

TOWN OF TAZEWELL, VIRGINIA



ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2021

TOWN OF TAZEWELL, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

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

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**TOWN OF TAZEWELL, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021**

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INTRODUCTORY SECTION

TOWN OF TAZEWell, VIRGINIA

TOWN COUNCIL

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

TOWN INDUSTRIAL/ECONOMIC DEVLEOPMENT AUTHORITY BOARD

Kim Santolla, Chair
Shawn McReynolds, Vice Chair
Nancy Brooks
Zach Cline
Zachary Hash
Derek Pridgen
Chris Wearmouth

OTHER OFFICIALS

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

FINANCIAL SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the 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 Tazewell, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Tazewell, 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.

Restatement of Beginning Balances

As described in Note 24 to the financial statements, in 2021, the Town restated beginning balances to reflect receivables and payables related to agreements with Tazewell County PSA. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 59 and 60-67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Tazewell, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2021, on our consideration of the Town of Tazewell, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Tazewell, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Tazewell, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
October 7, 2021

Basic Financial Statements

Town of Tazewell, Virginia
Statement of Net Position
At June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,445,163	\$ 630,612	\$ 3,075,775
Investments	29,605	-	29,605
Receivables (net of allowance for uncollectibles):			
Taxes receivable	92,579	-	92,579
Accounts receivable	293,514	359,410	652,924
Notes receivable	-	597,230	597,230
EMS and fire receivable	94,258	-	94,258
Due from other governmental units	24,258	-	24,258
Prepaid items	14,860	1,311	16,171
Capital assets (net of accumulated depreciation):			
Land	2,701,366	21,581	2,722,947
Buildings and improvements	1,616,211	-	1,616,211
Vehicles	535,135	-	535,135
Equipment, furniture, and fixtures	400,601	114,252	514,853
Infrastructure/utility plant and buildings in service	3,651,740	7,961,917	11,613,657
Construction in progress	33,981	688,178	722,159
Total assets	<u>\$ 11,933,271</u>	<u>\$ 10,374,491</u>	<u>\$ 22,307,762</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 472,772	\$ 149,558	\$ 622,330
OPEB related items	645,369	82,359	727,728
Total deferred outflows of resources	<u>\$ 1,118,141</u>	<u>\$ 231,917</u>	<u>\$ 1,350,058</u>
LIABILITIES			
Accounts payable	\$ 67,874	\$ 203,325	\$ 271,199
Accrued liabilities	127,076	44,412	171,488
Customers' deposits	-	140,036	140,036
Accrued interest payable	719	10,108	10,827
Amount due to Tazewell PSA	-	438,589	438,589
Unearned revenue	2,161,270	1,031,323	3,192,593
Long-term liabilities:			
Due within one year	219,247	300,229	519,476
Due in more than one year	2,811,366	4,127,282	6,938,648
Total liabilities	<u>\$ 5,387,552</u>	<u>\$ 6,295,304</u>	<u>\$ 11,682,856</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - prepaid taxes	\$ 24,669	\$ -	\$ 24,669
Pension related items	15,484	3,411	18,895
OPEB related items	597,052	159,987	757,039
Total deferred inflows of resources	<u>\$ 637,205</u>	<u>\$ 163,398</u>	<u>\$ 800,603</u>
NET POSITION			
Net investment in capital assets	\$ 8,628,332	\$ 4,588,896	\$ 13,217,228
Restricted	60,210	-	60,210
Unrestricted	(1,661,887)	(441,190)	(2,103,077)
Total net position	<u>\$ 7,026,655</u>	<u>\$ 4,147,706</u>	<u>\$ 11,174,361</u>

