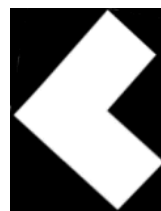


Town of Burkeville, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2021



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

Town of Burkeville, Virginia

Table of Contents

Year Ended June 30, 2021

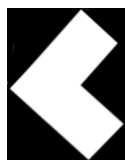
| | Pages |
|---|--------------|
| FINANCIAL SECTION | |
| Independent Auditor's Report | i-ii |
| Management's Discussion and Analysis | 1-8 |
| Basic Financial Statements | |
| Exhibits | |
| Government-Wide Financial Statements | |
| 1 Statement of Net Position | 9 |
| 2 Statement of Activities | 10 |
| Fund Financial Statements | |
| 3 Balance Sheet – Governmental Funds and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 11-12 |
| 4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 13-14 |
| 5 Statement of Net Position – Proprietary Funds | 15 |
| 6 Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds | 16 |
| 7 Statement of Cash Flows – Proprietary Funds | 17 |
| Notes to the Financial Statements | 18-61 |
| Required Supplementary Information | |
| Exhibit | |
| 8 Budgetary Comparison Schedule – General Fund and Cemetery Fund | 62-65 |
| Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios | 66 |
| Schedule of Employer Contributions | 67 |
| Notes to Required Supplemental Information | 68 |
| Schedule of Employer's Share of Net OPEB Liability – Group Life Insurance Plan (GLI) | 69 |
| Schedule of Employer Contributions for Group Life Insurance OPEB Plan | 70 |
| Notes to Required Supplemental Information – Group Life Insurance Plan | 71-73 |

| | Pages |
|---|-------|
| Schedule of Employer's Share of Net OPEB Liability (VLDP) | 74 |
| Schedule of Employer Contributions – OPEB VLDP | 75 |
| Notes to Required Supplementary Information – OPEB VLDP | 76 |

COMPLIANCE SECTION

| | |
|---|-------|
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 77-78 |
| Schedule of Findings and Responses | 79-80 |
| Summary Schedule of Prior Audit Findings | 81 |

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Burkeville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Burkeville, 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 Burkeville, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

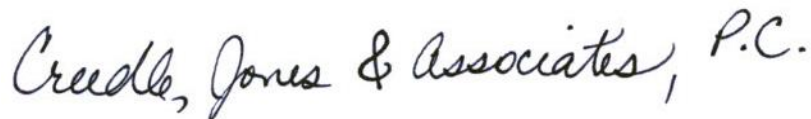
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 1-8, 62-65, and 66-76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2022 on our consideration of the Town of Burkeville, 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 Burkeville, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Burkeville, Virginia's internal control over financial reporting and compliance.



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

South Hill, Virginia
June 22, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town's governmental activities exceeded its liabilities and deferred inflows of resources by \$1,429,085. Of this amount, \$560,328 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$691,921 with an unrestricted balance deficit of \$60,895.
- The Town's total net position decreased by \$145,328 during the current fiscal year. Of this amount, a decrease of \$31,535 is related to governmental activities and a decrease of \$113,793 is attributed to business-type activities.
- As of June 30, 2021, the Town's Governmental Funds reported combined ending fund balances of \$498,640, an increase of \$33,317 in comparison with the prior year. Approximately 86.09% of this amount is available for spending at the Town's discretion (unassigned fund balance).
- At the end of fiscal year 2021, the general fund unassigned fund balance was \$429,300, or approximately 115.61% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The Town has two types of funds:

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

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

Notes to the Basic Financial Statements

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

Other

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2021 and 2020

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Primary Government</u> | |
|--|--------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Assets | | | | | | |
| Current and other assets | \$ 769,952 | \$ 528,776 | \$ 52,580 | \$ 61,138 | \$ 822,532 | \$ 589,914 |
| Capital assets (net) | <u>868,757</u> | <u>940,295</u> | <u>1,228,781</u> | <u>1,319,359</u> | <u>2,097,538</u> | <u>2,259,654</u> |
| Total Assets | 1,638,709 | 1,469,071 | 1,281,361 | 1,380,497 | 2,920,070 | 2,849,568 |
| Deferred Outflows of Resources | <u>12,144</u> | <u>6,946</u> | <u>4,801</u> | <u>2,440</u> | <u>16,945</u> | <u>9,386</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 1,650,853</u> | <u>\$ 1,476,017</u> | <u>\$ 1,286,162</u> | <u>\$ 1,382,937</u> | <u>\$ 2,937,015</u> | <u>\$ 2,858,954</u> |
| Liabilities | | | | | | |
| Other liabilities | \$ 210,392 | \$ 2,958 | \$ 114,279 | \$ 73,323 | \$ 324,671 | \$ 76,281 |
| Long-term liabilities | <u>5,481</u> | <u>6,262</u> | <u>477,891</u> | <u>501,730</u> | <u>483,372</u> | <u>507,992</u> |
| Total Liabilities | 215,873 | 9,220 | 592,170 | 575,053 | 808,043 | 584,273 |
| Deferred Inflows of Resources | 5,895 | 6,177 | 2,071 | 2,170 | 7,966 | 8,347 |
| Net Position | | | | | | |
| Net investment in capital assets | 868,757 | 940,295 | 752,816 | 819,829 | 1,621,573 | 1,760,124 |
| Unrestricted (deficit) | <u>560,328</u> | <u>520,325</u> | <u>(60,895)</u> | <u>(14,115)</u> | <u>499,433</u> | <u>506,210</u> |
| Total Net Position | <u>1,429,085</u> | <u>1,460,620</u> | <u>691,921</u> | <u>805,714</u> | <u>2,121,006</u> | <u>2,266,334</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 1,650,853</u> | <u>\$ 1,476,017</u> | <u>\$ 1,286,162</u> | <u>\$ 1,382,937</u> | <u>\$ 2,937,015</u> | <u>\$ 2,858,954</u> |

Statement of Activities

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

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2021 and 2020

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Primary Government</u> | |
|--|--------------------------------|----------------|---------------------------------|----------------|---------------------------------|----------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$ 36,831 | \$ 33,202 | \$ 200,330 | \$ 205,550 | \$ 237,161 | \$ 238,752 |
| Operating grants and contributions | 33,207 | 26,974 | - | - | 33,207 | 26,974 |
| General Revenues | | | | | | |
| General property taxes, real and personal | 118,899 | 108,830 | - | - | 118,899 | 108,830 |
| Other taxes | 147,528 | 126,794 | - | - | 147,528 | 126,794 |
| Grants and contributions not restricted to specific programs | 50,701 | 18,181 | - | - | 50,701 | 18,181 |
| Unrestricted revenues from use of money and property | 11,815 | 5,609 | - | - | 11,815 | 5,609 |
| Miscellaneous | 12,185 | 6,081 | - | - | 12,185 | 6,081 |
| Total Revenues | 411,166 | 325,671 | 200,330 | 205,550 | 611,496 | 531,221 |
| Expenses | | | | | | |
| General government administration | 98,034 | 76,898 | - | - | 98,034 | 76,898 |
| Public safety | 195,304 | 147,227 | - | - | 195,304 | 147,227 |
| Public works | 111,081 | 130,624 | - | - | 111,081 | 130,624 |
| Parks, recreation, and cultural | 36,365 | 32,116 | - | - | 36,365 | 32,116 |
| Enterprise activities | - | - | 316,040 | 271,049 | 316,040 | 271,049 |
| Total Expenses | 440,784 | 386,865 | 316,040 | 271,049 | 756,824 | 657,914 |
| Change in Net Position Before Transfers | (29,618) | (61,194) | (115,710) | (65,499) | (145,328) | (126,693) |
| Transfers in (out) | (1,917) | (2,035) | 1,917 | 2,035 | - | - |
| Change in Net Position | (31,535) | (63,229) | (113,793) | (63,464) | (145,328) | (126,693) |
| Beginning Net Position | 1,460,620 | 1,523,849 | 805,714 | 869,178 | 2,266,334 | 2,393,027 |
| Ending Net Position | \$ 1,429,085 | \$ 1,460,620 | \$ 691,921 | \$ 805,714 | \$ 2,121,006 | \$ 2,266,334 |

Governmental activities decreased the Town's net position by \$31,535 for fiscal year 2021. Revenues from governmental activities totaled \$411,166. Other taxes comprise the largest source of these revenues, totaling \$147,528 or 35.88% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$440,784. Public safety was the Town's largest program with expenses totaling \$195,304. Public works, which totals \$111,081, represents the second largest expense.

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

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2021 and 2020

| | <u>2021</u> | | <u>2020</u> | |
|-----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> |
| General government administration | \$ 98,034 | \$ (61,203) | \$ 76,898 | \$ (43,696) |
| Public safety | 195,304 | (166,947) | 147,227 | (124,543) |
| Public works | 111,081 | (111,081) | 130,624 | (130,624) |
| Parks, recreation, and cultural | <u>36,365</u> | <u>(31,515)</u> | <u>32,116</u> | <u>(27,826)</u> |
| Total | <u>\$ 440,784</u> | <u>\$ (370,746)</u> | <u>\$ 386,865</u> | <u>\$ (326,689)</u> |

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The Town's governmental funds reported combined ending fund balances of \$498,640. The combined governmental fund balance increased \$33,317 from the prior year.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$429,300. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 115.61% of total fund expenditures.

The Special Revenue Fund has a total fund balance of \$69,340, all of which is assigned for ongoing maintenance of the cemetery.

