787
OPEB related items	8,925	3,393	12,318	61,066
Total deferred inflows of resources	\$ 124,968	\$ 37,559	\$ 162,527	\$ 622,853
NET POSITION				
Net investment in capital assets	\$ 7,016,145	\$ 9,586,365	\$ 16,602,510	\$ 11,385,811
Restricted for:				
Debt service	3,521	397,367	400,888	-
Net pension asset	475,627	250,187	725,814	-
Unrestricted (deficit)	(4,225,351)	3,167,919	(1,057,432)	(5,672,011)
Total net position	\$ 3,269,942	\$ 13,401,838	\$ 16,671,780	\$ 5,713,800

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

Town of Colonial Beach, Virginia
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,209,054	\$ 485	\$ 11,984	\$ -	\$ (1,196,585)	\$ -	\$ (1,196,585)	\$ -
Public safety	1,992,114	307,953	123,372	-	(1,560,789)	-	(1,560,789)	-
Public works	1,974,705	14,696	756,487	-	(1,203,522)	-	(1,203,522)	-
Education	1,620,607	-	-	-	(1,620,607)	-	(1,620,607)	-
Parks, recreation, and cultural	34,326	-	-	-	(34,326)	-	(34,326)	-
Community development	240,168	44,840	29,935	4,783	(160,610)	-	(160,610)	-
Interest on long-term debt	331,503	-	-	-	(331,503)	-	(331,503)	-
Total governmental activities	\$ 7,402,477	\$ 367,974	\$ 921,778	\$ 4,783	\$ (6,107,942)	\$ -	\$ (6,107,942)	\$ -
Business-type activities:								
Water	\$ 890,629	\$ 1,227,032	\$ 46,248	\$ -	\$ -	\$ 382,651	\$ 382,651	\$ -
Sewer	2,374,718	2,646,205	51,928	-	-	323,415	323,415	-
Total business-type activities	\$ 3,265,347	\$ 3,873,237	\$ 98,176	\$ -	\$ -	\$ 706,066	\$ 706,066	\$ -
Total primary government	\$ 10,667,824	\$ 4,241,211	\$ 1,019,954	\$ 4,783	\$ (6,107,942)	\$ 706,066	\$ (5,401,876)	\$ -
COMPONENT UNIT:								
School Board	\$ 8,538,071	\$ 81,232	\$ 6,687,474	\$ -	\$ -	\$ -	\$ -	(1,769,365)
Total component unit	\$ 8,538,071	\$ 81,232	\$ 6,687,474	\$ -	\$ -	\$ -	\$ -	(1,769,365)
General revenues:								
General property taxes					\$ 4,668,102	\$ -	\$ 4,668,102	\$ -
Local sales and use taxes					395,940	-	395,940	-
Business license taxes					151,968	-	151,968	-
Food and lodging					627,111	-	627,111	-
Consumer utility taxes					107,158	-	107,158	-
Motor vehicle licenses					84,425	-	84,425	-
Other local taxes					130,179	-	130,179	-
Unrestricted revenues from use of money and property					42,882	-	42,882	-
Miscellaneous					403,743	-	403,743	133,954
Grants and contributions not restricted to specific programs					608,822	-	608,822	-
Payment from Town of Colonial Beach					-	-	-	1,620,607
Total general revenues					\$ 7,220,330	\$ -	\$ 7,220,330	\$ 1,754,561
Change in net position					\$ 1,112,388	\$ 706,066	\$ 1,818,454	\$ (14,804)
Net position - beginning, as restated					2,157,554	12,695,772	14,853,326	5,728,604
Net position - ending					\$ 3,269,942	\$ 13,401,838	\$ 16,671,780	\$ 5,713,800

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

FUND FINANCIAL STATEMENTS

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Town of Colonial Beach, Virginia
Balance Sheet
Governmental Funds
June 30, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Erosion Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 5,485,902	\$ 1,348,635	\$ 135,068	\$ 6,969,605
Receivables (net of allowance for uncollectibles):				
Taxes receivable	254,906	-	-	254,906
Accounts receivable	123,225	-	-	123,225
Due from other governmental units	100,941	-	-	100,941
Prepaid items	43,852			43,852
Restricted assets:				
Restricted cash and cash equivalents	3,521	-	-	3,521
Total assets	<u>\$ 6,012,347</u>	<u>\$ 1,348,635</u>	<u>\$ 135,068</u>	<u>\$ 7,496,050</u>
LIABILITIES				
Accounts payable and other accrued liabilities	\$ 465,823	\$ -	\$ -	\$ 465,823
Unearned revenue	1,877,386	-	-	1,877,386
Total liabilities	<u>\$ 2,343,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,343,209</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 332,688	\$ -	\$ -	\$ 332,688
Total deferred inflows of resources	<u>\$ 332,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,688</u>
FUND BALANCES				
Nonspendable	\$ 43,852	\$ -	\$ -	\$ 43,852
Restricted	3,521	-	-	3,521
Committed	-	405,472	-	405,472
Assigned	297,515	943,163	135,068	1,375,746
Unassigned	2,991,562	-	-	2,991,562
Total fund balances	<u>\$ 3,336,450</u>	<u>\$ 1,348,635</u>	<u>\$ 135,068</u>	<u>\$ 4,820,153</u>

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

Town of Colonial Beach, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2021

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	4,820,153
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets, cost	\$ 16,531,520	
Accumulated depreciation	<u>(7,742,093)</u>	8,789,427

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

Unavailable revenue - property taxes	\$ 216,645	
Net pension asset	<u>475,627</u>	692,272

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

Pension related items	\$ 228,605	
OPEB related items	<u>32,446</u>	261,051

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

Compensated absences	\$ (123,182)	
Net OPEB liability	(119,710)	
General obligation bonds	(9,432,160)	
Capital leases	(116,005)	
Bond premium	(270,117)	
Due to other governmental units	(1,057,482)	
Accrued interest payable	<u>(165,380)</u>	(11,284,036)

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

OPEB related items		(8,925)
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Net position of governmental activities	\$	<u><u>3,269,942</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Colonial Beach, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Erosion Fund</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 4,681,602	\$ -	\$ -	\$ 4,681,602
Other local taxes	1,496,781	-	-	1,496,781
Permits, privilege fees, and regulatory licenses	75,631	-	-	75,631
Revenue from the use of money and property	42,882	-	-	42,882
Charges for services	292,343	-	-	292,343
Miscellaneous	45,908	357,835	-	403,743
Intergovernmental:				
Commonwealth	1,314,452	-	-	1,314,452
Federal	220,931	-	-	220,931
Total revenues	<u>\$ 8,170,530</u>	<u>\$ 357,835</u>	<u>\$ -</u>	<u>\$ 8,528,365</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,133,342	\$ -	\$ -	\$ 1,133,342
Public safety	1,804,125	-	-	1,804,125
Public works	1,412,788	-	-	1,412,788
Education	1,517,512	103,095	-	1,620,607
Parks, recreation, and cultural	32,252	-	-	32,252
Community development	231,460	-	-	231,460
Nondepartmental	117,874	-	-	117,874
Debt service:				
Principal retirement	320,665	-	-	320,665
Interest and other fiscal charges	346,629	-	-	346,629
Total expenditures	<u>\$ 6,916,647</u>	<u>\$ 103,095</u>	<u>\$ -</u>	<u>\$ 7,019,742</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,253,883</u>	<u>\$ 254,740</u>	<u>\$ -</u>	<u>\$ 1,508,623</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 408,661	\$ -	\$ 408,661
Transfers out	(408,661)	-	-	(408,661)
Total other financing sources (uses)	<u>\$ (408,661)</u>	<u>\$ 408,661</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 845,222	\$ 663,401	\$ -	\$ 1,508,623
Fund balances - beginning	2,491,228	685,234	135,068	3,311,530
Fund balances - ending	<u>\$ 3,336,450</u>	<u>\$ 1,348,635</u>	<u>\$ 135,068</u>	<u>\$ 4,820,153</u>