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government Business-type Activities	
			Grants and Contributions	Capital Grants and Contributions		Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 878,175	\$ -	\$ -	-	\$ (878,175)	-	\$ (878,175)
Public safety	3,130,048	1,302,198	429,331	-	(1,398,519)	-	(1,398,519)
Public works	1,895,083	417,571	1,122,684	-	(354,828)	-	(354,828)
Health and welfare	248,432	-	-	-	(248,432)	-	(248,432)
Parks, recreation, and cultural	508,497	96,500	-	-	(411,997)	-	(411,997)
Community development	169,951	-	-	64,080	(105,871)	-	(105,871)
Interest on long-term debt	22,479	-	-	-	(22,479)	-	(22,479)
Total governmental activities	\$ 6,852,665	\$ 1,816,269	\$ 1,552,015	\$ 64,080	\$ (3,420,301)	\$ -	\$ (3,420,301)
Business-type activities:							
Enterprise fund	\$ 3,051,892	\$ 3,159,584	\$ -	\$ 156,038	\$ -	\$ 263,730	\$ 263,730
Total primary government	\$ 9,904,557	\$ 4,975,853	\$ 1,552,015	\$ 220,118	\$ (3,420,301)	\$ 263,730	\$ (3,156,571)
General revenues:							
General property taxes					\$ 969,636	\$ -	\$ 969,636
Other local taxes:							
Local sales and use taxes					348,082	-	348,082
Consumers' utility taxes					58,430	-	58,430
Business license taxes					302,471	-	302,471
Motor vehicle licenses					73,129	-	73,129
Bank stock tax					169,979	-	169,979
Cigarette Tax					211,864	-	211,864
Meals taxes					901,577	-	901,577
Other local taxes					41,070	-	41,070
Unrestricted revenues from use of money and property					12,334	24,820	37,154
Miscellaneous					416,795	21,821	438,616
Grants and contributions not restricted to specific programs					104,302	-	104,302
Transfers					-	-	-
Total general revenues and transfers					\$ 3,609,669	\$ 46,641	\$ 3,656,310
Change in net position					\$ 189,368	\$ 310,371	\$ 499,739
Net position - beginning, as restated					6,837,287	3,837,335	10,674,622
Net position - ending					\$ 7,026,655	\$ 4,147,706	\$ 11,174,361

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

Town of Tazewell, Virginia
Balance Sheet
Governmental Fund
At June 30, 2021

General

ASSETS

Cash and cash equivalents	\$ 2,445,163
Investments	29,605
Receivables (net of allowance for uncollectibles):	
Taxes receivable	92,579
Accounts receivable	293,514
EMS and fire receivable	94,258
Due from other governmental units	24,258
Prepaid items	14,860
Total assets	<u>\$ 2,994,237</u>

LIABILITIES

Accounts payable	\$ 67,874
Accrued payroll and related liabilities	127,076
Unearned revenue	2,161,270
Total liabilities	<u>\$ 2,356,220</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue - property taxes	\$ 93,904
Total deferred inflows of resources	<u>\$ 93,904</u>

FUND BALANCE

Nonspendable	\$ 14,860
Restricted	60,210
Unassigned	469,043
Total fund balance	<u>\$ 544,113</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,994,237</u>

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

Town of Tazewell, Virginia
Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Position
At June 30, 2021

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	544,113
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 2,701,366	
Buildings and improvements	1,616,211	
Vehicles	535,135	
Equipment, furniture, and fixtures	400,601	
Infrastructure/utility plant and buildings in service	3,651,740	
Construction in progress	<u>33,981</u>	8,939,034

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

Unavailable revenue - property taxes	\$ 69,235	69,235
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 472,772	
OPEB related items	<u>645,369</u>	1,118,141

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

Bond payable	\$ (263,657)	
Capital lease	(47,045)	
Accrued interest payable	(719)	
Compensated absences	(229,199)	
Net pension liability	(251,511)	
Net OPEB liabilities	<u>(2,239,201)</u>	(3,031,332)

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

Pension related items	\$ (15,484)	
OPEB related items	<u>(597,052)</u>	(612,536)

Net position of governmental activities	\$	<u><u>7,026,655</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Tazewell, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2021

	<u>General</u>
REVENUES	
General property taxes	\$ 992,901
Other local taxes	2,106,602
Permits, privilege fees, and regulatory licenses	14,286
Fines and forfeitures	33,900
Revenue from the use of money and property	12,334
Charges for services	1,768,083
Miscellaneous	416,795
Intergovernmental	1,657,967
Total revenues	<u>\$ 7,002,868</u>
EXPENDITURES	
Current:	
General government administration	\$ 790,036
Public safety	2,827,506
Public works	1,833,781
Parks, recreation, and cultural	411,379
Community development	164,951
Capital projects	380,732
Debt service:	
Principal retirement	306,059
Interest and other fiscal charges	34,549
Total expenditures	<u>\$ 6,748,993</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 253,875</u>
Net change in fund balances	\$ 253,875
Fund balance - beginning	290,238
Fund balance - ending	<u><u>\$ 544,113</u></u>

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

Town of Tazewell, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of Governmental Fund
to the Statement of Activities
For the Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds	\$	253,875
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded capital outlays in the current period.

Capital outlays	\$ 441,442	
Depreciation expense	(485,300)	(43,858)

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

Donation of asset		62,430
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		(23,265)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments:		
Bond payable	\$ 15,992	
Note payable	257,176	
Capital lease	32,891	306,059

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

Change in compensated absences	\$ (71,279)	
Change in accrued interest payable	12,070	
Change in pension related items	(60,965)	
Change in OPEB related items	(245,699)	(365,873)

Change in net position of governmental activities	\$	189,368
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The notes to the financial statements are an integral part of this statement.