BUDGETARY HIGHLIGHTS

General Fund

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

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2021 and 2020

| | <u>2021</u> | | | <u>2020</u> | | |
|--|----------------------------|-------------------------|------------------|----------------------------|-------------------------|----------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> |
| Revenues | | | | | | |
| Taxes | \$ 100,000 | \$ 100,000 | \$118,446 | \$100,000 | \$ 100,000 | \$ 104,297 |
| Other | 201,150 | 201,150 | 209,579 | 201,150 | 201,150 | 181,288 |
| Intergovernmental | <u>40,400</u> | <u>40,400</u> | <u>79,058</u> | <u>40,400</u> | <u>40,400</u> | <u>40,865</u> |
| Total Revenues | 341,550 | 341,550 | 407,083 | 341,550 | 341,550 | 326,450 |
| Expenditures | <u>326,179</u> | <u>326,179</u> | <u>371,329</u> | <u>322,806</u> | <u>322,806</u> | <u>323,772</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 15,371 | 15,371 | 35,754 | 18,744 | 18,744 | 2,678 |
| Other Financing Sources (Uses) | | | | | | |
| Contingency/surplus | (15,371) | (15,371) | - | (18,744) | (18,744) | - |
| Transfers in (out) | <u>-</u> | <u>-</u> | <u>(1,917)</u> | <u>-</u> | <u>-</u> | <u>(2,035)</u> |
| Total | <u>(15,371)</u> | <u>(15,371)</u> | <u>(1,917)</u> | <u>(18,744)</u> | <u>(18,744)</u> | <u>(2,035)</u> |
| Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 33,837</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 643</u> |

Actual revenues were more than final budget amounts by \$65,533, or 19.19%, while actual expenditures were \$45,150, or 13.84% more than final budget amounts, due to the budget not being amended for grant funds received and, subsequently, disbursed.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2021, the Town's governmental activities net capital assets total \$868,757, which represents a net decrease of \$71,538 or 7.61% over the previous fiscal year-end balance. The business-type activities net capital assets total \$1,228,781, a net decrease of \$90,578 or 6.86% over the previous fiscal year as summarized in the following table:

Change in Capital Assets

Governmental Activities

| | <u>Balance July 1, 2020</u> | <u>Net Additions and Deletions</u> | <u>Balance June 30, 2021</u> |
|---|---------------------------------|--|----------------------------------|
| Land and land improvements | \$ 103,700 | \$ - | \$ 103,700 |
| Buildings and improvements | 1,904,458 | - | 1,904,458 |
| Furniture, equipment, and vehicles | <u>775,459</u> | <u>(25,000)</u> | <u>750,459</u> |
| Total Capital Assets | 2,783,617 | (25,000) | 2,758,617 |
| Less: Accumulated depreciation and amortization | <u>(1,843,322)</u> | <u>(46,538)</u> | <u>(1,889,860)</u> |
| Total Capital Assets, Net | <u>\$ 940,295</u> | <u>\$ (71,538)</u> | <u>\$ 868,757</u> |

Business-Type Activities

| | <u>Balance July 1, 2020</u> | <u>Net Additions and Deletions</u> | <u>Balance June 30, 2021</u> |
|---|---------------------------------|--|----------------------------------|
| Land | \$ 2,900 | \$ - | \$ 2,900 |
| Infrastructure | 20,711 | - | 20,711 |
| Machinery and equipment | <u>3,757,016</u> | <u>-</u> | <u>3,757,016</u> |
| Total Capital Assets | 3,780,627 | - | 3,780,627 |
| Less: Accumulated depreciation and amortization | <u>(2,461,268)</u> | <u>(90,578)</u> | <u>(2,551,846)</u> |
| Total Capital Assets, Net | <u>\$ 1,319,359</u> | <u>\$ (90,578)</u> | <u>\$ 1,228,781</u> |

Long-Term Debt

As of June 30, 2021, the Town's long-term obligations total \$475,965.

| | <u>Balance July 1, 2020</u> | <u>Net Additions and Deletions</u> | <u>Balance June 30, 2021</u> |
|---------------------------------|---------------------------------|--|----------------------------------|
| Business-Type Activities | | | |
| Long-term debt | \$ 499,530 | \$ (23,565) | \$ 475,965 |
| Total Business-Type Activities | <u>499,530</u> | <u>(23,565)</u> | <u>475,965</u> |
| Total Primary Government | <u>\$ 499,530</u> | <u>\$ (23,565)</u> | <u>\$ 475,965</u> |

More detailed information on the Town's long-term obligations is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

The average unemployment rate for the Town of Burkeville, Virginia in June 2021, which uses Nottoway County, Virginia's rate, was 4.1%. This compares favorably to the state's rate of 4.5% and to the national rate of 6.1%.

According to the 2020 U.S. Census, the population in the Town of Burkeville, Virginia was 398.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2022, which accounts for most of the Town's operational costs. The fiscal year 2022 adopted budget anticipates General Fund revenues and expenditures to be \$382,160, an 11.89% increase over the fiscal year 2021 budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the Mayor or the Clerk/Treasurer, Town of Burkeville, Virginia, P. O. Box 277, Burkeville, Virginia 23922, telephone 434-767-4095.

BASIC FINANCIAL STATEMENTS

Town of Burkeville, Virginia

Statement of Net Position

At June 30, 2021

| | <u>Primary Government</u> | | |
|--|---------------------------|----------------------|---------------------|
| | <u>Governmental</u> | <u>Business-Type</u> | <u>Total</u> |
| | <u>Activities</u> | <u>Activities</u> | |
| Assets | | | |
| Cash and investments | \$ 693,231 | \$ - | \$ 693,231 |
| Receivables, net | 19,646 | 33,335 | 52,981 |
| Due from other governments | 2,302 | - | 2,302 |
| Capital Assets | | | |
| Land and land improvements | 103,700 | 2,900 | 106,600 |
| Other capital assets, net of accumulated depreciation | <u>765,057</u> | <u>1,225,881</u> | <u>1,990,938</u> |
| Capital Assets, Net | 868,757 | 1,228,781 | 2,097,538 |
| Other Assets | | | |
| Net pension asset | <u>54,773</u> | <u>19,245</u> | <u>74,018</u> |
| Total Assets | 1,638,709 | 1,281,361 | 2,920,070 |
| Deferred Outflows of Resources | | | |
| Pension | 10,870 | 4,104 | 14,974 |
| Other post employment benefits - GLI | 1,147 | 425 | 1,572 |
| Other post employment benefits - VLDP | <u>127</u> | <u>272</u> | <u>399</u> |
| Total Deferred Outflows of Resources | <u>12,144</u> | <u>4,801</u> | <u>16,945</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 1,650,853</u> | <u>\$ 1,286,162</u> | <u>\$ 2,937,015</u> |
| Liabilities | | | |
| Pooled cash deficit | \$ - | \$ 95,996 | \$ 95,996 |
| Accounts payable and accrued expenses | 4,500 | 1,378 | 5,878 |
| Customer deposits | - | 16,905 | 16,905 |
| Unearned grants | 205,892 | - | 205,892 |
| Long-Term Liabilities | | | |
| <i>Due within one year</i> | | | |
| Bonds, loans, and capital leases payable | - | 24,056 | 24,056 |
| <i>Due in more than one year</i> | | | |
| Net OPEB liability | 5,481 | 1,926 | 7,407 |
| Bonds, loans, and capital leases payable | <u>-</u> | <u>451,909</u> | <u>451,909</u> |
| Total Liabilities | 215,873 | 592,170 | 808,043 |
| Deferred Inflows of Resources | | | |
| Pension | 4,837 | 1,699 | 6,536 |
| Other post employment benefits | <u>1,058</u> | <u>372</u> | <u>1,430</u> |
| Total Deferred Inflows of Resources | 5,895 | 2,071 | 7,966 |
| Net Position | | | |
| Net investment in capital assets | 868,757 | 752,816 | 1,621,573 |
| Unrestricted (deficit) | <u>560,328</u> | <u>(60,895)</u> | <u>499,433</u> |
| Total Net Position | <u>1,429,085</u> | <u>691,921</u> | <u>2,121,006</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 1,650,853</u> | <u>\$ 1,286,162</u> | <u>\$ 2,937,015</u> |

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

Town of Burkeville, Virginia

Statement of Activities

For the Year Ended June 30, 2021

| <u>Functions/Programs</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Position</u> | | <u>Total</u> |
|---|-------------------------|---------------------------------|---|--|--|--------------|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Primary Government Business-Type Activities</u> | |
| Primary Government | | | | | | |
| Governmental Activities | | | | | | |
| General government administration | \$ 98,034 | \$ 36,831 | \$ - | \$ (61,203) | | \$ (61,203) |
| Public safety | 195,304 | - | 28,357 | (166,947) | | (166,947) |
| Public works | 111,081 | - | - | (111,081) | | (111,081) |
| Parks, recreation, and cultural | 36,365 | - | 4,850 | (31,515) | | (31,515) |
| Total Governmental Activities | 440,784 | 36,831 | 33,207 | (370,746) | | (370,746) |
| Business-Type Activities | | | | | | |
| Water Fund | 160,319 | 102,706 | - | - | \$ (57,613) | (57,613) |
| Sewer Fund | 155,721 | 97,624 | - | - | (58,097) | (58,097) |
| Total Business-Type Activities | 316,040 | 200,330 | - | - | (115,710) | (115,710) |
| Total Primary Government | <u>\$ 756,824</u> | <u>\$ 237,161</u> | <u>\$ 33,207</u> | (370,746) | (115,710) | (486,456) |
| General Revenues | | | | | | |
| Taxes | | | | | | |
| General property taxes, real and personal | | | | 118,899 | - | 118,899 |
| Other local taxes | | | | 147,528 | - | 147,528 |
| Grants and contributions not restricted to specific programs | | | | 50,701 | - | 50,701 |
| Unrestricted revenues from use of money and property | | | | 11,815 | - | 11,815 |
| Miscellaneous | | | | 12,185 | - | 12,185 |
| Transfers | | | | (1,917) | 1,917 | - |
| Total General Revenues and Transfers | | | | 339,211 | 1,917 | 341,128 |
| Change in Net Position | | | | (31,535) | (113,793) | (145,328) |
| Net Position - Beginning of Year | | | | 1,460,620 | 805,714 | 2,266,334 |
| Net Position - End of Year | | | | \$ 1,429,085 | \$ 691,921 | \$ 2,121,006 |

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

Town of Burkeville, Virginia

Balance Sheet

Governmental Funds

At June 30, 2021

| | <u>General Fund</u> | <u>Cemetery Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|----------------------|---|
| Assets | | | |
| Cash and investments | \$ 623,541 | \$ 72,663 | \$ 696,204 |
| Other receivables | 13,499 | - | 13,499 |
| Property taxes receivable, net | 6,147 | - | 6,147 |
| Due from other governments | <u>2,302</u> | <u>-</u> | <u>2,302</u> |
| Total Assets | <u>\$ 645,489</u> | <u>\$ 72,663</u> | <u>\$ 718,152</u> |
| Liabilities | | | |
| Pooled cash deficit | \$ - | \$ 2,973 | \$ 2,973 |
| Accounts payable and accrued liabilities | 4,150 | 350 | 4,500 |
| Unearned grants | <u>205,892</u> | <u>-</u> | <u>205,892</u> |
| Total Liabilities | 210,042 | 3,323 | 213,365 |
| Deferred Inflows of Resources | | | |
| Unavailable revenue - taxes | <u>6,147</u> | <u>-</u> | <u>6,147</u> |
| Total Deferred Inflows of Resources | 6,147 | - | 6,147 |
| Fund Balance | | | |
| Assigned | - | 69,340 | 69,340 |
| Unassigned | <u>429,300</u> | <u>-</u> | <u>429,300</u> |
| Total Fund Balance | <u>429,300</u> | <u>69,340</u> | <u>498,640</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | <u>\$ 645,489</u> | <u>\$ 72,663</u> | <u>\$ 718,152</u> |