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

Town of Colonial Beach, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds	\$	1,508,623
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital outlays	\$ 259,279	
Depreciation expense	<u>(935,901)</u>	(676,622)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(39,555)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		(13,500)

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

Principal retirement on general obligation bonds	\$ 287,880	
Principal retirement on capital leases	<u>32,785</u>	320,665

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

Amortization of bond premium	\$ 11,101	
Change in pension related items	(132,305)	
Change in OPEB related items	4,321	
Change in compensated absences	7,761	
Change in amounts due to other governmental units	117,874	
Change in accrued interest payable	<u>4,025</u>	12,777

Change in net position of governmental activities	\$	<u><u>1,112,388</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Colonial Beach, Virginia
Statement of Net Position - Proprietary Funds
For the Year Ended June 30, 2021

	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,632,677	\$ 1,534,126	\$ 3,166,803
Accounts receivable (net of allowance for uncollectibles)	30,911	36,191	67,102
Total current assets	\$ 1,663,588	\$ 1,570,317	\$ 3,233,905
Noncurrent assets:			
Restricted cash and cash equivalents	\$ 294,224	\$ 103,143	\$ 397,367
Due from other governmental units	-	127,195	127,195
Net pension asset	60,242	189,945	250,187
Capital assets:			
Land	2,900	26,380	29,280
Equipment, net of depreciation	5,033	336,422	341,455
Vehicles, net of depreciation	245,892	386,189	632,081
Buildings and improvements, net of depreciation	6,139,994	12,383,257	18,523,251
Total noncurrent assets	\$ 6,748,285	\$ 13,552,531	\$ 20,300,816
Total assets	\$ 8,411,873	\$ 15,122,848	\$ 23,534,721
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 26,267	\$ 83,134	\$ 109,401
OPEB related items	3,037	9,295	12,332
Total deferred outflows of resources	\$ 29,304	\$ 92,429	\$ 121,733
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 24,455	\$ 103,390	\$ 127,845
Accrued interest payable	46,852	19,639	66,491
Compensated absences, current portion	359	3,392	3,751
Capital lease, current portion	-	44,840	44,840
General obligation bonds, current portion	303,402	252,155	555,557
Total current liabilities	\$ 375,068	\$ 423,416	\$ 798,484
Noncurrent liabilities:			
Compensated absences, net of current portion	\$ 3,235	\$ 30,528	\$ 33,763
Net OPEB liability	11,207	34,298	45,505
Capital lease, net of current portion	-	114,661	114,661
General obligation bonds, net of current portion	4,432,417	4,792,227	9,224,644
Total noncurrent liabilities	\$ 4,446,859	\$ 4,971,714	\$ 9,418,573
Total liabilities	\$ 4,821,927	\$ 5,395,130	\$ 10,217,057
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 3,534	\$ 30,632	\$ 34,166
OPEB related items	836	2,557	3,393
Total deferred inflows of resources	\$ 4,370	\$ 33,189	\$ 37,559
Net Position			
Net investment in capital assets	\$ 1,658,000	\$ 7,928,365	\$ 9,586,365
Restricted:			
Debt service	294,224	103,143	397,367
Net pension asset	60,242	189,945	250,187
Unrestricted	1,602,414	1,565,505	3,167,919
Total Net Position	\$ 3,614,880	\$ 9,786,958	\$ 13,401,838

Town of Colonial Beach, Virginia
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
For the Year Ended June 30, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 1,136,707	\$ 2,526,205	\$ 3,662,912
Total operating revenues	\$ 1,136,707	\$ 2,526,205	\$ 3,662,912
Operating expenses:			
Personnel services	\$ 186,467	\$ 623,529	\$ 809,996
Fringe benefits	55,122	187,991	243,113
Contractual services	64,806	211,118	275,924
Other charges	141,335	620,728	762,063
Depreciation	321,953	637,257	959,210
Total operating expenses	\$ 769,683	\$ 2,280,623	\$ 3,050,306
Operating income (loss)	\$ 367,024	\$ 245,582	\$ 612,606
Nonoperating revenues (expenses):			
Connection fees	\$ 90,325	\$ 120,000	\$ 210,325
Federal grants	46,248	51,928	98,176
Interest expense	(120,946)	(94,095)	(215,041)
Total nonoperating revenues (expenses)	\$ 15,627	\$ 77,833	\$ 93,460
Change in net position	\$ 382,651	\$ 323,415	\$ 706,066
Net position, beginning of year	3,232,229	9,463,543	12,695,772
Net position, end of year	\$ 3,614,880	\$ 9,786,958	\$ 13,401,838

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

Town of Colonial Beach, Virginia
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2021

	Water	Sewer	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,135,394	\$ 2,484,486	\$ 3,619,880
Payments for employees	(231,325)	(783,339)	(1,014,664)
Payments to suppliers	(197,862)	(780,228)	(978,090)
Net cash provided by (used for) operating activities	\$ 706,207	\$ 920,919	\$ 1,627,126
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	\$ (368,130)	\$ (342,646)	\$ (710,776)
Proceeds from issuance of long-term debt	191,100	191,100	382,200
Connection fees	90,325	120,000	210,325
Federal grants	46,248	51,928	98,176
Purchase of capital assets	(404,776)	(317,266)	(722,042)
Interest paid on loans	(117,730)	(94,237)	(211,967)
Net cash provided by (used for) capital and related financing activities	\$ (562,963)	\$ (391,121)	\$ (954,084)
Increase (decrease) in cash and cash equivalents	\$ 143,244	\$ 529,798	\$ 673,042
Cash and cash equivalents - beginning - (including restricted amounts)	1,783,657	1,107,471	2,891,128
Cash and cash equivalents - ending - (including restricted amounts)	\$ 1,926,901	\$ 1,637,269	\$ 3,564,170
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 367,024	\$ 245,582	\$ 612,606
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	321,953	637,257	959,210
(Increase)/decrease in accounts receivable	(3,922)	7,462	3,540
(Increase)/decrease in due from other governmental units	2,609	(49,181)	(46,572)
(Increase)/decrease in net pension asset	48,079	98,102	146,181
(Increase)/decrease in deferred outflows of resources	(17,115)	(59,149)	(76,264)
Increase/(decrease) in net OPEB liability	942	2,881	3,823
Increase/(decrease) in accounts payable	8,279	51,618	59,897
Increase/(decrease) in deferred inflows of resources	(20,646)	(20,653)	(41,299)
Increase/(decrease) in compensated absences	(996)	7,000	6,004
Net cash provided by (used for) operating activities	\$ 706,207	\$ 920,919	\$ 1,627,126

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

Town of Colonial Beach, Virginia
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2021

Custodial Fund
Northern Neck
Regional
Governor's School

ASSETS

Cash and cash equivalents	\$ 13,399
Total assets	<u>\$ 13,399</u>

NET POSITION

Restricted for:

IndIndividuals, organizations, and other governments	\$ 13,399
Total net position	<u><u>\$ 13,399</u></u>

Town of Colonial Beach, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	<u>Custodial Fund</u> <u>Northern Neck</u> <u>Regional</u> <u>Governor's School</u>
ADDITIONS	
Charges for services:	
Tuition	\$ 3,250
Miscellaneous	9,149
Revenue from the Commonwealth	1,000
Total additions	<u>\$ 13,399</u>
Net position, beginning	-
Net position, ending	<u><u>\$ 13,399</u></u>

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements As of June 30, 2021

Note 1—Summary of Significant Accounting Policies:

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

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

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

Government-wide and Fund Financial Statements

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

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

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

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit. The Town has no blended component units at June 30, 2021.