Town of Tazewell, Virginia
Statement of Net Position
Proprietary Fund
At June 30, 2021

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 630,612
Accounts receivable, net of allowances for uncollectibles	359,410
Prepaid items	1,311
Note receivable, current portion	19,398
Total current assets	<u>\$ 1,010,731</u>
Noncurrent assets:	
Note receivable, net of current portion	\$ 577,832
Capital assets:	
Land	21,581
Utility plant and buildings in service	17,270,472
Machinery and equipment	800,797
Accumulated depreciation	(9,995,100)
Construction in progress	688,178
Net capital assets	<u>\$ 8,785,928</u>
Total noncurrent assets	<u>\$ 9,363,760</u>
Total assets	<u>\$ 10,374,491</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 149,558
OPEB related items	82,359
Total deferred outflows of resources	<u>\$ 231,917</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 203,325
Accrued payroll and related liabilities	44,412
Customers' deposits	140,036
Accrued interest payable	10,108
Amount due to Tazewell PSA	438,589
Unearned revenue	1,031,323
General obligation bonds and notes - current portion	189,491
Revenue bonds payable - current portion	41,266
Compensated absences - current portion	69,472
Total current liabilities	<u>\$ 2,168,022</u>
Noncurrent liabilities:	
General obligation bonds and notes - net of current portion	\$ 2,294,389
Revenue bonds payable - net of current portion	1,233,297
Compensated absences - net of current portion	23,156
Net pension liability	70,050
Net OPEB liability	506,390
Total noncurrent liabilities	<u>\$ 4,127,282</u>
Total liabilities	<u>\$ 6,295,304</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 3,411
OPEB related items	159,987
Total deferred inflows of resources	<u>\$ 163,398</u>
NET POSITION	
Net investment in capital assets	\$ 4,588,896
Unrestricted	(441,190)
Total net position	<u>\$ 4,147,706</u>

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

Town of Tazewell, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2021

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Charges for services:	
Charges for services	\$ 3,154,674
Penalties and service charges	4,910
Miscellaneous	21,821
Total operating revenues	<u>\$ 3,181,405</u>
OPERATING EXPENSES	
Salaries, wages and fringes	\$ 797,664
Fringe benefits	239,012
Insurance	12,753
Office supplies	19,103
Postage	11,004
Telecommunications	16,223
Uniforms	6,480
Training	4,764
Maintenance	186,587
Equipment	16,979
Motor fuel and oil	6,421
Water works fees	5,803
Wastewater fees	9,379
Supplies	116,516
Purchased water	787,854
Utilities	176,457
Chemicals	97,520
Miscellaneous	28,229
Depreciation	411,653
Total operating expenses	<u>\$ 2,950,401</u>
Operating income (loss)	<u>\$ 231,004</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 24,820
Bond issuance cost	(13,600)
Interest expense	(87,891)
Total nonoperating revenues (expenses)	<u>\$ (76,671)</u>
Income before contributions	\$ 154,333
Capital contributions	<u>156,038</u>
Change in net position	\$ 310,371
Total net position - beginning, as restated	3,837,335
Total net position - ending	<u><u>\$ 4,147,706</u></u>

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

Town of Tazewell, Virginia
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 3,120,142
Payments to suppliers	(1,682,298)
Payments to and for employees	(963,423)
Net cash provided by (used for) operating activities	<u>\$ 474,421</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from (to) other funds	\$ 224,897
Net cash provided by (used for) noncapital financing activities	<u>\$ 224,897</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (104,492)
Principal payments on general obligation bond	(167,342)
Principal payments on notes	(484,995)
Principal payments on revenue bonds	(40,585)
Proceeds from indebtedness	482,133
Payments received on note receivable	18,655
Payments to Tazewell PSA	(23,800)
Interest received on note receivable	24,820
Bond issuance costs	(13,600)
Capital contributions	156,038
Interest expense	(88,494)
Net cash provided by (used for) capital and related financing activities	<u>\$ (241,662)</u>
Net increase (decrease) in cash and cash equivalents	\$ 457,656
Cash and cash equivalents - beginning	172,956
Cash and cash equivalents - ending	<u><u>\$ 630,612</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ 231,004</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 411,653
Change in accounts receivable	(36,045)
Change in deferred outflows of resources	(118,063)
Change in prepaid items	(1,311)
Change in net pension asset	48,229
Change in customer deposits	11,289
Change in accounts payable	(178,915)
Change in accrued payroll and related liabilities	(743)
Change in unearned revenue	(36,507)
Change in compensated absences	20,841
Change in net pension liability	70,050
Change in net OPEB liability	12,799
Change in deferred inflows of resources	40,140
Total adjustments	<u>\$ 243,417</u>
Net cash provided by (used for) operating activities	<u><u>\$ 474,421</u></u>
Noncash investing, capital, and financing activities:	
Increase in amount due to Tazewell PSA	\$ 50,064
Capital assets paid for by Tazewell PSA	(50,064)