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

Town of Burkeville, Virginia

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

At June 30, 2021

Total Fund Balances for Governmental Funds \$ 498,640

Total net position reported for governmental activities in the Statement of Net Position is different because:

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

| | |
|---|---------------|
| Land | \$ 103,700 |
| Buildings and improvements, net of accumulated depreciation | 739,905 |
| Furniture, equipment, and vehicles, net of accumulated depreciation | <u>25,152</u> |

Total Capital Assets 868,757

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

Unavailable revenue - taxes 6,147

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

| | |
|--|----------------|
| Deferred outflows of resources related to pensions | 10,870 |
| Deferred outflows of resources related to group life insurance | 1,147 |
| Deferred outflows of resources related to VLDP | 127 |
| Deferred inflows of resources related to pensions | (4,837) |
| Deferred inflows of resources related to group life insurance | <u>(1,058)</u> |

Total Deferred Outflows and Inflows of Resources 6,249

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

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

| | |
|---|----------------|
| Net pension (liability) asset | 54,773 |
| Net OPEB group life insurance (liability) asset | <u>(5,481)</u> |

Total Net Position of Governmental Activities \$ 1,429,085

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

Town of Burkeville, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2021

| | <u>General Fund</u> | <u>Cemetery Fund</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|----------------------|---|
| Revenues | | | |
| Property taxes | \$ 118,446 | \$ - | \$ 118,446 |
| Other local taxes | 147,528 | - | 147,528 |
| Use of money and property | 5,110 | 6,705 | 11,815 |
| Charges for services | 36,831 | - | 36,831 |
| Recovered costs | 8,050 | - | 8,050 |
| Miscellaneous | 12,060 | 4,975 | 17,035 |
| <i>Intergovernmental</i> | | | |
| Revenue from the Commonwealth of Virginia | 47,416 | - | 47,416 |
| Revenue from Federal government | <u>31,642</u> | <u>-</u> | <u>31,642</u> |
| Total Revenues | 407,083 | 11,680 | 418,763 |
| Expenditures | | | |
| Current | | | |
| General government administration | 89,388 | - | 89,388 |
| Public safety | 171,357 | - | 171,357 |
| Public works | 94,861 | - | 94,861 |
| Parks, recreation, and cultural | <u>15,723</u> | <u>12,200</u> | <u>27,923</u> |
| Total Expenditures | <u>371,329</u> | <u>12,200</u> | <u>383,529</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 35,754 | (520) | 35,234 |
| Other Financing Sources (Uses) | | | |
| Transfers in (out) | <u>(1,917)</u> | <u>-</u> | <u>(1,917)</u> |
| Total Other Financing Sources (Uses) | <u>(1,917)</u> | <u>-</u> | <u>(1,917)</u> |
| Net Change in Fund Balance | 33,837 | (520) | 33,317 |
| Fund Balance - Beginning of Year | <u>395,463</u> | <u>69,860</u> | <u>465,323</u> |
| Fund Balance - End of Year | <u>\$ 429,300</u> | <u>\$ 69,340</u> | <u>\$ 498,640</u> |

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

Town of Burkeville, Virginia

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

Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 33,317

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

Governmental Funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost of those assets is allocated over their
estimated useful lives as depreciation expense.

| | | |
|--------------------|-----------------|----------|
| Capitalized assets | \$ (600) | |
| Depreciation | <u>(70,938)</u> | |
| | | (71,538) |

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

454

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

| | | |
|-------------------------------|------------|--------------|
| Net pension asset | (28) | |
| Deferred inflows - pension | 842 | |
| Deferred inflows - OPEB | (560) | |
| Deferred outflows - pension | 5,105 | |
| Deferred outflows - OPEB | 92 | |
| Other postemployment benefits | <u>781</u> | |
| | | <u>6,232</u> |

| | |
|---|--------------------|
| Change in Net Position of Governmental Activities | \$ <u>(31,535)</u> |
|---|--------------------|

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

Town of Burkeville, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2021

| | Business-Type Activities - Enterprise Funds | | |
|--|--|-------------------|--------------|
| | Water Fund | Sewer Fund | Total |
| Assets | | | |
| Current Assets | | | |
| Cash | \$ - | \$ - | \$ - |
| Accounts receivable | 14,839 | 18,496 | 33,335 |
| Total Current Assets | 14,839 | 18,496 | 33,335 |
| Capital Assets | | | |
| Land | 2,900 | - | 2,900 |
| Infrastructure | 1,616,297 | 2,140,719 | 3,757,016 |
| Machinery and equipment | 20,711 | - | 20,711 |
| Less: Accumulated depreciation | (1,260,193) | (1,291,653) | (2,551,846) |
| Total Capital Assets | 379,715 | 849,066 | 1,228,781 |
| Other Assets | | | |
| Net pension asset | 16,284 | 2,961 | 19,245 |
| Total Assets | 410,838 | 870,523 | 1,281,361 |
| Deferred Outflows of Resources | | | |
| Pension | 3,536 | 568 | 4,104 |
| Other post employment benefits - GLI | 366 | 59 | 425 |
| Other post employment benefits - VLDP | 240 | 32 | 272 |
| Total Deferred Outflows of Resources | 4,142 | 659 | 4,801 |
| Total Assets and Deferred Outflows of Resources | \$ 414,980 | \$ 871,182 | \$ 1,286,162 |
| Liabilities | | | |
| Current Liabilities | | | |
| Pooled cash deficit | \$ 76,700 | \$ 19,296 | \$ 95,996 |
| Accounts payable and accrued expenses | 747 | 631 | 1,378 |
| Customer deposits | 16,905 | - | 16,905 |
| Current portion of general obligation bonds | - | 24,056 | 24,056 |
| Total Current Liabilities | 94,352 | 43,983 | 138,335 |
| Noncurrent Liabilities | | | |
| General obligation bonds (net of current portion) | - | 451,909 | 451,909 |
| Net OPEB liability | 1,629 | 297 | 1,926 |
| Total Noncurrent Liabilities | 1,629 | 452,206 | 453,835 |
| Total Liabilities | 95,981 | 496,189 | 592,170 |
| Deferred Inflows of Resources | | | |
| Pension | 1,438 | 261 | 1,699 |
| Other post employment benefits - GLI | 315 | 57 | 372 |
| Total Deferred Inflows of Resources | 1,753 | 318 | 2,071 |
| Net Position | | | |
| Net investment in capital assets | 379,715 | 373,101 | 752,816 |
| Unrestricted (deficit) | (62,469) | 1,574 | (60,895) |
| Total Net Position | 317,246 | 374,675 | 691,921 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 414,980 | \$ 871,182 | \$ 1,286,162 |

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

Town of Burkeville, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2021

Business-Type Activities - Enterprise Funds

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Total</u> |
|---|-------------------|-------------------|-------------------|
| Operating Revenues | | | |
| Charges for services | \$ 98,461 | \$ 97,624 | \$ 196,085 |
| Connection fees | 492 | - | 492 |
| Late fees | <u>3,753</u> | <u>-</u> | <u>3,753</u> |
| Total Operating Revenues | 102,706 | 97,624 | 200,330 |
| Operating Expenses | | | |
| Salaries and wages | 42,950 | 6,050 | 49,000 |
| Fringe benefits | 11,774 | 3,233 | 15,007 |
| Chemicals | 3,885 | - | 3,885 |
| Depreciation | 37,060 | 53,518 | 90,578 |
| Insurance | 4,336 | 2,770 | 7,106 |
| Miscellaneous | 3,708 | 1,041 | 4,749 |
| Repairs and maintenance | 42,617 | 33,073 | 75,690 |
| Sewer treatment | - | 26,049 | 26,049 |
| Supplies and postage | 657 | 520 | 1,177 |
| Utilities | 6,997 | 6,811 | 13,808 |
| Vehicle | 3,073 | 1,197 | 4,270 |
| Water sample charges | <u>3,262</u> | <u>-</u> | <u>3,262</u> |
| Total Operating Expenses | <u>160,319</u> | <u>134,262</u> | <u>294,581</u> |
| Operating Loss | (57,613) | (36,638) | (94,251) |
| Nonoperating Revenues (Expenses) | | | |
| Interest expense on bonds | <u>-</u> | <u>(21,459)</u> | <u>(21,459)</u> |
| Total Nonoperating Revenues (Expenses) | <u>-</u> | <u>(21,459)</u> | <u>(21,459)</u> |
| Loss Before Operating Transfers | (57,613) | (58,097) | (115,710) |
| Operating Transfers In (Out) | <u>1,256</u> | <u>661</u> | <u>1,917</u> |
| Change in Net Position | (56,357) | (57,436) | (113,793) |
| Total Net Position - Beginning of Year | <u>373,603</u> | <u>432,111</u> | <u>805,714</u> |
| Total Net Position - End of Year | <u>\$ 317,246</u> | <u>\$ 374,675</u> | <u>\$ 691,921</u> |

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

Town of Burkeville, Virginia

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2021

Business-Type Activities - Enterprise Funds

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Total</u> |
|---|-------------------|-------------------|--------------|
| Cash Flows from Operating Activities | | | |
| Receipts from customers | \$ 105,690 | \$ 98,885 | \$ 204,575 |
| Payments to personnel and related costs | (57,040) | (9,692) | (66,732) |
| Payments to suppliers | (49,906) | (51,533) | (101,439) |
| Net Cash Provided by (Used in) Operating Activities | (1,256) | 37,660 | 36,404 |
| Cash Flows from Noncapital Financing Activities | | | |
| Transfers from (to) other funds | 1,256 | 661 | 1,917 |
| Net Cash Provided by Noncapital Financing Activities | 1,256 | 661 | 1,917 |
| Cash Flows from Capital and Related Financing Activities | | | |
| Principal paid on capital debt | - | (23,565) | (23,565) |
| Interest paid on capital debt | - | (21,459) | (21,459) |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | - | (45,024) | (45,024) |
| Net Decrease in Cash | - | (6,703) | (6,703) |
| Cash - Beginning of Year | - | 6,703 | 6,703 |
| Cash - End of Year | \$ - | \$ - | \$ - |
| Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities | | | |
| Operating loss | \$ (57,613) | \$ (36,638) | \$ (94,251) |
| <i>Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities</i> | | | |
| Depreciation expense | 37,060 | 53,518 | 90,578 |
| <i>Changes in assets and liabilities</i> | | | |
| Receivables | 584 | 1,261 | 1,845 |
| Pooled cash deficit | 21,757 | 19,296 | 41,053 |
| Accounts payable and accrued expenses | (3,128) | 632 | (2,496) |
| Customer deposits | 2,400 | - | 2,400 |
| Deferred outflows - group life insurance | (25) | (3) | (28) |
| Deferred outflows - pension | (1,882) | (335) | (2,217) |
| Deferred outflows - VLDP | (101) | (15) | (116) |
| Net pension asset | 8 | 1 | 9 |
| Net OPEB liability - group life insurance | (233) | (41) | (274) |
| Deferred inflows - group life insurance | 167 | 30 | 197 |
| Deferred inflows - pension | (250) | (46) | (296) |
| Net Cash Provided by (Used in) Operating Activities | \$ (1,256) | \$ 37,660 | \$ 36,404 |

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

Town of Burkeville, Virginia

Notes to the Financial Statements

Year Ended June 30, 2021

1 Summary of Significant Accounting Policies

Narrative Profile

The Town of Burkeville, Virginia (the "Town"), which was founded in 1877, has a population of approximately 398 living within an area of 1 square mile. The Town is located in the western area in Nottoway County, Virginia. The Town is governed by a Town Mayor and a seven-member Town Council with each serving administrative and legislative functions.