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

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

None

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

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

The government-wide 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

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

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

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

1. Governmental Funds

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

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

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

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

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

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

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

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

4. Component Unit

The Colonial Beach Town School Board has the following funds:

Governmental Funds:

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

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

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

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

E. Cash and Cash Equivalents

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

F. Investments

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

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

G. Restricted Assets

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

H. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$324,035 at June 30, 2021 and is comprised of property taxes in the amount of \$96,103 and utility accounts in the amount of \$227,932.

Real and Personal Property Tax Data:

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

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

The Town bills and collects its own property taxes.

I. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Town and School Board as land, buildings, and equipment 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized.

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

Property, plant and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5-50
Infrastructure	30
Equipment	5-20
Vehicles	5-20

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

J. Prepaid Items

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

K. Compensated Absences

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

L. 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.

M. 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 or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

N. Pensions

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

O. Other Postemployment Benefits (OPEB)

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

P. Long-term Obligations

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

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

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension asset/liability and net OPEB liability(ies) and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset/liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

R. 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 generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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

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

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

R. Fund Balance (Continued)

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

	General Fund	Capital Projects	Erosion Fund	Total
Fund Balances:				
Nonspendable:				
Prepaid items	\$ 43,852	\$ -	\$ -	\$ 43,852
Total Nonspendable Fund Balance	<u>\$ 43,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,852</u>
Restricted:				
Debt service	\$ 3,521	\$ -	\$ -	\$ 3,521
Total Restricted Fund Balance	<u>\$ 3,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,521</u>
Committed:				
Fire department	\$ -	\$ 9,157	\$ -	\$ 9,157
Rescue squad	-	9,157	-	9,157
Schools	-	387,158	-	387,158
Total Committed Fund Balance	<u>\$ -</u>	<u>\$ 405,472</u>	<u>\$ -</u>	<u>\$ 405,472</u>
Assigned:				
Capital projects	\$ -	\$ 943,163	\$ -	\$ 943,163
Castlewood park upgrade	30,000	-	-	30,000
Hire grant writer	29,015	-	-	29,015
Website upgrade	30,000	-	-	30,000
Intern stipends	6,000	-	-	6,000
Park attendants	12,500	-	-	12,500
HR salary survey	3,000	-	-	3,000
Town Manager contingency	7,000	-	-	7,000
Council retreat	5,000	-	-	5,000
Compensation plan	15,000	-	-	15,000
Streets	160,000	-	-	160,000
Erosion funds	-	-	135,068	135,068
Total Assigned Fund Balance	<u>\$ 297,515</u>	<u>\$ 943,163</u>	<u>\$ 135,068</u>	<u>\$ 1,375,746</u>
Unassigned	<u>\$ 2,991,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,991,562</u>
Total Fund Balances	<u><u>\$ 3,336,450</u></u>	<u><u>\$ 1,348,635</u></u>	<u><u>\$ 135,068</u></u>	<u><u>\$ 4,820,153</u></u>

S. Restricted Amounts

The Town applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for the purposes for which amounts in any of the unrestricted fund balance classifications could be used.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

T. Minimum Fund Balance Policy

The Town's policy is to maintain an unassigned fund balance in the general fund equal to 15% of expenditures/operating revenues.

Note 2—Stewardship, Compliance, and Accounting:

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

1. Prior to June 10th, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each department or category can be revised only by the Board of Supervisors. The Town Manager is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, every year.
7. All budgetary data presented in the accompanying financial statements is from the revised budget as of June 30, 2021, as adopted and legally amended.

Note 3—Deposits and Investments:

Deposits

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

Investments

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 3—Deposits and Investments: (Continued)

Credit Risk

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

Concentration of Credit Risk

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

Interest Rate Risk

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

Custodial Credit Risk

As required by the Code of Virginia, all security holdings with maturities over 30 days may not be held in safekeeping with the “counterparty” to the investment transaction. The Town held no investments during the year ended June 30, 2021.

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 4—Due to/from Other Governments:

At June 30, 2021, the Town has receivables from other governments as follows:

	Governmental Activities	Business-type Activities	Component Unit School Board
Other Local Governments:			
Westmoreland County	\$ -	\$ 127,195	\$ -
Commonwealth of Virginia:			
Local sales tax	77,620	-	-
State sales Tax	-	-	126,829
Communications tax	23,321	-	-
Federal Government:			
School fund grants	-	-	185,746
Total due from other governments	\$ <u>100,941</u>	\$ <u>127,195</u>	\$ <u>312,575</u>

At June 30, 2021, long-term amounts due to other local governments are as follows:

Other Local Governments:			
Westmoreland County	\$ <u>1,057,482</u>	\$ <u>-</u>	\$ <u>-</u>

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2021:

Primary Government:

	<u>Balance July 1, 2020</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2021</u>
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 1,460,330	\$ -	\$ 39,555	\$ 1,420,775
Construction in progress	<u>29,257</u>	<u>76,094</u>	<u>-</u>	<u>105,351</u>
Total capital assets not subject to depreciation	<u>\$ 1,489,587</u>	<u>\$ 76,094</u>	<u>\$ 39,555</u>	<u>\$ 1,526,126</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 1,096,239	\$ 15,565	\$ -	\$ 1,111,804
Infrastructure	10,318,323	-	-	10,318,323
Equipment	2,515,902	141,265	-	2,657,167
Vehicles	<u>972,760</u>	<u>26,355</u>	<u>81,015</u>	<u>918,100</u>
Total capital assets subject to depreciation	<u>\$ 14,903,224</u>	<u>\$ 183,185</u>	<u>\$ 81,015</u>	<u>\$ 15,005,394</u>
Accumulated depreciation:				
Buildings and improvements	\$ 411,509	\$ 31,208	\$ -	\$ 442,717
Infrastructure	4,784,783	671,628	-	5,456,411
Equipment	948,358	176,439	-	1,124,797
Vehicles	<u>742,557</u>	<u>56,626</u>	<u>81,015</u>	<u>718,168</u>
Total accumulated depreciation	<u>\$ 6,887,207</u>	<u>\$ 935,901</u>	<u>\$ 81,015</u>	<u>\$ 7,742,093</u>
Total capital assets subject to depreciation, net	<u>\$ 8,016,017</u>	<u>\$ (752,716)</u>	<u>\$ -</u>	<u>\$ 7,263,301</u>
Governmental activities capital assets, net	<u><u>\$ 9,505,604</u></u>	<u><u>\$ (676,622)</u></u>	<u><u>\$ 39,555</u></u>	<u><u>\$ 8,789,427</u></u>