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

TOWN OF TAZEVELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

Note 1-Summary of Significant Accounting Policies:

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

A. Financial reporting entity:

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

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

B. Government-wide financial statements:

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

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

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

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

C. Budgetary basis of accounting

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

1. During the regular May Council meetings, the Town Manager submits a proposed operating and capital budget for the fiscal year commencing the following July 1. This budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget for the general fund is legally enacted through passage of an Appropriations Ordinance. Town Council may, from time to time, amend the budget, providing for additional expenditures and the means for financing them.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

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

C. Budgetary basis of accounting (Continued)

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

For the year ended June 30, 2021, the expenditures for several departments in the Town exceeded their respective appropriations.

At year end, no funds had deficit fund equity; however, unrestricted net position was negative for the general and water/sewer funds.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

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

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

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary fund:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

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

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

1. Cash and Cash Equivalents

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

2. Investments

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

3. Property Taxes

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

4. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$260,951 for the General Fund and \$152,476 for the Enterprise Fund at June 30, 2021. The allowance consists of unpaid taxes in the amount of \$68,298, unpaid garbage bills of \$23,644, ambulance services of \$245,601, and unpaid water/sewer bills of \$152,476.

5. Use of Estimates

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

6. Prepaid Items

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

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

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

7. Capital Assets

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-40
Utility plants and buildings in service	25-40
Infrastructure	25
Machinery, equipment, and vehicles	5-10
Equipment, furniture, and fixtures	5-10

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

8. Compensated Absences

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

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

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

9. Pensions

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

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

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

11. Long-term Obligations

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

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

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

12. Fund Balance

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

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

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

13. Deferred Outflows/Inflows of Resources

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

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

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

14. Net Position

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

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

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

Note 2-Deposits and Investments:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 2-Deposits and Investments: (Continued)

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

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

Investment Maturities (in years)			
Investment Type	Fair Value	1 Year	1-5 Years
LGIP	\$ 29,605	\$ 29,605	\$ -

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments at June 30, 2021 were held in the Town's name by the Town's custodial bank.

Credit Risk of Debt Securities: The Town's rated debt investments as of June 30, 2021 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

Town's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
LGIP	\$ 29,605

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 3-Due from Other Governmental Units:

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

	<u>Governmental Activities</u>
<u>Commonwealth of Virginia:</u>	
Categorical aid	22,530
Noncategorical aid	\$ 1,728
	<hr/>
Total	\$ 24,258
	<hr/>

Note 4-Interfund Activity:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 18,468
Water and Sewer Fund	18,468	-
Total	<hr/> \$ 18,468	<hr/> \$ 18,468

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

As of June 30, 2021, there were no interfund obligations.

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TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 5-Long-term Obligations:

Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2021:

	Balance July 1, 2020	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2021
Direct borrowings and placements -				
Bond payable	\$ 279,649	\$ -	\$ (15,992)	\$ 263,657
Note payable	257,176	-	(257,176)	-
Capital lease	79,936	-	(32,891)	47,045
Compensated absences	157,920	189,719	(118,440)	229,199
Net pension liability	-	645,275	(393,764)	251,511
Net OPEB liabilities	2,347,668	985,921	(1,094,388)	2,239,201
Total	\$ 3,122,349	\$ 1,820,915	\$ (1,912,651)	\$ 3,030,613

For governmental activities, the above long-term obligations are generally liquidated in the General Fund.