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

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

1-A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity.

1-B. Financial Reporting Model

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

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

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

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

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

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

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

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

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

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

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

GASB-Required Supplementary Pension – GASB issued Statement No. 68–*Accounting and Financial Reporting for Pensions—an amendment of GASB No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

GASB-Required Supplementary OPEB – GASB issued Statement No. 75–*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB).

1-C. Financial Statement Presentation

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

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the Town's major governmental funds:

- ***General Fund*** – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
- ***Special Revenue Funds*** – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:
 - ***Cemetery Fund*** – This fund accounts for Town revenues collected and disbursed for maintenance of the Cemetery Fund controlled by the Town.
- ***Capital Projects Funds*** – The Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. There are no Capital Projects at this time.
- ***Proprietary Funds*** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has two enterprise funds, the Water Fund and Sewer Fund, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges.

- ***Fiduciary Funds (Custodial Funds)*** – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Custodial funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The Town has no Fiduciary Funds at this time.

1-D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

1-E-1 Cash and Cash Equivalents

The Town operates a cash and investment pool which all funds utilize with the exception of the Cemetery Fund, which has a separate bank account. The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

The Town allocates investment earnings of the cash and investment pool to each participating fund on a monthly basis in accordance with that fund's average equity balance in the pool for that month.

1-E-2 Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

1-E-3 Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amount at this time is as follows:

General Fund - taxes receivable

\$ 25,528

Real and Personal Property Tax Data

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

Real Property Personal Property

| | | |
|-----------|------------|------------|
| Lewy | January 1 | January 1 |
| Due Date | December 5 | December 5 |
| Lien Date | January 1 | January 1 |

The Town bills and collects its own property taxes.

A 10% or \$2.00 penalty, whichever is greater, is levied on all taxes not collected on or before their due date. An interest charge of 10% per annum is also levied on such taxes beginning on January 1.

1-E-4 Prepaid Items

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

1-E-5 Capital Assets

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

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

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

| <u>Asset Description</u> | <u>Estimated Lives</u> |
|-------------------------------|------------------------|
| Buildings and improvements | 10 to 40 years |
| Furniture and other equipment | 5 to 25 years |

1-E-6 *Deferred Outflows/Inflows of Resources*

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

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

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

1-E-7 *Pensions*

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

1-E-8 *Group Life Insurance Program*

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program 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. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-9 *Political Subdivision Employee Virginia Local Disability Program*

The Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee Virginia Local Disability

Program OPEB, and the Political Subdivision Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Political Subdivision Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-10 Fund Equity

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

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

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

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

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

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

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

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

1-E-11 Operating Revenues and Expenses

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

1-E-12 Interfund Activity

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

1-E-13 Long-Term Obligations

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

1-E-14 Adoption of New GASB Statements

During the fiscal year ended June 30, 2021, the Town adopted the following GASB statement:

Statement No. 84, *Fiduciary Activities* – This statement requires fiduciary activities to be reported in the basic financial statements because (a) their related assets are controlled by the government or (b) fiduciary component units have been identified through the component unit evaluation. This statement clarifies the definitions of the three existing fiduciary fund categories associated with trusts that meet specific criteria, and establishes a new custodial fund category for all other fiduciary activity not required to be reported within a trust fund. The Town's previously reported Agency Fund has been eliminated and is now reported in the fund financial statements because 1) the assets associated with the activity are controlled by the Town, 2) the assets associated with the activity are not derived from the Town's own-source revenues, and 3) the assets are for the benefit of individuals and the Town does not have administrative involvement with the assets or direct financial involvement with the assets.

1-F. Estimates

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

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

Budgetary Data

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

1. Prior to May 1, the Town Mayor submits to the Town Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Expenditures in Excess of Appropriations

General fund expenditures exceeded appropriations.

Fund Deficits

No governmental funds had fund deficits.

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 the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have custodial credit risk policies for investments.

Interest Rate Risk

This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest.

The Town's investments consist of the following:

| | <u>Fair Value</u> | <u>Investment Maturity (in Years)</u> |
|-------------------------|-------------------|---------------------------------------|
| Certificates of Deposit | \$ 348,015 | Less than 1 year |

Credit Risk

Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

The Town's investments by credit rating consist of the following:

| <u>Rating (Moody's or S&P)</u> | <u>Fair Value</u> |
|------------------------------------|-------------------|
| Unrated | \$ 348,015 |

Cash and investments are reflected in the financial statements as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|----------------------------------|--------------------------------|---------------------------------|-------------------|
| Deposits and Investments | | | |
| Cash on hand | \$ 100 | \$ - | \$ 100 |
| Demand deposits (deficit) | 345,116 | (95,996) | 249,120 |
| Certificates of deposit | <u>348,015</u> | <u>-</u> | <u>348,015</u> |
| | <u>\$ 693,231</u> | <u>\$ (95,996)</u> | <u>\$ 597,235</u> |
| Statement of Net Position | | | |
| Deposits and Investments | | | |
| Cash and cash equivalents | <u>\$ 693,231</u> | <u>\$ (95,996)</u> | <u>\$ 597,235</u> |

4 Receivables

Receivables at June 30, 2021 consist of the following:

| | <u>Primary Government</u> | | | | |
|-----------------|--------------------------------|---------------------------------------|------------------|------------------|---------------------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities Water</u> | <u>Sewer</u> | <u>Total</u> | <u>Total Primary Government</u> |
| Property taxes | \$ 31,675 | \$ - | \$ - | \$ - | \$ 31,675 |
| Other | 6,266 | - | - | - | 6,266 |
| Service revenue | <u>7,233</u> | <u>14,839</u> | <u>18,496</u> | <u>33,335</u> | <u>40,568</u> |
| Subtotal | 45,174 | 14,839 | 18,496 | 33,335 | 78,509 |
| Less: Allowance | <u>(25,528)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(25,528)</u> |
| Net Receivables | <u>\$ 19,646</u> | <u>\$ 14,839</u> | <u>\$ 18,496</u> | <u>\$ 33,335</u> | <u>\$ 52,981</u> |

5 Interfund Transfers

Interfund transfers for the Year Ended June 30, 2021 consisted of the following:

| <u>Primary Government</u> | <u>Transfer to</u> | <u>Transfer from</u> |
|---------------------------|--------------------|----------------------|
| General Fund | | |
| To Water Fund | \$ 1,489 | \$ - |
| To Sewer Fund | 428 | - |
| Water Fund | | |
| From General Fund | - | 1,489 |
| To Sewer Fund | 233 | - |
| Sewer Fund | | |
| From General Fund | - | 428 |
| From Water Fund | <u>-</u> | <u>233</u> |
| Total Transfers | <u>\$ 2,150</u> | <u>\$ 2,150</u> |

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

6 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

| | Balance July 1, 2020 | Increases | Decreases | Balance June 30, 2021 |
|---|----------------------------|-------------|-----------|-----------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 103,700 | \$ - | \$ - | \$ 103,700 |
| Total Capital Assets Not Being Depreciated | 103,700 | - | - | 103,700 |
| Other Capital Assets | | | | |
| Buildings and improvements | 1,904,458 | - | - | 1,904,458 |
| Furniture, equipment, and vehicles | 775,459 | - | 25,000 | 750,459 |
| Total Other Capital Assets | 2,679,917 | - | 25,000 | 2,654,917 |
| Less: Accumulated depreciation for | | | | |
| Buildings and improvements | 1,116,942 | 47,611 | - | 1,164,553 |
| Furniture, equipment, and vehicles | 726,380 | 23,327 | 24,400 | 775,007 |
| Total Accumulated Depreciation | 1,843,322 | 70,938 | 24,400 | 1,938,660 |
| Other Capital Assets, Net | 836,595 | (70,938) | 600 | 766,257 |
| Net Capital Assets | \$ 940,295 | \$ (70,938) | \$ 600 | \$ 869,957 |

Depreciation expense was allocated as follows:

| | |
|-----------------------------------|-----------|
| General government administration | \$ 10,900 |
| Public safety | 35,040 |
| Public works | 16,556 |
| Parks, recreation, and cultural | 8,442 |
| Total Depreciation Expense | \$ 70,938 |

Business-Type Activities

| | Balance July 1, 2020 | Increases | Decreases | Balance June 30, 2021 |
|---|-------------------------------------|------------------|------------------|--------------------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 2,900 | \$ - | \$ - | \$ 2,900 |
| Total Capital Assets Not Being Depreciated | 2,900 | - | - | 2,900 |
| Other Capital Assets | | | | |
| Infrastructure | 20,711 | - | - | 20,711 |
| Machinery and equipment | 3,757,016 | - | - | 3,757,016 |
| Total Other Capital Assets | 3,777,727 | - | - | 3,777,727 |
| Less: Accumulated depreciation for | | | | |
| Infrastructure | 2,444,298 | 90,111 | - | 2,534,409 |
| Machinery and equipment | 16,970 | 467 | - | 17,437 |
| Total Accumulated Depreciation | 2,461,268 | 90,578 | - | 2,551,846 |
| Other Capital Assets, Net | 1,316,459 | (90,578) | - | 1,225,881 |
| Net Capital Assets | \$ 1,319,359 | \$ (90,578) | \$ - | \$ 1,228,781 |

7 Compensated Absences

Each Town employee earns vacation of a maximum of three weeks a year. Sick leave is earned at 4 to 6 hours a month and no more than 60 hours can be accumulated. No provision has been recorded for compensated absences due to lack of materiality.