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 5—Capital Assets: (Continued)

Primary Government:

	<u>Balance July 1, 2020</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2021</u>
Business-type activities:				
Capital assets not subject to depreciation:				
Land	\$ 29,280	\$ -	\$ -	\$ 29,280
Total capital assets not subject to depreciation	\$ 29,280	\$ -	\$ -	\$ 29,280
Capital assets subject to depreciation:				
Buildings and improvements	\$ 32,371,518	\$ 150,000	\$ -	\$ 32,521,518
Equipment	821,663	29,985	-	851,648
Vehicles	730,309	542,057	265,428	1,006,938
Total capital assets subejct to depreciation	\$ 33,923,490	\$ 722,042	\$ 265,428	\$ 34,380,104
Accumulated depreciation:				
Buildings and improvements	\$ 13,176,437	\$ 821,830	\$ -	\$ 13,998,267
Equipment	445,147	65,046	-	510,193
Vehicles	567,951	72,334	265,428	374,857
Total accumulated depreciation	\$ 14,189,535	\$ 959,210	\$ 265,428	\$ 14,883,317
Total capital assets subject to depreciation, net	\$ 19,733,955	\$ (237,168)	\$ -	\$ 19,496,787
Business-type activities capital assets, net	\$ 19,763,235	\$ (237,168)	\$ -	\$ 19,526,067

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 5—Capital Assets: (Continued)

Component Unit - School Board:				
	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>
Capital assets not subject to depreciation:				
Land	\$ 57,210	\$ -	\$ -	\$ 57,210
Construction in progress	<u>46,905</u>	<u>-</u>	<u>46,905</u>	<u>-</u>
Total capital assets not subject to depreciation	<u>\$ 104,115</u>	<u>\$ -</u>	<u>\$ 46,905</u>	<u>\$ 57,210</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 13,436,003	\$ 110,866	\$ -	\$ 13,546,869
Equipment	189,344	67,538	-	256,882
Vehicles	<u>1,172,220</u>	<u>112,652</u>	<u>-</u>	<u>1,284,872</u>
Total capital assets subject to depreciation	<u>\$ 14,797,567</u>	<u>\$ 291,056</u>	<u>\$ -</u>	<u>\$ 15,088,623</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,510,898	\$ 269,273	\$ -	\$ 2,780,171
Equipment	101,059	38,482	-	139,541
Vehicles	<u>731,812</u>	<u>108,498</u>	<u>-</u>	<u>840,310</u>
Total accumulated depreciation	<u>\$ 3,343,769</u>	<u>\$ 416,253</u>	<u>\$ -</u>	<u>\$ 3,760,022</u>
Total capital assets subject to depreciation, net	<u>\$ 11,453,798</u>	<u>\$ (125,197)</u>	<u>\$ -</u>	<u>\$ 11,328,601</u>
School Board capital assets, net	<u>\$ 11,557,913</u>	<u>\$ (125,197)</u>	<u>\$ 46,905</u>	<u>\$ 11,385,811</u>

Depreciation expense was charged to functions/programs as follows:

Primray Government:

Governmental activities:

General government administration	\$ 46,980
Public safety	139,109
Public works	667,045
Parks, recreation and cultural	1,267
Community development	<u>81,500</u>

Total Governmental activities	<u>\$ 935,901</u>
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Business-type activities:

Water fund	\$ 321,953
Sewer fund	<u>637,257</u>

Total Business-type activities	<u>\$ 959,210</u>
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Component Unit School Board	<u>\$ 416,253</u>
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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 6—Long-Term Obligations:

Primary Government:

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2021:

	Balance at July 1, 2020	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2021	Amounts Due Within One Year
Governmental Activities Obligations:					
General obligation bonds	\$ 9,720,040	\$ -	\$ 287,880	\$ 9,432,160	\$ 283,760
Bond premium	281,218	-	11,101	270,117	11,101
Capital leases	148,790	-	32,785	116,005	32,966
Compensated absences	130,943	5,333	13,094	123,182	12,318
Net OPEB liability	109,654	42,148	32,092	119,710	-
Total Governmental Activities Obligations	<u>\$ 10,390,645</u>	<u>\$ 47,481</u>	<u>\$ 376,952</u>	<u>\$ 10,061,174</u>	<u>\$ 340,145</u>
Business-type Activities Obligations:					
General obligation bonds	\$ 10,064,881	\$ 382,200	\$ 666,880	\$ 9,780,201	\$ 555,557
Capital lease	203,397	-	43,896	159,501	44,840
Compensated absences	31,510	9,155	3,151	37,514	3,751
Net OPEB liability	41,682	16,022	12,199	45,505	-
Total Business-type Activities Obligations	<u>\$ 10,341,470</u>	<u>\$ 407,377</u>	<u>\$ 726,126</u>	<u>\$ 10,022,721</u>	<u>\$ 604,148</u>

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	Governmental Activities				Business-type Activities			
	General Obligation		Capital Leases		General Obligation		Capital Lease	
	Bonds				Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 283,760	\$ 332,494	\$ 32,966	\$ 2,470	\$ 555,557	\$ 201,771	\$ 44,840	\$ 3,473
2023	300,740	319,753	31,898	1,689	564,308	191,214	45,902	2,431
2024	313,910	306,306	32,595	948	575,717	180,415	46,905	1,365
2025	325,890	292,277	18,546	192	584,492	169,372	21,854	275
2026	339,720	277,658	-	-	596,596	158,075	-	-
2027-2031	1,777,340	1,200,298	-	-	2,706,466	624,582	-	-
2032-2036	2,015,800	885,227	-	-	2,266,428	340,425	-	-
2037-2041	1,850,000	571,515	-	-	569,414	167,625	-	-
2042-2046	2,225,000	209,607	-	-	496,602	116,265	-	-
2047-2051	-	-	-	-	534,193	64,391	-	-
2052-2056	-	-	-	-	292,196	16,075	-	-
2057-2058	-	-	-	-	38,232	898	-	-
Total	<u>\$ 9,432,160</u>	<u>\$ 4,395,135</u>	<u>\$ 116,005</u>	<u>\$ 5,299</u>	<u>\$ 9,780,201</u>	<u>\$ 2,231,108</u>	<u>\$ 159,501</u>	<u>\$ 7,544</u>

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term obligations:

	Interest Rate	Date Issued	Maturity Date	Amount of Original Issue	Governmental Activities	Business-Type Activities
General Obligation Bonds:						
General Obligation Public Improvement Bonds	0.00%	2008	2029	\$ 2,672,000	\$ -	\$ 954,947
General Obligation Public Improvement Bonds	2.50%	2010	2050	1,088,000	-	856,082
USDA Rural Development Note Payable	2.13%	2021	2031	382,200	-	379,305
General Obligation Sewer Bonds	1.88%	2013	2053	2,460,000	-	2,177,476
General Obligation Public Improvement Bonds	3.09%	2014	2035	1,946,000	980,160	502,840
General Obligation Public Improvement and Refunding Bond	2.65%	2015	2035	1,775,000	407,000	693,000
Virginia Public School Authority Bonds	3.52%	2015	2046	8,630,000	8,045,000	-
General Obligation Bond- Carter Bank	2.65%	2017	2037	885,324	-	752,363
Virginia Resource Authority Revolving Fund	2.35%	2017	2038	4,374,004	-	3,464,188
					<u>\$ 9,432,160</u>	<u>\$ 9,780,201</u>
Capital Leases:						
Master Equipment Lease	2.31%	2015	2024	\$ 718,000	\$ 114,199	\$ 159,501
Pitney Bowes Capital Lease	6.25%	2017	2022	10,605	1,806	-
					<u>\$ 116,005</u>	<u>\$ 159,501</u>

VPSA Bond

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

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 6—Long-Term Obligations: (Continued)**Discretely Presented Component Unit-School Board:**

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2021:

	Balance at July 1, 2020	Increases	Decreases	Balance at June 30, 2021	Amounts Due Within One Year
Component Unit-School Board:					
Capital lease	\$ 62,082	\$ -	\$ 62,082	\$ -	\$ -
Compensated absences	179,461	15,755	17,946	177,270	17,727
Net pension liability	5,631,408	2,376,072	1,761,493	6,245,987	-
Net OPEB liabilities	863,995	194,262	193,129	865,128	-
Total Component Unit-School Board	<u>\$ 6,736,946</u>	<u>\$ 2,586,089</u>	<u>\$ 2,034,650</u>	<u>\$ 7,288,385</u>	<u>\$ 17,727</u>

Note 7—Capital Leases:

The government has entered into lease agreements as lessee for financing the acquisition of vehicles and a school bus. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset:	Primary Government
Vehicles	\$ 452,947
Less: Accumulated depreciation	<u>(273,727)</u>
Total	<u>\$ 179,220</u>

Note 8—Deferred/Unavailable Revenue:

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

Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$216,645 at June 30, 2021.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2021 but paid in advance by the taxpayers totaled \$116,043 at June 30, 2021.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 9—Contingent Liabilities:

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

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

There were no construction contracts were outstanding at June 30, 2021.

Note 10—Litigation:

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

Note 11—Risk Management:

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

Note 12—Pension Plans:

Plan Description

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

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

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

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.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government
Inactive members or their beneficiaries currently receiving benefits	49
Inactive members:	
Vested inactive members	11
Non-vested inactive members	33
Inactive members active elsewhere in VRS	35
Total inactive members	79
Active members	45
Total covered employees	173

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, 2021 was 1.88% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$26,426 and \$32,550 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability (Asset)

The net pension liability (asset) (NPL(A)) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Town's net pension liability (asset) was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2021; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2021; males set forward 2 years, 110% of rates; females 125% of rates.

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

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

Mortality rates:

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2021; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2021; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

* The above allocation provides a one-year return of 7.14%. 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. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2020, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, participating employers and

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Discount Rate (Continued)

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

Changes in Net Pension Liability (Asset)

	Primary Government Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 6,293,746	\$ 7,504,031	\$ (1,210,285)
Changes for the year:			
Service cost	\$ 218,103	\$ -	\$ 218,103
Interest	414,318	-	414,318
Differences between expected and actual experience	114,695	-	114,695
Contributions - employer	-	31,914	(31,914)
Contributions - employee	-	93,125	(93,125)
Net investment income	-	142,684	(142,684)
Benefit payments	(311,391)	(311,391)	-
Administrative expenses	-	(4,910)	4,910
Other changes	-	(168)	168
Net changes	\$ 435,725	\$ (48,746)	\$ 484,471
Balances at June 30, 2020	\$ 6,729,471	\$ 7,455,285	\$ (725,814)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town's Net Pension Liability (Asset)	\$ 52,383	\$ (725,814)	\$ (1,373,150)

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

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

For the year ended June 30, 2021, the Town recognized pension expense of \$192,176. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 53,361	\$ -
Net difference between projected and actual earnings on pension plan investments	224,053	-
Proportionate Share	34,166	34,166
Employer contributions subsequent to the measurement date	26,426	-
Total	<u>\$ 338,006</u>	<u>\$ 34,166</u>

\$26,426 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, subsequent to the measurement date will be recognized as a reduction of (increase to) the Net Pension Liability (Asset) in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government
2022	\$ 59,436
2023	70,273
2024	76,228
2025	71,477
2026	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2020-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually required employer contribution rate for the year ended June 30, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$612,385 and \$570,347 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the school division reported a liability \$6,245,987 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion was 0.04290% as compared to 0.04279% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized pension expense of \$679,398. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

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

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 366,111
Change of assumptions	426,367	-
Net difference between projected and actual earnings on pension plan investments	475,076	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	46,019	195,676
Employer contributions subsequent to the measurement date	612,385	-
Total	\$ <u>1,559,847</u>	\$ <u>561,787</u>

\$612,385 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2022	\$ (28,184)
2023	114,182
2024	160,198
2025	146,094
2026	(6,615)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

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

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2021.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2021; 115% of rates for males and females.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2020, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	51,001,855
Plan Fiduciary Net Position		36,449,229
Employers' Net Pension Liability (Asset)	\$	<u>14,552,626</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		71.47%

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

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

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

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

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

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

Net Pension Liability (Asset)	\$	9,164,266	\$	6,245,987	\$	3,832,202
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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Primary Government and Component Unit School Board

Pension Plan Fiduciary Net Position

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

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

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the Town were \$11,890 and \$10,594 for the years ended June 30, 2021 and June 30, 2020, respectively.

Contributions to the GLI Plan from the Component Unit School Board professional group were \$20,691 and \$19,568 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the Town reported a liability of \$165,215 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional group reported a liability of \$305,230 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the Town's proportion was 0.00990% as compared to 0.00930% at June 30, 2019. At June 30, 2020, the Component Unit School Board professional group's proportion was 0.01830% as compared to 0.01843% at June 30, 2019.

For the year ended June 30, 2021, the Town recognized GLI OPEB expense of \$5,954. For the year ended June 30, 2021, the Component Unit School Board professional group recognized GLI OPEB expense of \$10,200. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

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

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

	Primary Government		Component School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,597	\$ 1,484	\$ 19,578	\$ 2,742
Net difference between projected and actual earnings on GLI OPEB plan investments	4,963	-	9,169	-
Change of assumptions	8,263	3,450	15,265	6,373
Changes in proportionate share	9,065	7,384	4,404	14,290
Employer contributions subsequent to the measurement date	11,890	-	20,691	-
Total	\$ 44,778	\$ 12,318	\$ 69,107	\$ 23,405

\$11,890 and \$20,691 respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the Town and Component Unit School Board professional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

	Primary Government	Component Unit School Board (professional)
Year Ended June 30		
2022	\$ 2,142	\$ 3,158
2023	3,544	5,747
2024	5,068	7,121
2025	6,483	7,340
2026	2,904	1,547
Thereafter	429	98

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. The assumptions include several employer groups. Salary and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2021.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2021; 115% of rates for males and females.