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

Year Ending June 30,	Direct Borrowings and Placements	
	Principal	Interest
2022	\$ 16,175	\$ 10,943
2023	16,880	10,239
2024	17,615	9,504
2025	18,382	8,737
2026	19,182	7,936
2027-2031	109,191	26,402
2032-2034	66,232	6,085
Totals	\$ 263,657	\$ 79,846

TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 5-Long-term Obligations: (Continued)

Governmental Activities Obligations: (Continued)

Details of long-term obligations:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
Direct Borrowings and Placements:						
Bond Payable	4.27%	2019	2034	\$ 300,000	\$ 263,657	\$ 16,175
Total Direct Borrowings and Placements					\$ 263,657	\$ 16,175
Other Obligations:						
Capital Lease	2.75%	2018	2023	150,000	\$ 47,045	\$ 31,173
Compensated Absences	n/a	n/a	n/a	n/a	229,199	171,899
Net Pension Liability	n/a	n/a	n/a	n/a	251,511	-
Net OPEB Liabilities	n/a	n/a	n/a	n/a	2,239,201	-
Total other obligations					\$ 2,766,956	\$ 203,072
Total long-term obligations					\$ 3,030,613	\$ 219,247

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

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TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 5-Long-term Obligations: (Continued)

Business-type Activities Obligations:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2021:

	Balance July 1, 2020	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2021
Direct Borrowings and Placements -				
Revenue bonds	\$ 1,315,148	\$ -	\$ (40,585)	\$ 1,274,563
GO bonds and notes	2,654,084	482,133	(652,337)	2,483,880
Compensated absences	71,787	74,681	(53,840)	92,628
Net pension liability	-	189,322	(119,272)	70,050
Net OPEB liability	493,591	158,809	(146,010)	506,390
Total	\$ 4,534,610	\$ 904,945	\$ (1,012,044)	\$ 4,427,511

For the Enterprise Fund, the above long-term obligations are generally liquidated from the Water and Sewer Fund.

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

Year Ending June 30,	Direct Borrowings and Placements	
	Principal	Interest
2022	\$ 230,757	\$ 77,704
2023	234,880	73,581
2024	239,093	69,368
2025	243,397	65,064
2026	247,797	60,665
2027-2031	1,302,388	233,887
2032-2036	514,558	136,837
2037-2041	561,243	70,795
2042-2044	184,330	8,078
Totals	\$ 3,758,443	\$ 795,979

TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 5-Long-term Obligations: (Continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Direct Borrowings and Placements:						
Revenue Bond-Rural Development	3.25%	2003	2043	\$ 1,800,000	\$ 1,274,563	\$ 41,266
General Obligation Bonds:						
Virginia Resources Authority	2.25%	2015	2046	518,022	415,296	14,775
Virginia Resources Authority	2.25%	2015	2046	108,598	70,947	3,540
Virginia Resources Authority	1.55%	2013	2034	2,988,696	1,633,548	152,845
Virginia Resources Authority ¹	0.00%	2021	2046	458,287	364,089	18,331
Total direct borrowings and placements					\$ 3,758,443	\$ 230,757
Other Obligations:						
Net OPEB Liability	n/a	n/a	n/a	n/a	\$ 506,390	\$ -
Net Pension Liability	n/a	n/a	n/a	n/a	70,050	-
Compensated Absences	n/a	n/a	n/a	n/a	92,628	69,472
Total other obligations					\$ 669,068	\$ 69,472
Total long-term obligations					\$ 4,427,511	\$ 300,229

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

¹ As of June 30, 2021, only \$364,089 has been drawn down on this loan.

If an event of default occurs with VRA bonds, the principal of the bond(s) may be declared immediately due and payable to the register owner of the bond(s) by written notice to the Authority.

Arbitrage Rebate Compliance:

As of June 30, 2021 and for the year then ended, the Town was not liable for any amounts due under current rules governing arbitrage earnings.

Debt Purpose:

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

TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 6-Line of Credit:

Governmental Activities Obligations:

On June 19, 2019, the Town entered into a \$350,000 line of credit with New Peoples Bank, Inc. with an interest rate of 4.25% to cover cash shortfalls. During the year, the Town had issuances and payments as detailed below.

On March 22, 2018, the Town entered into a \$400,000 line of credit with National Bank with variable interest rate, 4.5% during the fiscal year, to cover cash shortfalls during the year. During the year, the Town had issuances and payments as detailed below:

	Balance July 1, 2020	Issuances	Retirements	Balance June 30, 2021
National Bank LOC	\$ -	\$ 260,027	\$ (260,027)	\$ -
New Peoples Bank LOC	-	202,864	(202,864)	-
Total	<u>\$ -</u>	<u>\$ 462,891</u>	<u>\$ (462,891)</u>	<u>\$ -</u>

Note 7-Capital Lease:

The Town has entered into a capital lease to purchase a garbage truck. This lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of future minimum lease payments as of the inception date.