8 Long-Term Debt**PRIMARY GOVERNMENT**

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

| Year(s) Ended June 30. | Business-Type Activities | |
|---------------------------------------|---------------------------------|-----------------|
| | Principal | Interest |
| 2022 | \$ 24,056 | \$ 20,968 |
| 2023 | 25,161 | 19,863 |
| 2024 | 26,317 | 18,707 |
| 2025 | 27,526 | 17,498 |
| 2026 | 28,792 | 16,233 |
| 2027-2031 | 165,052 | 60,068 |
| 2032-2036 | 179,061 | 18,832 |
| Total | \$ 475,965 | \$ 172,169 |

Changes in Long-Term Debt

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

| | <u>Balance</u> <u>July 1, 2020</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance</u> <u>June 30, 2021</u> | <u>Due Within</u> <u>One Year</u> |
|--|---------------------------------------|-----------------|------------------|--|--------------------------------------|
| Primary Government | | | | | |
| Business-Type Activities | | | | | |
| Enterprise Fund | | | | | |
| General Obligation Bond, Series 1995 payable to the Rural Economic and Community Development of the United States Department of Agriculture. The bond was payable with interest only at a rate of 4.5% on December 14, 1996 and 1997. Thereafter, it is payable in monthly installments of \$2,375 for 40 years. | \$ 314,802 | \$ - | \$ 14,979 | \$ 299,823 | \$ 15,154 |
| General Obligation Bond, Series 1996 payable to the Rural Economic and Community Development of the United States Department of Agriculture. The bond was payable with interest only at a rate of 4.5% on April 22, 1997 and 1998. Thereafter, it is payable in monthly installments of \$1,377 for 40 years. | <u>184,728</u> | <u>-</u> | <u>8,586</u> | <u>176,142</u> | <u>8,902</u> |
| Total Business-Type Activities - Enterprise Fund | <u>499,530</u> | <u>-</u> | <u>23,565</u> | <u>475,965</u> | <u>24,056</u> |
| Total Primary Government | <u>\$ 499,530</u> | <u>\$ -</u> | <u>\$ 23,565</u> | <u>\$ 475,965</u> | <u>\$ 24,056</u> |

9 Net Investment in Capital Assets

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

| | <u>Governmental</u> <u>Activities</u> | <u>Business-Type</u> <u>Activities</u> |
|---|--|---|
| Net Investment in Capital Assets | | |
| Cost of capital assets | \$ 2,758,617 | \$ 3,780,627 |
| Less: Accumulated depreciation | <u>1,889,860</u> | <u>2,551,846</u> |
| Book value | 868,757 | 1,228,781 |
| Less: Capital related debt | <u>-</u> | <u>475,965</u> |
| Net Investment in Capital Assets | <u>\$ 868,757</u> | <u>\$ 752,816</u> |

10 Deferred Inflows of Resources and Unearned Revenue

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

Governmental Funds - General Fund

Deferred Inflows of Resources

| | |
|---|-----------------|
| Delinquent taxes not collected within 60 days | \$ 6,147 |
| Total Deferred Inflows of Resources | <u>\$ 6,147</u> |

Unearned Revenue

| | |
|------------------------------------|-------------------|
| Unearned grant revenue - CARES Act | \$ 205,892 |
| Total Unearned Revenue | <u>\$ 205,892</u> |

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

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

Surety bond coverage is as follows:

| <u>Appointed Officer Insured through VRSA</u> | <u>Amount</u> |
|---|---------------|
| Clerk/Treasurer | \$ 100,000 |

12 Commitments and Contingencies

If applicable, federal programs in which the Town participates were audited in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the requirements of the Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

13 Litigation

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

14 Legal Compliance

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

Computation of Legal Debt Margin

| | |
|---|---------------|
| Total Assessed Value of Taxed Real Property | \$ 27,387,672 |
| Debt Limits per Constitution of Virginia - 10% Assessed Value | \$ 2,738,767 |
| <i>Amount of Debt Applicable to Debt Limit</i> | |
| Gross Debt | - |
| Legal Debt Margin - June 30, 2021 | \$ 2,738,767 |

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

15 Pension Plan

Plan Description

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by VRS Retirement Plan upon employment. This plan is 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 are paying 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. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

Eligible Members

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

PLAN 2

About Plan 2

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

Eligible Members

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees*
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

**Non-Eligible Members*

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

PLAN 1

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Service Credit

Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

PLAN 2

Retirement Contributions

Same as Plan 1.

Service Credit

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID RETIREMENT PLAN

Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Service Credit

Defined Benefit Component:

Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contributions Component:

Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

Vesting

Defined Benefit Component:

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component:

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

PLAN 1

Calculating the Benefit

The Basic Benefit is determined using the average final compensation, service credit, and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

VRS: Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased, or granted on or after January 1, 2013.

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution not required, except as governed by law.

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

Defined Benefit Component:

VRS: The retirement multiplier for the defined benefit component 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.

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1
Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.

Political subdivisions hazardous duty employees:
Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.

Earliest Reduced Retirement Eligibility

VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.

Political subdivisions hazardous duty employees:
Age 50 with at least five years of service credit.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility:

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the

PLAN 2
Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equal 90.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

VRS: Age 60 with at least five years (60 months) of service credit.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:

Same as Plan 1

HYBRID
RETIREMENT PLAN
Normal Retirement Age

Defined Benefit Component:

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equal 90.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

VRS: Age 60 with at least five years (60 months) of service credit.

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

Purchase of Prior Service

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

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:

| | <u>Number</u> |
|--|---------------|
| Inactive members or their beneficiaries currently receiving benefits | 1 |
| Inactive members: | |
| Vested inactive members | 0 |
| Non-vested inactive members | 0 |
| LTD | 0 |
| Inactive members active elsewhere in VRS | <u>1</u> |
| Total inactive members | 1 |
| Active members | <u>3</u> |
| Total covered employees | <u>5</u> |

Contributions

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

If the employer used the certified rate: The Town of Burkeville, Virginia's contractually required contribution rate for the year ended June 30, 2021 was 5.15% 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 employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town of Burkeville, Virginia were \$4,892 and \$5,546 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

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

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision'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 market 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 2020; 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 2020; 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 2020; 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:

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

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update 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 | Increase rate from 14% to 15% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees in the Political Subdivision 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 market 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) – 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 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 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 2020; males set forward 2 years; unisex using 100% male.

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

All Others (Non 10 Largest) – Hazardous Duty:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to 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 | Decrease rate from 60% to 45% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Long-Term Expected Rate of Return

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

| <u>Asset Class (Strategy)</u> | <u>Long-Term Target Asset Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return</u> |
|--------------------------------------|--|---|---|
| Public Equity | 34.00% | 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 | <u>3.00%</u> | 6.49% | <u>0.19%</u> |
| Total | <u>100.00%</u> | | 4.64% |
| | Inflation | | <u>2.50%</u> |
| | *Expected arithmetic nominal return | | <u>7.14%</u> |

**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; political subdivisions were also provided with an opportunity to use an alternate 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. From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

| | | <u>Increase (Decrease)</u> | |
|--|--|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2019 | \$ 255,462 | \$ 329,518 | \$ (74,056) |
| Changes for the Year | | | |
| Service cost | 15,813 | - | 15,813 |
| Interest | 16,767 | - | 16,767 |
| Assumption changes | - | - | - |
| Differences between expected and actual experience | (16,910) | - | (16,910) |
| Contributions - employer | - | 5,307 | (5,307) |
| Contributions - employee | - | 4,233 | (4,233) |
| Net investment income | - | 6,312 | (6,312) |
| Benefit payments, including refunds of employee contributions | (14,117) | (14,117) | - |
| Administrative expenses | - | (213) | 213 |
| Other changes | - | (7) | 7 |
| Net Changes | 1,553 | 1,515 | 38 |
| Balances at June 30, 2020 | <u>\$ 257,015</u> | <u>\$ 331,033</u> | <u>\$ (74,018)</u> |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town of Burkeville, Virginia using the discount rate of 6.75%, as well as what the Town of Burkeville, Virginia's 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:

| | <u>1.00% Decrease 5.75%</u> | <u>Current Discount Rate 6.75%</u> | <u>1.00% Increase 7.75%</u> |
|--|--|---|--|
| Political subdivision's Net Pension Liability | \$ (54,987) | \$ (74,018) | \$ (90,894) |

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

For the Year Ended June 30, 2021, the Town of Burkeville, Virginia recognized pension expense of \$(3,770). At June 30, 2021, the Town of Burkeville, Virginia reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 6,536 |
| Change in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | 10,082 | - |
| Employer contributions subsequent to the measurement date | <u>4,892</u> | <u>-</u> |
| Total | <u>\$ 14,974</u> | <u>\$ 6,536</u> |

\$4,892 reported as deferred outflows of resources related to pensions resulting from the Town of Burkeville, Virginia's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended 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 as follows:

**Year Ended
June 30.**

| | |
|------------|------------|
| 2022 | \$ (5,968) |
| 2023 | 3,074 |
| 2024 | 3,288 |
| 2025 | 3,152 |
| 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 <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.

Payables to the Pension Plan

The political subdivision recognizes \$438 of payables to a defined benefit pension plan outstanding at the end of the reporting period. This amount represents the June 2021 legally required contribution to the pension plan due by July 10 per VRS reporting requirements.

16 Other Post Employment Benefits Group Life Insurance Program

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is 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 Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. 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 program, it is not included as part of the Group Life Insurance Program OPEB. The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

| GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS |
|---|
| <p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board <p>Basic group life insurance 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.</p> |
| <p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • <i>Natural Death Benefit:</i> The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <i>Accidental Death Benefit:</i> The accidental death benefit is double the natural death benefit. • <i>Other Benefit Provisions:</i> In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> Accidental dismemberment benefit Safety belt benefit Repatriation benefit Felonious assault benefit Accelerated death benefit option |
| <p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program 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.</p> |
| <p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years' creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit 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.</p> |

Contributions

The contribution requirements for the Group Life Insurance Program 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 Group Life Insurance Program 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. Contribution to the Group Life Insurance Program from the entity were \$513 and \$465 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 Group Life Insurance Program OPEB

At June 30, 2021, the entities reported a liability of \$7,343 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 Group Life Insurance Program 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 participating employer's proportion was .00044% as compared to .00052% at June 30, 2019.