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Actuarial Assumptions

Mortality Rates - Teachers (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2021; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2021; males set forward 2 years, 110% of rates; females 125% of rates.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2021; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2021; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,523,937
Plan Fiduciary Net Position		1,855,102
Employers' Net GLI OPEB Liability (Asset)	\$	1,668,835
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.64%

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

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strate	6.00%	3.04%	0.18%
PIP - Private Investment Partner	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

*The above allocation provides a one-year return of 7.14%. 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. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

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

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

	Rate		
	1% Decrease	Current	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town's proportionate share of the GLI Plan Net OPEB Liability	\$ 217,188	\$ 165,215	\$ 123,008
Component School Board (professional)'s proportionate share of the GLI Plan Net OPEB Liability	\$ 401,249	\$ 305,230	\$ 227,254

GLI Plan Fiduciary Net Position

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

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

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$46,364 and \$45,157 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the school division reported a liability of \$559,898 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2020 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion of the VRS Teacher Employee HIC was 0.04290% as compared to 0.04309% at June 30, 2019.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

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

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee HIC OPEB expense of \$42,994. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 7,476
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	2,481	-
Change of assumptions	11,068	3,059
Change in proportionate share	7,086	27,126
Employer contributions subsequent to the measurement date	<u>46,364</u>	<u>-</u>
Total	\$ <u><u>66,999</u></u>	\$ <u><u>37,661</u></u>

\$46,364 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ (2,858)
2023	(2,612)
2024	(2,694)
2025	(3,185)
2026	(3,544)
Thereafter	(2,133)

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2021.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2021; 115% of rates for males and females.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,448,676
Plan Fiduciary Net Position		144,160
Teacher Employee net HIC OPEB Liability (Asset)	\$	1,304,516
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		9.95%

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

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TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

*The above allocation provides a one-year return of 7.14%. 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. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2020, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan				
Net HIC OPEB Liability	\$	626,748	\$ 559,898	\$ 503,081

Teacher Employee HIC OPEB Fiduciary Net Position

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

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

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

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

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Town's LODA coverage is fully covered or "insured" through VRSA. This is built into the LODA coverage cost presented in the annual renewals. The Town's LODA premium for the year ended June 30, 2021 was \$11,151.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2021

Note 16 - Summary of Other Postemployment Benefit Plans:

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:								
Group Life Insurance Plan (Note 13):								
County	\$ 44,778	\$ 12,318	\$ 165,215	\$ 5,954	\$ -	\$ -	\$ -	\$ -
School Board Professional	-	-	-	-	69,107	23,405	305,230	10,200
Teacher Health Insurance Credit Plan (Note 14)	-	-	-	-	66,999	37,661	559,898	42,994
Totals	<u>\$ 44,778</u>	<u>\$ 12,318</u>	<u>\$ 165,215</u>	<u>\$ 5,954</u>	<u>\$ 136,106</u>	<u>\$ 61,066</u>	<u>\$ 865,128</u>	<u>\$ 53,194</u>

Note 17—Adoption of Accounting Principles:

The Town implemented provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* during the fiscal year ended June 30, 2021. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The implementation of this Statement resulted in the following restatement of net position and fund balance:

	Net Position Component Unit School Board	Fund Balance School Activity Funds
Balance, July 1, 2020, as previously stated	\$ 5,615,752	\$ -
Implementation of GASB 84:		
School Activity Funds	<u>112,852</u>	<u>112,852</u>
Balance, July 1, 2020, as restated	<u>\$ 5,728,604</u>	<u>\$ 112,852</u>

Note 18—Upcoming Pronouncements:

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 18—Upcoming Pronouncements: (Continued)

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

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

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

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

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

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Town, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the Town is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

TOWN OF COLONIAL BEACH, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 19—COVID-19 Pandemic Funding and Subsequent Events: (Continued)

ARPA Funding

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

On June 25, 2021, the Town received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$1,877,386 from the initial allocation are reported as unearned revenue as of June 30.

ESF Funding

The CARES Act also established the Education Stabilization Fund (ESF) and allocated \$30.75 billion to the U.S. Department of Education. The ESF is composed of three primary emergency relief funds: (1) a Governor's Emergency Education Relief (GEER) Fund, (2) an Elementary and Secondary School Emergency Relief (ESSER) Fund, and (3) a Higher Education Emergency Relief (HEER) Fund. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) was signed into law on December 27, 2020 and added \$81.9 billion to the ESF. In March 2021, the American Rescue Plan Act (ARP Act), in support of ongoing state and institutional COVID-19 recovery efforts, added more than \$170 billion to the ESF. The School Board is receiving this funding from the Virginia Department of Education on a reimbursement basis.

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REQUIRED SUPPLEMENTARY INFORMATION

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Town of Colonial Beach, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes:				
Real property	\$ 4,122,439	\$ 4,122,439	\$ 4,042,749	\$ (79,690)
Personal property	476,014	476,014	556,358	80,344
Penalties and interest	51,875	51,875	82,495	30,620
Other local taxes:				
Food and lodging	368,151	368,151	627,111	258,960
Bank stock	71,397	71,397	70,245	(1,152)
Business license taxes	133,081	133,081	151,968	18,887
Local sales and use taxes	204,739	204,739	395,940	191,201
Consumer utility taxes	105,262	105,262	107,158	1,896
Motor vehicle license	71,086	71,086	84,425	13,339
Cigarette tax	83,171	83,171	59,934	(23,237)
Permits, privilege fees, and regulatory licenses	92,866	92,866	75,631	(17,235)
Revenue from the use of money and property:				
Interest	41,113	41,113	20,279	(20,834)
Rental of property	22,932	22,932	22,603	(329)
Charges for services	195,130	195,130	292,343	97,213
Miscellaneous	26,331	26,331	45,908	19,577
Intergovernmental:				
Commonwealth	1,311,434	1,311,434	1,314,452	3,018
Federal	-	-	220,931	220,931
Total revenues	\$ 7,377,021	\$ 7,377,021	\$ 8,170,530	\$ 793,509
EXPENDITURES				
Current:				
General government administration	\$ 1,382,103	\$ 1,382,103	\$ 1,133,342	\$ 248,761
Public safety	1,602,360	1,602,360	1,804,125	(201,765)
Public works	1,800,264	1,800,264	1,412,788	387,476
Health and welfare	4,800	4,800	-	4,800
Education	1,926,173	1,926,173	1,517,512	408,661
Parks, recreation, and cultural	40,592	40,592	32,252	8,340
Community development	303,367	303,367	231,460	71,907
Nondepartmental	117,874	117,874	117,874	-
Debt service:				
Principal retirement	321,103	321,103	320,665	438
Interest and other fiscal charges	346,192	346,192	346,629	(437)
Total expenditures	\$ 7,844,828	\$ 7,844,828	\$ 6,916,647	\$ 928,181
Excess (deficiency) of revenues over (under) expenditures	\$ (467,807)	\$ (467,807)	\$ 1,253,883	\$ 1,721,690
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (408,661)	\$ (408,661)
Total other financing sources (uses)	\$ -	\$ -	\$ (408,661)	\$ (408,661)
Net change in fund balances	\$ (467,807)	\$ (467,807)	\$ 845,222	\$ 1,313,029
Fund balances - beginning	467,807	467,807	2,491,228	2,023,421
Fund balances - ending	\$ -	\$ -	\$ 3,336,450	\$ 3,336,450