Total capital asset acquired through the capital lease is as follows:

Garbage truck	<u>\$ 141,414</u>
Total capital asset	\$ 141,414
Accumulated Depreciation	<u>(50,677)</u>
Net Book Value of Capital Asset	<u>\$ 90,737</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 7-Capital Lease: (Continued)

Present value of future minimum lease payments:

Year Ending June 30,	Capital Leases
2022	\$ 32,144
2023	16,038
Total minimum lease payments	\$ 48,182
Less: amount representing interest	(1,137)
Present value of future minimum lease payments	<u>\$ 47,045</u>

Note 8-Pension Plan:***Plan Description***

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

Benefit Structures

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 8-Pension Plan: (Continued)

Benefit Structures (Continued)

- b. Employees with a membership date from July 1, 2010 to December 31, 2023, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 8-Pension Plan: (Continued)***Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits***

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

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	39
Inactive members:	
Vested inactive members	6
Non-vested inactive members	25
Inactive members active elsewhere in VRS	<u>31</u>
Total inactive members	62
Active members	<u>66</u>
Total covered employees	<u><u>167</u></u>

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2021 was 7.40% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 8-Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$174,818 and \$71,228 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. The Town's net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions - General Employees

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

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

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

Mortality rates:

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related
Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 8-Pension Plan: (Continued)**Actuarial Assumptions - General Employees (Continued)**

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 8-Pension Plan: (Continued)

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

Mortality rates:

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

Pre-Retirement:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 8-Pension Plan: (Continued)***Long-Term Expected Rate of Return***

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

<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	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		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 19, 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%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 8-Pension Plan: (Continued)**Discount Rate**

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances at June 30, 2019	\$ 7,015,043	\$ 7,192,356	\$ (177,313)
Changes for the year:			
Service cost	\$ 210,799	\$ -	\$ 210,799
Interest	463,326	-	463,326
Differences between expected and actual experience	146,038	-	146,038
Contributions - employer	-	71,228	(71,228)
Contributions - employee	-	117,521	(117,521)
Net investment income	-	137,373	(137,373)
Benefit payments, including refunds of employee contributions	(301,920)	(301,920)	-
Administrative expenses	-	(4,670)	4,670
Other changes	-	(163)	163
Net changes	\$ 518,243	\$ 19,369	\$ 498,874
Balances at June 30, 2020	\$ 7,533,286	\$ 7,211,725	\$ 321,561

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 8-Pension Plan: (Continued)***Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate***

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

	Rate		
	1% Decrease (5.75%)	Discount (6.75%)	1% Increase (7.75%)
Town's			
Net Pension Liability (Asset)	\$ 1,254,630	\$ 321,561	\$ (453,362)

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

For the year ended June 30, 2021, the Town recognized pension expense of \$255,855. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 152,200	\$ 12,732
Change in assumptions	73,278	-
Change in proportionate shares	6,163	6,163
Net difference between projected and actual earnings on pension plan investments	215,871	-
Employer contributions subsequent to the measurement date	174,818	-
Total	\$ 622,330	\$ 18,895

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 8-Pension Plan: (Continued)

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

\$174,818 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>		
2022	\$	144,383
2023		131,961
2024		83,449
2025		68,824
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.

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TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 9-Capital Assets:

Capital asset activity for the year ended June 30, 2021 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,401,366	\$ 300,000	\$ -	\$ 2,701,366
Construction in progress	-	33,981	-	33,981
Total capital assets not being depreciated	<u>\$ 2,401,366</u>	<u>\$ 333,981</u>	<u>\$ -</u>	<u>\$ 2,735,347</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,845,349	\$ 62,430	\$ -	\$ 2,907,779
Infrastructure	4,719,299	-	-	4,719,299
Vehicles	2,598,452	107,461	-	2,705,913
Equipment, furniture, and fixtures	1,308,437	-	-	1,308,437
Total capital assets being depreciated	<u>\$11,471,537</u>	<u>\$ 169,891</u>	<u>\$ -</u>	<u>\$ 11,641,428</u>
Accumulated depreciation:				
Buildings and improvements	\$ (1,222,000)	\$ (69,568)	\$ -	\$ (1,291,568)
Infrastructure	(879,045)	(188,514)	-	(1,067,559)
Vehicles	(2,041,045)	(129,733)	-	(2,170,778)
Equipment, furniture, and fixtures	(810,351)	(97,485)	-	(907,836)
Total accumulated depreciation	<u>\$ (4,952,441)</u>	<u>\$ (485,300)</u>	<u>\$ -</u>	<u>\$ (5,437,741)</u>
Total capital assets being depreciated, net	<u>\$ 6,519,096</u>	<u>\$ (315,409)</u>	<u>\$ -</u>	<u>\$ 6,203,687</u>
Governmental activities capital assets, net	<u>\$ 8,920,462</u>	<u>\$ 18,572</u>	<u>\$ -</u>	<u>\$ 8,939,034</u>