For the Year Ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$68. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|--|---|
| Differences between expected and actual experience | \$ 471 | \$ 67 |
| Net difference between projected and actual earnings on GLI OPEB program investments | 221 | - |
| Change in assumptions | 367 | 153 |
| Changes in proportionate share | - | 1,130 |
| Employer contributions subsequent to the measurement date | <u>513</u> | <u>-</u> |
| Total | <u>\$ 1,572</u> | <u>\$ 1,350</u> |

\$513 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer'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:

**Year Ended
June 30,**

| | | |
|------------|----|-------|
| 2022 | \$ | (102) |
| 2023 | | (39) |
| 2024 | | 17 |
| 2025 | | 20 |
| 2026 | | (145) |
| Thereafter | | (42) |

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.

| | |
|---|--|
| Inflation | 2.50% |
| Salary increases, including inflation - | |
| General state employees | 3.50% - 5.35% |
| Teachers | 3.50% - 5.95% |
| SPORS employees | 3.50% - 4.75% |
| VaLORS employees | 3.50% - 4.75% |
| JRS employees | 4.50% |
| 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 market 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 the OPEB liabilities.*

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70-75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increase rate from 14% to 25% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

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 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; 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 2020; 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 four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 85% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Mortality rates – ValORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 50% to 35% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Mortality rates – JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

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

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Decreased rates at first retirement eligibility |
| Withdrawal Rates | No change |
| Disability Rates | Removed disability rates |
| Salary Scale | No change |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Mortality rates – 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 2020; 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 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; 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) | Update 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% to 20% |
| Discount Rate | Decrease 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 2020; 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 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; 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) | Update 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% to 15% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Mortality rates – 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 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

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

Post-Disablement:

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

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

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Increased disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 70% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

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 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

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

Post-Disablement:

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

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

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to 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% to 45% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Net GLI OPEB Liability

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

| | Group Life Insurance OPEB Program |
|--|--|
| Total GLI OPEB Liability | \$ 3,523,937 |
| Plan Fiduciary Net Position | <u>1,855,102</u> |
| GLI Net OPEB Liability (Asset) | <u>\$ 1,668,835</u> |
| 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.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a lognormal 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:

| <u>Asset Class (Strategy)</u> | <u>Long-Term Target Asset Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return</u> |
|--------------------------------------|--|---|---|
| Public Equity | 34.00% | 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 | <u>3.00%</u> | 6.49% | <u>0.19%</u> |
| Total | <u>100.00%</u> | | 4.64% |
| | | Inflation | <u>2.50%</u> |
| | | *Expected arithmetic nominal return | <u>7.14%</u> |

* 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 ending 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.

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:

| | 1.00% Decrease (5.75%) | Current Discount Rate 6.75% | 1.00% Increase (7.75%) |
|---|-----------------------------------|--|-----------------------------------|
| State Agency's Proportionate Share of the Group Life Insurance Plan | | | |
| Net OPEB Liability | \$ 9,653 | \$ 7,343 | \$ 5,467 |

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program'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.

Payables to the VRS Group Life Insurance OPEB Plan

The political subdivision recognizes \$65 of payables to a group life insurance OPEB plan outstanding at the end of the reporting period. This amount represents June 2021 legally required contributions to the pension plan due by July 10 per VRS reporting requirements.

17 Other Post-Employment Benefits Political Subdivision Employee Virginia Local Disability Program

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the *Code of Virginia*, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS

Eligible Employees

The Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits

Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:

- Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.

Benefit Amounts

The Political Subdivision Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:

Short-Term Disability:

- The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.
- During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.
- Once the eligibility period is satisfied, employees are eligible for higher income replacement levels

Long-Term Disability:

- The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Virginia Local Disability Program Notes:

- Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.
- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirement for active hybrid plan employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2021 was 0.83% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. 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 political subdivision to the VRS Political Subdivision Employee Virginia Local Disability Program were \$273 and \$173 for the years ended June 30, 2021 and June 30, 2020, respectively.

Political Subdivision Employee Virginia Local Disability Program OPEB Liabilities, Political Subdivision Employee Virginia Local Disability Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Political Subdivision Employee Virginia Local Disability Program OPEB

At June 30, 2021, the political subdivision reported a liability of \$64 for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2020 and the total VRS Political Subdivision Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The political subdivision's proportion of the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was based on the political subdivision's actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program 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 political subdivision's proportion of the VRS Political Subdivision Employee Virginia Local Disability Program was .00645% as compared to 0% at June 30, 2019.

For the year ended June 30, 2021, the political subdivision recognized VRS Political Subdivision Employee Virginia Local Disability Program OPEB expense of \$192. Since there was a change in proportionate share between measurement dates a portion of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|--|---|
| Differences between expected and actual experience | \$ 53 | \$ 76 |
| Net difference between projected and actual earnings on Political Subdivision VLDP OPEB program investments | 7 | - |
| Change in assumptions | 3 | 4 |
| Changes in proportionate share | 63 | - |
| Employer contributions subsequent to the measurement date | <u>273</u> | <u>-</u> |
| Total | <u>\$ 399</u> | <u>\$ 80</u> |

\$273 reported as deferred outflows of resources related to the Political Subdivision Employee VLDP OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Political Subdivision Employee VLDP 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 Political Subdivision Employee VLDP OPEB will be recognized in the Political Subdivision Employee VLDP OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

| | | |
|------------|----|-----|
| 2022 | \$ | 13 |
| 2023 | | 13 |
| 2024 | | 13 |
| 2025 | | 13 |
| 2026 | | (2) |
| Thereafter | | (5) |

Actuarial Assumptions

The total Political Subdivision Employee VLDP OPEB liability for the VRS Political Subdivision Employee Virginia Local Disability Program 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 - Political subdivision employees | 3.50% - 5.95% |
| Investment rate of return | 6.75%, including inflation* |

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the 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 – Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 year age and service |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14 to 15% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Net Political Subdivision Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision Employee Virginia Local Disability Program represents the program'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 Political Subdivision Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

| | | Political Subdivision Employee VLDP OPEB Plan |
|--|----|--|
| Total Political Subdivision Employee VLDP OPEB Liability | \$ | 4,317 |
| Plan Fiduciary Net Position | | <u>3,317</u> |
| Political Subdivision Employee VLDP Net OPEB Liability (Asset) | \$ | <u><u>1,000</u></u> |
| Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision Employee VLDP OPEB Liability | | 76.84% |

The total Political Subdivision Employee VLDP 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 Political Subdivision Employee VLDP OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on 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:

| <u>Asset Class (Strategy)</u> | <u>Long-Term Target Asset Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return</u> |
|--------------------------------------|--|---|---|
| Public Equity | 34.00% | 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 | <u>3.00%</u> | 6.49% | <u>0.19%</u> |
| Total | <u>100.00%</u> | | 4.64% |
| | Inflation | | <u>2.50%</u> |
| | *Expected arithmetic nominal return | | <u>7.14%</u> |

** 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 Political Subdivision Employee VLDP 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 at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by the political subdivision for the VRS Political Subdivision Employee Virginia Local Disability Program 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 Political Subdivision Employee VLDP 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 Political Subdivision Employee VLDP OPEB liability.

Sensitivity of the Political Subdivision's Proportionate Share of the Political Subdivision Employee VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the political subdivision's proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 6.75%, as well as what the political subdivision's proportionate share of the net VLDP 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:

| | 1.00% Decrease (5.75%) | Current Discount Rate (6.75%) | 1.00% Increase (7.75%) |
|--|---------------------------|----------------------------------|---------------------------|
| Covered Employers Proportionate Share of the VRS Political Subdivision Employee VLDP OPEB Plan Net OPEB Liability | \$ 86 | \$ 64 | \$ 45 |

Political Subdivision Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision Employee Virginia Local Disability Program'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.

Payables to the Political Subdivision Employee Virginia Local Disability Program OPEB Plan

The political subdivision recognizes \$23 of payables to a local disability program OPEB plan outstanding at the end of the reporting period. This amount represents June 2021 legally required contributions to the pension plan due by July 10 per VRS reporting requirements.

18 Fund Balances

The following is a summary of amounts that are classified as nonspendable, restricted, committed, or assigned fund balance as applicable on the governmental funds balance sheet:

| | Cemetery Fund |
|-----------------------------------|--------------------------|
| Assigned for cemetery maintenance | <u>\$ 69,340</u> |

19 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2021 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the Year Ended June 30, 2021. Management has performed their analysis through June 22, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Burkeville, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2021

General Fund

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| Revenues | | | | |
| General Property Taxes | | | | |
| Real estate and public service taxes | \$ 41,500 | \$ 41,500 | \$ 39,940 | \$ (1,560) |
| Personal property and mobile home taxes | 55,000 | 55,000 | 63,667 | 8,667 |
| Delinquent taxes | 3,000 | 3,000 | 12,806 | 9,806 |
| Penalties and interest on taxes | 500 | 500 | 2,033 | 1,533 |
| Total General Property Taxes | 100,000 | 100,000 | 118,446 | 18,446 |
| Other Local Taxes | | | | |
| Local sales and use taxes | 24,000 | 24,000 | 27,110 | 3,110 |
| Motor vehicle licenses | 6,000 | 6,000 | 6,950 | 950 |
| Business license taxes | 18,000 | 18,000 | 19,646 | 1,646 |
| Bank stock tax | 19,400 | 19,400 | 16,315 | (3,085) |
| Meals tax | 30,000 | 30,000 | 22,069 | (7,931) |
| Lodging tax | 50,000 | 50,000 | 55,438 | 5,438 |
| Total Other Local Taxes | 147,400 | 147,400 | 147,528 | 128 |
| Revenue from Use of Money and Property | 500 | 500 | 5,110 | 4,610 |
| Charges for Services | 35,000 | 35,000 | 36,831 | 1,831 |
| Recovered Costs | | | | |
| Fire Department | 11,000 | 11,000 | 8,050 | (2,950) |
| Total Recovered Costs | 11,000 | 11,000 | 8,050 | (2,950) |
| Miscellaneous | | | | |
| Miscellaneous | 5,050 | 5,050 | 7,210 | 2,160 |
| Recreational Park | 2,200 | 2,200 | 4,850 | 2,650 |
| Total Miscellaneous | 7,250 | 7,250 | 12,060 | 4,810 |
| Intergovernmental | | | | |
| <i>Revenue from the Commonwealth of Virginia</i> | | | | |
| <i>Noncategorical Aid</i> | | | | |
| Communication tax | 1,600 | 1,600 | 1,344 | (256) |
| Personal Property Tax Relief Act (PPTRA) | 9,800 | 9,800 | 9,765 | (35) |
| Skills game tax | - | - | 1,152 | 1,152 |
| Rolling stock taxes - motor vehicle carriers tax | 7,000 | 7,000 | 6,798 | (202) |
| Total Noncategorical Aid | 18,400 | 18,400 | 19,059 | 659 |
| <i>Categorical Aid</i> | | | | |
| Law enforcement grant | 12,000 | 12,000 | 13,357 | 1,357 |
| Fire program | 10,000 | 10,000 | 15,000 | 5,000 |
| Total Categorical Aid | 22,000 | 22,000 | 28,357 | 6,357 |
| Total Revenue from the Commonwealth of Virginia | 40,400 | 40,400 | 47,416 | 7,016 |
| <i>Revenue from the Federal Government</i> | | | | |
| CARES Act | - | - | 31,642 | 31,642 |
| Total Revenue from the Federal Government | - | - | 31,642 | 31,642 |
| Total Intergovernmental Revenue | 40,400 | 40,400 | 79,058 | 38,658 |
| Total Revenues | 341,550 | 341,550 | 407,083 | 65,533 |