Town of Colonial Beach, Virginia

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

Primary Government

For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018
Total pension liability			
Service cost	\$ 218,103	\$ 208,619	\$ 233,416
Interest	414,318	399,424	405,164
Changes of assumptions	-	171,767	-
Differences between expected and actual experience	114,695	(26,576)	(421,722)
Benefit payments	(311,391)	(331,085)	(266,649)
Net change in total pension liability	\$ 435,725	\$ 422,149	\$ (49,791)
Total pension liability - beginning	6,293,746	5,871,597	5,921,388
Total pension liability - ending (a)	\$ 6,729,471	\$ 6,293,746	\$ 5,871,597
Plan fiduciary net position			
Contributions - employer	\$ 31,914	\$ 33,873	\$ 80,360
Contributions - employee	93,125	85,960	82,859
Net investment income	142,684	475,781	505,312
Benefit payments	(311,391)	(331,085)	(266,649)
Administrator charges	(4,910)	(4,813)	(4,359)
Other	(168)	(300)	(450)
Net change in plan fiduciary net position	\$ (48,746)	\$ 259,416	\$ 397,073
Plan fiduciary net position - beginning	7,504,031	7,244,615	6,847,542
Plan fiduciary net position - ending (b)	\$ 7,455,285	\$ 7,504,031	\$ 7,244,615
Town's net pension liability (asset) - ending (a) - (b)	\$ (725,814)	\$ (1,210,285)	\$ (1,373,018)
Plan fiduciary net position as a percentage of the total pension liability	110.79%	119.23%	123.38%
Covered payroll	\$ 2,024,411	\$ 1,820,161	\$ 1,739,681
Town's net pension liability (asset) as a percentage of covered payroll	-35.85%	-66.49%	-78.92%

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

Exhibit 13

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

Town of Colonial Beach, Virginia

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

For the Measurement Dates of June 30, 2014 through June 30, 2020

	<u>2020</u>	<u>2019</u>
Proportion of the Net Pension Liability (Asset)	0.04290%	0.04279%
Proportionate Share of the Net Pension Liability (Asset)	\$ 6,245,987	\$ 5,631,408
Covered Payroll	3,763,080	3,669,722
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	165.98%	153.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.47%	73.51%

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

Exhibit 14

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

Town of Colonial Beach, Virginia
Schedule of Employer Contributions - Pension Plans
For the Years Ended June 30, 2015 through June 30, 2021

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

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

Town of Colonial Beach, Virginia
Notes to Required Supplementary Information - Pension Plans
For the Year Ended June 30, 2021

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Component Unit School Board - Professional Employees:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Town of Colonial Beach, Virginia
Schedule of Town's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan

For the Measurement Dates of June 30, 2017 through June 30, 2020

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

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

Town of Colonial Beach, Virginia
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2017 through June 30, 2021

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

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

Town of Colonial Beach, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2021

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

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

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Town of Colonial Beach, Virginia
Schedule of School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2020

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

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

Town of Colonial Beach, Virginia
Schedule of Employer Contributions
Teacher Employee Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2017 through June 30, 2021

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

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

Town of Colonial Beach, Virginia
Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2021

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

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Town of Colonial Beach, Virginia
VRA Debt Covenant
For the Year Ended June 30, 2021

	<u>Water</u>
Operating revenues:	
Charges for services	\$ <u>1,136,707</u>
Operating expenses excluding depreciation:	
Personnel services	\$ 186,467
Fringe benefits	55,122
Contractual services	64,806
Other charges	<u>141,335</u>
Total operating expenses excluding depreciation	\$ <u>447,730</u>
Operating revenue available for debt service	\$ <u>688,977</u>
Debt service:	
Principal retirement	\$ 368,130
Interest expense	<u>120,946</u>
Total debt service	\$ <u>489,076</u>
Operating revenue in excess of debt service payments	\$ <u><u>199,901</u></u>

Schedule demonstrates the Town has satisfied the rate covenant required by Virginia Resource Authority for the 2017 Virginia Water Facilities Revolving Fund.

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*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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Town of Colonial Beach, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2021

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	School Activity <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 45,408	\$ 412,135	\$ 116,547	\$ 574,090
Receivables (net of allowance for uncollectibles):				
Accounts receivable	9,380	-	-	9,380
Due from other governmental units	294,377	18,198	-	312,575
Total assets	<u>\$ 349,165</u>	<u>\$ 430,333</u>	<u>\$ 116,547</u>	<u>\$ 896,045</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 349,165	\$ 3,606	\$ -	\$ 352,771
Total liabilities	<u>\$ 349,165</u>	<u>\$ 3,606</u>	<u>\$ -</u>	<u>\$ 352,771</u>
FUND BALANCES				
Assigned:				
Education	\$ -	\$ 426,727	\$ 116,547	\$ 543,274
Total fund balances	<u>\$ -</u>	<u>\$ 426,727</u>	<u>\$ 116,547</u>	<u>\$ 543,274</u>

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

Total fund balances per above	\$ 543,274
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets, cost	\$ 15,145,833	
Accumulated depreciation	<u>(3,760,022)</u>	11,385,811

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

Pension related items	\$ 1,559,847	
OPEB related items	<u>136,106</u>	1,695,953

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

Compensated absences	\$ (177,270)	
Net pension liability	(6,245,987)	
Net OPEB liabilities	<u>(865,128)</u>	(7,288,385)

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

Pension related items	\$ (561,787)	
OPEB related items	<u>(61,066)</u>	(622,853)

Net position of governmental activities		<u>\$ 5,713,800</u>
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Town of Colonial Beach, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2021

	School Operating Fund	School Cafeteria Fund	School Activity Funds	Total Governmental Funds
REVENUES				
Charges for services	\$ 81,232	\$ -	\$ -	\$ 81,232
Miscellaneous	84,043	3,570	46,341	133,954
Intergovernmental:				
Local government	1,620,607	-	-	1,620,607
Commonwealth	5,095,035	6,027	-	5,101,062
Federal	1,078,026	508,386	-	1,586,412
Total revenues	<u>\$ 7,958,943</u>	<u>\$ 517,983</u>	<u>\$ 46,341</u>	<u>\$ 8,523,267</u>
EXPENDITURES				
Current:				
Education	\$ 7,894,512	\$ 375,084	\$ 42,646	\$ 8,312,242
Debt service:				
Principal retirement	62,082	-	-	62,082
Interest and other fiscal charges	2,349	-	-	2,349
Total expenditures	<u>\$ 7,958,943</u>	<u>\$ 375,084</u>	<u>\$ 42,646</u>	<u>\$ 8,376,673</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 142,899</u>	<u>\$ 3,695</u>	<u>\$ 146,594</u>
Net change in fund balances	\$ -	\$ 142,899	\$ 3,695	\$ 146,594
Fund balances - beginning, as restated	-	283,828	112,852	396,680
Fund balances - ending	<u>\$ -</u>	<u>\$ 426,727</u>	<u>\$ 116,547</u>	<u>\$ 543,274</u>

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above \$ 146,594

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 244,151	
Depreciation expense	<u>(416,253)</u>	(172,102)

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

Principal retirement on capital leases		62,082
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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	\$ 2,191	
Change in pension related items	(67,479)	
Change in OPEB related items	<u>13,910</u>	(51,378)