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TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 9-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 21,581	\$ -	\$ -	\$ 21,581
Construction in progress	996,011	154,556	(462,389)	688,178
Total capital assets not being depreciated	<u>\$ 1,017,592</u>	<u>\$ 154,556</u>	<u>\$ (462,389)</u>	<u>\$ 709,759</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 800,797	\$ -	\$ -	\$ 800,797
Utility plant and buildings in service	16,808,083	462,389	-	17,270,472
Total capital assets being depreciated	<u>\$ 17,608,880</u>	<u>\$ 462,389</u>	<u>\$ -</u>	<u>\$ 18,071,269</u>
Accumulated depreciation:				
Machinery and equipment	\$ (643,328)	\$ (43,217)	\$ -	\$ (686,545)
Utility plant and buildings in service	(8,940,119)	(368,436)	-	(9,308,555)
Total accumulated depreciation	<u>\$ (9,583,447)</u>	<u>\$ (411,653)</u>	<u>\$ -</u>	<u>\$ (9,995,100)</u>
Total capital assets being depreciated, net	<u>\$ 8,025,433</u>	<u>\$ 50,736</u>	<u>\$ -</u>	<u>\$ 8,076,169</u>
Business-type activities capital assets, net	<u>\$ 9,043,025</u>	<u>\$ 205,292</u>	<u>\$ (462,389)</u>	<u>\$ 8,785,928</u>

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

Governmental activities:	
General government administration	\$ 34,363
Public safety	154,438
Public works	243,637
Parks, recreation, and cultural	<u>52,862</u>
Total depreciation expense - governmental activities	<u>\$ 485,300</u>
Business type activities:	
Water and sewer	<u>\$ 411,653</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 10-Risk Management:

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

Note 11-Aggregate OPEB Information:

The following is a summary of deferred outflows, deferred inflows, net OPEB liabilities, and OPEB expense for the year ended June 30, 2021.

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
Other Postemployment Benefits - Health Insurance (Note 12)	\$ 217,865	\$ 541,773	\$ 2,038,715	\$ 315,406
Line of Duty Act (LODA) Program (Note 13)	<u>509,863</u>	<u>215,266</u>	<u>706,876</u>	<u>93,823</u>
Totals	<u>\$ 727,728</u>	<u>\$ 757,039</u>	<u>\$ 2,745,591</u>	<u>\$ 409,229</u>

Note 12-Other Postemployment Benefits - Health Insurance:***Plan Description***

In addition to the pension benefits described in Note 8, the Town administers a single-employer defined benefit healthcare plan, The Town of Tazewell OPEB Plan. Participants must meet eligibility requirements based on service earned with the Town to be eligible to receive benefits upon retirement. Only participants who retire directly from active service are eligible for the OPEB as follows:

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

The plan does not issue a publicly available financial report.

Benefits Provided

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 12-Other Postemployment Benefits - Health Insurance: (Continued)

Plan Membership

At June 30, 2021 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	71
Total retirees and spouses with coverage	<u>7</u>
Total	<u>78</u>

Contributions

The Town does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Town. The amount paid by the Town for OPEB as the benefits came due during the year ended June 30, 2021 was \$105,033.

Total OPEB Liability

The Town's total OPEB liability was measured as of June 30, 2021. The total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate - A 2.16% discount rate was used for measuring the plan's June 30, 2021 total OPEB liability. This assumption is similar to yields implied by theoretical 20-year general obligation bond indices as of June 30, 2021. (This compares to the 2.21% discount rate used to measure the plan's June 30, 2020 total OPEB liability.)

Inflation Rate - 2.50% annual rate of inflation.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 12-Other Postemployment Benefits - Health Insurance: (Continued)

Actuarial Assumptions (Continued)

Mortality Rates-General Employees - The pre-retirement mortality rates are based on 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. 35% of deaths are assumed to be service-related. The post-retirement mortality rates are based on 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% increased compounded from ages 70 to 90; females set forward 3 years. The post-disablement mortality rates are based on RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males are set forward 2 years; unisex using 100% male.

Mortality Rates-Public Safety - The pre-retirement mortality rates are based on 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. 35% of deaths are assumed to be service-related. The post-retirement mortality rates are based on 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% increased compounded from ages 70 to 90; females set forward 3 years. The post-disablement mortality rates are based on RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males are set forward 2 years; unisex using 100% male.

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

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

Healthcare Trend Assumption - The healthcare trend rate assumption starts at 4.80% decreasing to 4.00% over 53 years.