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| Expenditures | | | | |
| General Government Administration | | | | |
| Salaries | 28,800 | 28,800 | 26,309 | 2,491 |
| Fringe benefits | 28,204 | 28,204 | 17,311 | 10,893 |
| Legal and accounting | 6,000 | 6,000 | 10,875 | (4,875) |
| Advertising | 1,000 | 1,000 | 1,659 | (659) |
| Insurance and bonds | 1,200 | 1,200 | 816 | 384 |
| Office supplies and postage | 6,000 | 6,000 | 11,460 | (5,460) |
| Telephone and utilities | 6,000 | 6,000 | 5,374 | 626 |
| Dues and memberships | 700 | 700 | 2,828 | (2,128) |
| Miscellaneous | 4,700 | 4,700 | 12,756 | (8,056) |
| Total General Government Administration | 82,604 | 82,604 | 89,388 | (6,784) |
| Public Safety | | | | |
| <i>Police Department</i> | | | | |
| Salaries | 40,358 | 40,358 | 38,806 | 1,552 |
| Fringe benefits | 19,954 | 19,954 | 19,138 | 816 |
| Office supplies | 2,000 | 2,000 | 305 | 1,695 |
| Insurance | 3,500 | 3,500 | 2,753 | 747 |
| Vehicle | 5,500 | 5,500 | 5,914 | (414) |
| Radio and maintenance | 1,500 | 1,500 | - | 1,500 |
| Uniforms and supplies | 300 | 300 | 348 | (48) |
| Miscellaneous | 5,200 | 5,200 | 39,192 | (33,992) |
| Total Police Department | 78,312 | 78,312 | 106,456 | (28,144) |
| <i>Fire Department</i> | | | | |
| Insurance | 20,000 | 20,000 | 30,419 | (10,419) |
| State grant | 10,000 | 10,000 | 15,000 | (5,000) |
| Dispatchers | 1,500 | 1,500 | 1,421 | 79 |
| Supplies and fuel | 5,000 | 5,000 | 3,306 | 1,694 |
| Telephone and utilities | 5,000 | 5,000 | 5,090 | (90) |
| Vehicle | 10,000 | 10,000 | 9,665 | 335 |
| Total Fire Department | 51,500 | 51,500 | 64,901 | (13,401) |
| Total Public Safety | 129,812 | 129,812 | 171,357 | (41,545) |
| Public Works | | | | |
| <i>Building and Grounds</i> | | | | |
| Repairs and maintenance | 12,200 | 12,200 | 11,007 | 1,193 |
| Total Building and Grounds | 12,200 | 12,200 | 11,007 | 1,193 |
| <i>Street Department</i> | | | | |
| Salaries | 27,288 | 27,288 | 17,548 | 9,740 |
| Fringe benefits | 1,967 | 1,967 | 4,522 | (2,555) |
| Signs and lights | 13,500 | 13,500 | 13,840 | (340) |
| Street maintenance | 1,500 | 1,500 | 1,872 | (372) |
| Repairs and maintenance | 1,000 | 1,000 | 668 | 332 |
| Insurance | 3,000 | 3,000 | 2,770 | 230 |
| Gas and vehicle | 3,500 | 3,500 | 3,101 | 399 |
| Miscellaneous | 2,800 | 2,800 | 1,722 | 1,078 |
| Total Street Department | 54,555 | 54,555 | 46,043 | 8,512 |

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|-------------------|---|
| <i>Sanitation Department</i> | | | | |
| Salaries | 24,575 | 24,575 | 30,037 | (5,462) |
| Fringe benefits | 3,933 | 3,933 | 2,302 | 1,631 |
| Miscellaneous | 500 | 500 | 596 | (96) |
| Insurance | 3,500 | 3,500 | 3,259 | 241 |
| Gas and vehicle | 3,000 | 3,000 | 1,617 | 1,383 |
| Total Sanitation Department | <u>35,508</u> | <u>35,508</u> | <u>37,811</u> | <u>(2,303)</u> |
| Total Public Works | 102,263 | 102,263 | 94,861 | 7,402 |
| Parks, Recreation, and Cultural | | | | |
| Recreational park | 3,000 | 3,000 | 6,448 | (3,448) |
| Train station | 2,500 | 2,500 | 3,245 | (745) |
| Library | 6,000 | 6,000 | 6,030 | (30) |
| Total Parks, Recreation, and Cultural | <u>11,500</u> | <u>11,500</u> | <u>15,723</u> | <u>(4,223)</u> |
| Total Expenditures | <u>326,179</u> | <u>326,179</u> | <u>371,329</u> | <u>(45,150)</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 15,371 | 15,371 | 35,754 | 20,383 |
| Other Financing Sources (Uses) | | | | |
| Contingency/surplus | (15,371) | (15,371) | - | 15,371 |
| Operating transfers in (out) | <u>-</u> | <u>-</u> | <u>(1,917)</u> | <u>(1,917)</u> |
| Total Other Financing Sources (Uses) | <u>(15,371)</u> | <u>(15,371)</u> | <u>(1,917)</u> | <u>13,454</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | \$ 33,837 | <u>\$ 33,837</u> |
| Fund Balance - Beginning of Year | | | <u>395,463</u> | |
| Fund Balance - End of Year | | | <u>\$ 429,300</u> | |

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|------------------|---|
| Cemetery Fund | | | | |
| Revenues | | | | |
| Revenue from Use of Money and Property | \$ 1,000 | \$ 1,000 | \$ 6,705 | \$ 5,705 |
| Miscellaneous | | | | |
| Maintenance | 1,050 | 1,050 | 3,875 | 2,825 |
| Miscellaneous | <u>600</u> | <u>600</u> | <u>1,100</u> | <u>500</u> |
| Total Miscellaneous | <u>1,650</u> | <u>1,650</u> | <u>4,975</u> | <u>3,325</u> |
| Total Revenues | 2,650 | 2,650 | 11,680 | 9,030 |
| Expenditures | | | | |
| Parks, Recreation, and Cultural | | | | |
| Maintenance | <u>7,850</u> | <u>7,850</u> | <u>12,200</u> | <u>(4,350)</u> |
| Total Parks, Recreation, and Cultural | <u>7,850</u> | <u>7,850</u> | <u>12,200</u> | <u>(4,350)</u> |
| Total Expenditures | <u>7,850</u> | <u>7,850</u> | <u>12,200</u> | <u>(4,350)</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (5,200) | (5,200) | (520) | 4,680 |
| Other Financing Sources (Uses) | | | | |
| Contingency/surplus | 5,200 | 5,200 | - | (5,200) |
| Operating transfers in (out) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | 5,200 | 5,200 | - | (5,200) |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | (520) | <u>\$ (520)</u> |
| Fund Balance - Beginning of Year | | | <u>69,860</u> | |
| Fund Balance - End of Year | | | <u>\$ 69,340</u> | |

Town of Burkeville, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios

For the Plan Years Ended June 30

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Total pension liability | | | | | | | |
| Service cost | \$ 15,813 | \$ 14,416 | \$ 14,440 | \$ 14,701 | \$ 14,216 | \$ 14,787 | \$ 14,868 |
| Interest | 16,767 | 16,316 | 15,361 | 14,638 | 13,181 | 11,326 | 9,797 |
| Changes in benefit terms | - | - | - | - | - | - | - |
| Difference between expected and actual experience | (16,910) | (12,035) | (13,125) | (6,041) | (3,674) | 3,268 | - |
| Changes of assumptions | - | 5,246 | - | (10,055) | - | - | - |
| Benefit payments | <u>(14,117)</u> | <u>(3,128)</u> | <u>(2,940)</u> | <u>(2,904)</u> | <u>(2,900)</u> | <u>(2,854)</u> | <u>(2,813)</u> |
| Net change in total pension liability | 1,553 | 20,815 | 13,736 | 10,339 | 20,823 | 26,527 | 21,852 |
| Total pension liability - beginning | <u>255,462</u> | <u>234,647</u> | <u>220,911</u> | <u>210,572</u> | <u>189,749</u> | <u>163,222</u> | <u>141,370</u> |
| Total pension liability - ending (a) | <u>\$ 257,015</u> | <u>\$ 255,462</u> | <u>\$ 234,647</u> | <u>\$ 220,911</u> | <u>\$ 210,572</u> | <u>\$ 189,749</u> | <u>\$ 163,222</u> |
| Plan fiduciary net position | | | | | | | |
| Contributions - employer | \$ 5,307 | \$ 6,299 | \$ 7,544 | \$ 7,386 | \$ 9,675 | \$ 9,453 | \$ 12,699 |
| Contributions - employee | 4,233 | 5,080 | 5,016 | 4,911 | 4,911 | 4,799 | 4,686 |
| Net investment income | 6,312 | 20,676 | 20,360 | 29,137 | 4,222 | 9,320 | 25,728 |
| Benefit payments | (14,117) | (3,128) | (2,940) | (2,904) | (2,900) | (2,854) | (2,813) |
| Administrator charges | (213) | (189) | (164) | (156) | (126) | (114) | (125) |
| Other | <u>(7)</u> | <u>(13)</u> | <u>(19)</u> | <u>(26)</u> | <u>(2)</u> | <u>(2)</u> | <u>1</u> |
| Net change in plan fiduciary net position | 1,515 | 28,725 | 29,797 | 38,348 | 15,780 | 20,602 | 40,176 |
| Plan fiduciary net position - beginning | <u>329,518</u> | <u>300,793</u> | <u>270,996</u> | <u>232,648</u> | <u>216,868</u> | <u>196,266</u> | <u>156,090</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 331,033</u> | <u>\$ 329,518</u> | <u>\$ 300,793</u> | <u>\$ 270,996</u> | <u>\$ 232,648</u> | <u>\$ 216,868</u> | <u>\$ 196,266</u> |
| Political subdivision's net pension liability - ending (a) - (b) | <u>\$ (74,018)</u> | <u>\$ (74,056)</u> | <u>\$ (66,146)</u> | <u>\$ (50,085)</u> | <u>\$ (22,076)</u> | <u>\$ (27,119)</u> | <u>\$ (33,044)</u> |
| Plan fiduciary net position as a percentage of the total Pension liability | 128.80% | 128.99% | 128.19% | 122.67% | 110.48% | 114.29% | 120.24% |
| Covered payroll | \$ 89,452 | \$ 101,597 | \$ 100,322 | \$ 98,222 | \$ 98,743 | \$ 95,972 | \$ 93,722 |
| Political subdivision's net pension liability as a percentage of covered payroll | -82.75% | -72.89% | -65.93% | -50.99% | -22.36% | -28.26% | -35.26% |