Change in net position of governmental activities		<u>\$ (14,804)</u>
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Town of Colonial Beach, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2021

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 25,000	\$ 25,000	\$ 81,232	\$ 56,232
Miscellaneous	25,001	25,001	84,043	59,042
Intergovernmental:				
Local government	1,745,765	1,745,765	1,620,607	(125,158)
Commonwealth	4,889,871	4,889,871	5,095,035	205,164
Federal	703,816	703,816	1,078,026	374,210
Total revenues	\$ 7,389,453	\$ 7,389,453	\$ 7,958,943	\$ 569,490
EXPENDITURES				
Education	\$ 7,389,453	\$ 7,389,453	\$ 7,894,512	\$ (505,059)
Debt service:				
Principal retirement	-	-	62,082	(62,082)
Interest and other fiscal charges	-	-	2,349	(2,349)
Total expenditures	\$ 7,389,453	\$ 7,389,453	\$ 7,958,943	\$ (569,490)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

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COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

**To the Honorable Members of the Board of Supervisors
Town of Colonial Beach
Colonial Beach, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of Town of Colonial Beach Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Colonial Beach, Virginia's basic financial statements and have issued our report thereon dated November 8, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Town of Colonial Beach, Virginia's Response to Finding

Town of Colonial Beach, Virginia's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Colonial Beach, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 8, 2021



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

To the Honorable Members of the Board of Supervisors
Town of Colonial Beach
Colonial Beach, Virginia

Report on Compliance for Each Major Federal Program

We have audited Town of Colonial Beach, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town of Colonial Beach, Virginia's major federal programs for the year ended June 30, 2021. Town of Colonial Beach, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Colonial Beach, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Colonial Beach, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Colonial Beach, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Colonial Beach, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-002. Our opinion on each major federal program is not modified with respect to this matter.

Town of Colonial Beach, Virginia's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Colonial Beach, Virginia's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Town of Colonial Beach, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Colonial Beach, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Colonial Beach, Virginia's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Robinson, Farnum, Cox Associates

Richmond, Virginia
November 8, 2021

Town of Colonial Beach, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass-Through Payments:			
Virginia Department of Education			
Temporary Assistance for Needy Families	93.558	Not Available	\$ 22,655
Department of Agriculture:			
Direct Payments:			
Child and Adult Care Food Program	10.558	N/A	\$ 11,493
COVID-19 - Child and Adult Care Food Program	10.558	N/A	7,445
Community Facilities Loans and Grants Cluster:			
Community Facilities Loans and Grants	10.766	N/A	449,600
Pass-Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution	10.555	45707	\$ 25,485
Department of Education:			
COVID-19 - National School Lunch Program	10.555	40623	11,639
			\$ 37,124
Summer Food Service Program for Children	10.559	17901-45707	\$ 360,322
COVID-19 - Summer Food Service Program for Children	10.559	17901-45707	84,662
			\$ 444,984
COVID-19 - School Breakfast Program	10.553	40591	\$ 7,340
			489,448
Total Department of Agriculture			\$ 957,986
Department of the Treasury:			
Pass-Through Payments:			
Department of Accounts:			
COVID-19 - Coronavirus Relief Fund (CRF)	21.019	10110-728021	\$ 249,764
Virginia Department of Education:			
COVID-19 - Coronavirus Relief Fund (CRF)	21.019	70056	101,220
			\$ 350,984
Department of Transportation:			
Pass-Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	60507-53000	\$ 1,943
Department of Education:			
Pass-Through Payments:			
Virginia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	42901	\$ 330,645
Special Education Cluster:			
Special Education - Grants to States	84.027	70110	\$ 111,170
Special Education - Preschool Grants	84.173	62521	4,355
Career and Technical Education - Basic Grants to States	84.048	60531	31,271
Twenty-First Century Community Learning Centers	84.287	60565	112,895
Rural Education	84.358	43481	4,961
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	61480	33,275
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	60177	325,579
Total Department of Education			\$ 954,151
Total Expenditures of Federal Awards			\$ 2,287,719

See accompanying notes to schedule of expenditures of federal awards.

Town of Colonial Beach, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Colonial Beach, Virginia under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Town of Colonial Beach, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the Town of Colonial Beach, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 220,931
Water Fund	46,248
Sewer Fund	51,928
Water Fund (loan proceeds)	382,200
Total primary government	\$ <u>701,307</u>

Component Unit School Board:

School Operating Fund	\$ 1,078,026
School Cafeteria Fund	508,386
Total Component Unit School Board	\$ <u>1,586,412</u>
Total federal expenditures per basic financial statements	\$ <u><u>2,287,719</u></u>

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 2,287,719

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

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

Note 7 - Loan Balances

The Town has a Virginia Resource Authority Revolving Fund GO Bond that has an outstanding balance of \$3,464,188 as of June 30, 2021.

Town of Colonial Beach, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? ✓ yes no

Significant deficiency(ies) identified? yes ✓ none reported

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes ✓ no

Significant deficiency(ies) identified? yes ✓ none reported

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

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

Identification of major programs:

Assistance Listing Number(s)
10.766
10.553/10.555/10.559

Name of Federal Program or Cluster
Community Facilities Loans and Grants
Child Nutrition Cluster

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

\$750,000

Auditee qualified as low-risk auditee? yes ✓ no

**Town of Colonial Beach, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021 (Continued)**

Section II-Financial Statement Findings

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

Criteria:

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

Condition:

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

Effect of Condition:

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

Cause of Condition:

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

Recommendation:

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

Management's Response:

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

**Town of Colonial Beach, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021 (Continued)**

Section III-Federal Award Findings and Questioned Costs

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

Program:

Community Facilities Loans and Grants (Assistance Listing 10.766) - Federal Award Number RD 400-4, Award Year 2021

Criteria:

As a part of this grant/loan proposal, the grantee must establish a restricted debt service reserve fund. Deposits into the reserve fund will begin at the same time amortized loan installments begin. The reserve will be accumulated at the rate of 10% of each loan installment. Ten percent of the proposed loan installment would equal \$354 per month and should be deposited monthly until a total of \$42,480 has been accumulated. This reserve must be maintained throughout the life of the loan, and prior written concurrence from Rural Development must be obtained before funds may be withdrawn from the account. If funds are withdrawn, deposits will continue as outlined above until the reserve is fully replenished.

Condition:

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

Context:

proceeds under the agreement. The loan/grant agreement specifies that a debt service reserve fund needs to be created.

Cause:

The Town overlooked the debt service reserve requirement.

Effect:

The Town has not complied with the grant/loan agreement.

Recommendation:

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

Management's Response:

The Town plans to create the debt service reserve in FY 2021.

Town of Colonial Beach, Virginia

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

Findings - Financial Statement Audit:

Finding 2020-001: Segregation of Duties (Material Weakness)

Condition:

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

Recommendation:

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

Current Status:

Finding is repeated in the current year as 2021-001.

Finding 2020-002: Auditor Adjustments (Material Weakness)

Condition:

We noted errors which required adjustments to current financial statements to ensure such statements complied with Generally Accepted Accounting Principles.

Recommendation:

The Town and School Board should continue to implement steps to improve its financial reporting process.

Current Status:

Finding was corrected for FY 2021.