Town of Burkeville, Virginia

Schedule of Employer Contributions

Political Subdivisions Retirement Plan

For the Years Ended June 30, 2012 through 2021

| Date | Contractually Required Contribution (1) | Contribution in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|-------------|--|--|---|---|--|
| 2021 | \$ 4,892 | \$ 4,892 | \$ - | \$ 94,989 | 5.15% |
| 2020 | 5,546 | 5,546 | - | 89,452 | 6.20% |
| 2019 | 6,299 | 6,299 | - | 101,597 | 6.20% |
| 2018 | 7,545 | 7,545 | - | 100,322 | 7.52% |
| 2017 | 7,386 | 7,386 | - | 98,222 | 7.52% |
| 2016 | 9,726 | 9,726 | - | 98,743 | 9.85% |
| 2015 | 9,453 | 9,453 | - | 95,972 | 9.85% |
| 2014 | 12,699 | 12,699 | - | 93,722 | 13.55% |
| 2013 | 12,327 | 11,624 | 703 | 90,972 | 12.78% |
| 2012 | 11,445 | 10,509 | 936 | 86,639 | 12.13% |

For Reference Only:

Column 1 - Employer contribution rate multiplied by the employer's covered payroll.

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

Column 4 - Employer's covered payroll amount for the fiscal year.

Town of Burkeville, Virginia

Notes to Required Supplemental Information

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) | Update 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 | Increase rate from 14% to 15% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

All Others (Non 10 Largest) – Hazardous Duty:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update 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 | Decrease rate from 60% to 45% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Town of Burkeville, Virginia

Schedule of Employer's Share of Net OPEB Liability

Group Life Insurance Plan (GLI)

For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|------------------|-------------|-------------|-------------|
| Employer's Proportion of the Net GLI OPEB Liability (Asset) | 0.00044% | 0.00052% | 0.00053% | 0.00053% |
| Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) | \$ 7,343 | \$ 8,462 | \$ 9,000 | \$ 8,000 |
| Employer's Covered Payroll | \$ 89,452 | \$ 101,597 | \$ 100,322 | \$ 98,222 |
| Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll | 8.21% | 8.33% | 8.97% | 8.14% |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 52.64% | 52.00% | 51.22% | 48.86% |

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

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 128 of the VRS 2020 Annual Report.

Town of Burkeville, Virginia

Schedule of Employer Contributions

Group Life Insurance OPEB Plan

For the Years Ended June 30, 2012 through 2021

| Date | Contractually Required Contribution (1) | Contribution in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|-------------|--|--|---|---|--|
| 2021 | \$ 513 | \$ 513 | \$ - | \$ 94,989 | 0.54% |
| 2020 | 465 | 465 | - | 89,452 | 0.52% |
| 2019 | 528 | 528 | - | 101,597 | 0.52% |
| 2018 | 522 | 522 | - | 100,322 | 0.52% |
| 2017 | 511 | 511 | - | 98,222 | 0.52% |
| 2016 | 471 | 471 | - | 98,222 | 0.48% |
| 2015 | 461 | 461 | - | 95,972 | 0.48% |
| 2014 | 450 | 450 | - | 93,722 | 0.48% |
| 2013 | 437 | 437 | - | 90,972 | 0.48% |
| 2012 | 243 | 243 | - | 86,639 | 0.28% |

For Reference Only:

Column 1 - Employer contribution rate multiplied by the employer's covered payroll.

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

Column 4 - Employer's covered payroll amount for the fiscal year.

Town of Burkeville, Virginia

Notes to Required Supplemental Information – Group Life Insurance 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:

General State Employees

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70-75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increase rate from 14% to 25% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

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 70-75 |
| 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 | Decrease rate from 7.00% to 6.75% |

SPORS Employees

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 85% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

VaLORS Employees

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 50% to 35% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

JRS Employees

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Decreased rates at first retirement eligibility |
| Withdrawal Rates | No change |
| Disability Rates | Removed disability rates |
| Salary Scale | No change |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

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% to 20% |
| Discount Rate | Decrease 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% to 15% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

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 | Lowered retirement rates at older ages |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Increased disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 70% |
| Discount Rate | Decrease 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% to 45% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Town of Burkeville, Virginia

Schedule of Employer's Share of Net OPEB Liability

Virginia Local Disability Program (VLDP) - Political Subdivisions

For the Measurement Dates of June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
| Employer's Proportion of the Net VLDP OPEB Liability (Asset) | 0.00645% | 0.00000% |
| Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) | \$ 64 | \$ - |
| Employer's Covered Payroll | \$ 24,000 | \$ - |
| Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll | 0.27% | 0.00% |
| Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability | 76.84% | 49.19% |

*Schedule is intended to show information for 10 years.
Since the Town did not begin participating until FY2020, information is unavailable. However, additional years will be included as they become available.*

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Virginia Local Disability (VLDP) for each year is presented on page 131 of the VRS 2020 Annual Report.

Town of Burkeville, Virginia

Schedule of Employer Contributions

Virginia Local Disability Program

For the Years Ended June 30, 2012 through 2021

| Date | Contractually Required Contribution (1) | Contribution in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|------|--|--|---|---|---|
| 2021 | \$ 273 | \$ 273 | \$ - | \$ 32,900 | 0.83% |
| 2020 | 173 | 173 | - | 24,000 | 0.72% |
| 2019 | N/A | N/A | N/A | N/A | N/A |
| 2018 | N/A | N/A | N/A | N/A | N/A |
| 2017 | N/A | N/A | N/A | N/A | N/A |
| 2016 | N/A | N/A | N/A | N/A | N/A |
| 2015 | N/A | N/A | N/A | N/A | N/A |
| 2014 | N/A | N/A | N/A | N/A | N/A |
| 2013 | N/A | N/A | N/A | N/A | N/A |
| 2012 | N/A | N/A | N/A | N/A | N/A |

For Reference Only:

Column 1 - Employer contribution rate multiplied by the employer's covered payroll.

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

Column 4 - Employer's covered payroll amount for the fiscal year.

Town of Burkeville, Virginia

Notes to Required Supplementary Information – OPEB VLDP

For the Year Ended June 30, 2021

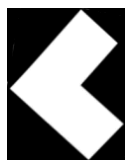
Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

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:

Non-Largest Ten Locality Employers - General and Non-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 | 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 year age and service |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14 to 15% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Town Council
Town of Burkeville, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Burkeville, 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 Burkeville, Virginia's basic financial statements and have issued our report thereon dated June 22, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items that we consider to be material weaknesses. [2021-001 and 2021-002].

Compliance and Other Matters

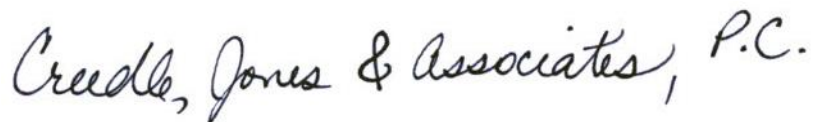
As part of obtaining reasonable assurance about whether the Town of Burkeville, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

Town of Burkeville, Virginia's Response to Findings

Town of Burkeville, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Burkeville, 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.

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

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

South Hill, Virginia
June 22, 2022

Town of Burkeville, Virginia

Schedule of Findings and Responses

For the Year Ended June 30, 2021

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the audited financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- a. Material weakness(es) identified? Yes
- b. Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted? No

Findings – Financial Statements Audit

Material Weaknesses

2021-001

Condition:

The Town's cash and related revenue/expenditure accounts are not reconciled timely.

Criteria:

The Town should have a system in place to reduce the likelihood of errors in financial reporting.

Cause:

The Town does not have a process in place to timely reconcile cash and related revenue/expenditure accounts.

Effect:

There is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, detected and corrected in a timely.

Identification of Repeat Finding

This finding was a repeat of a finding in the immediate prior audit (2020-001).

Recommendation:

We recommend the Town implement procedures to timely reconcile all cash and related revenue/expenditure accounts.

Views of Responsible Officials and Planning Corrective Actions:

Management will continue corrective action for FY21 and thereafter by implementing procedures related to bank reconciliations.

2021-002

Condition:

The Town's financial statements required material adjustments at the conclusion of audit fieldwork to ensure that such statements complied with Generally Accepted Accounting Principles (GAAP). Audit adjusting entries were proposed to record and correct accounts receivable, accounts payable, the allowance for doubtful accounts, cash balances, beginning net position, revenues, fixed assets, and to correct the posting of certain fringe benefits.

Criteria:

Per Statement of Auditing Standards 115, identification of material adjustments to the financial statements that are not detected by the entity's internal controls indicates that a material weakness still exists.

Cause:

Town management failed to identify all year-end accounting adjustments in a timely manner necessary for the Town's financial statements to be prepared in accordance with current reporting standards. Town management does not have proper controls in place to detect all adjustments in closing their year-end financial statements and to reconcile financial activity to ensure timely reporting.

Effect:

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

Recommendation:

Town management should have procedures in place to properly identify and record year-end closing entries to the accounting system in a timely manner.

Views of Responsible Officials and Planning Corrective Actions:

The Town is considering corrective action for the upcoming fiscal year-end.

Town of Burkeville, Virginia

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2021

Financial Statements

Finding 2020-001

Condition:

The Town's cash and related revenue/expenditure accounts are not reconciled timely.

Recommendation:

We recommend the Town implement procedures to timely reconcile all cash and related revenue/expenditure accounts.

Current Status:

Management is still implementing procedures related to bank reconciliations.