The date of the most recent actuarial experience study for which significant assumptions were based on actual experience over the four-year period ending June 30, 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 12-Other Postemployment Benefits - Health Insurance: (Continued)

Changes in Total OPEB Liability

		Primary Government Total OPEB Liability
Balances at June 30, 2020	\$	2,265,801
Changes for the year:		
Service cost		305,088
Interest		55,662
Effect of economic/demographic gains or losses		(441,109)
Effect of assumptions changes or inputs		(41,694)
Benefit payments		(105,033)
Net changes		(227,086)
Balances at June 30, 2021	\$	<u>2,038,715</u>

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

The following presents the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.16%) or one percentage point higher (2.16%) than the current discount rate:

Rate		
1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (4.16%)
\$ 2,198,126	\$ 2,038,715	\$ 1,889,465

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

The following presents the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.60% decreasing ultimate rate of 3.20%) or one percentage point higher (6.60% decreasing ultimate rate of 5.20%) than the current healthcare cost trend rates:

Rates		
Healthcare Cost		
1% Decrease (3.80% decreasing to 3.00%)	Trend (4.80% decreasing to 4.00%)	1% Increase (5.80% decreasing to 3.00%)
\$ 1,752,246	\$ 2,038,715	\$ 2,386,132

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 12-Other Postemployment Benefits - Health Insurance: (Continued)***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources***

For the year ended June 30, 2021, the Town recognized OPEB expense in the amount of \$315,406. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 376,240
Changes in assumptions	111,232	58,900
Change in proportionate shares	106,633	106,633
Total	\$ <u>217,865</u>	\$ <u>541,773</u>

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

Year Ended June 30

2022	\$ (45,344)
2023	(45,344)
2024	(45,344)
2025	(60,073)
2026	(71,000)
Thereafter	(56,803)

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

Note 13-Line of Duty Act (LODA) Program:***Plan Description***

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System). Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 13-Line of Duty Act (LODA) Program: (Continued)

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

Eligible Employees

All paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program.

Benefit Amounts

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date; or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by LODA.

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2021 was \$717.31 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$25,465 and \$22,937 for the years ended June 30, 2021 and June 30, 2020, respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 13-Line of Duty Act (LODA) Program: (Continued)***LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB***

At June 30, 2021, the entity reported a liability of \$706,876 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2020 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2020, the entity's proportion was 0.16880% as compared to 0.16039% at June 30, 2019.

For the year ended June 30, 2021, the entity recognized LODA OPEB expense of \$93,823. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 75,036	\$ 96,370
Net difference between projected and actual earnings on LODA OPEB plan investments	-	1,005
Change in assumptions	189,236	44,049
Change in proportion	220,126	73,842
Employer contributions subsequent to the measurement date	<u>25,465</u>	<u>-</u>
Total	\$ <u>509,863</u>	\$ <u>215,266</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 13-Line of Duty Act (LODA) Program: (Continued)

\$25,465 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year Ended June 30

2022	\$	45,671
2023		45,856
2024		46,054
2025		46,113
2026		46,175
Thereafter		39,263

Actuarial Assumptions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 13-Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 13-Line of Duty Act (LODA) Program: (Continued)***Net LODA OPEB Liability***

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

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

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

Long-Term Expected Rate of Return

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

Discount Rate

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 13-Line of Duty Act (LODA) Program: (Continued)***Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate***

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

	Discount Rate		
	1% Decrease (1.21%)	Current (2.21%)	1% Increase (3.21%)
Town's proportionate share of the total LODA Net OPEB Liability	\$ 839,053	\$ 706,876	\$ 607,245

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

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

	Health Care Trend Rates		
	1% Decrease (6.00% decreasing to 3.75%)	Current (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Town's proportionate share of the LODA Net OPEB Liability	\$ 584,256	\$ 706,876	\$ 867,262

LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 14-Deferred/ Unavailable Revenue:

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

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 69,235
Prepaid property taxes due after June 30 but paid in advance by taxpayers	24,669	24,669
	\$ <u>24,669</u>	\$ <u>93,904</u>

Note 15-Unearned Revenue:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Town had unearned revenue of total \$2,161,270 which is comprised of unspent Coronavirus Relief funds of \$13,092 and unspent American Rescue Plan Act funds of \$2,148,178.

The enterprise fund reports unearned revenue in connection with receipt of capital assets from the sale of capacity rights to the Town's sewer treatment plant. Revenue is recognized over the term of the agreement. During the year ended June 30, 2020, \$36,507 of revenue was recognized under this agreement. At June 30, 2021, the Town had \$1,031,323 in unearned revenue under this agreement.

Note 16-Contingencies:**Tazewell County Gymnasium Lease**

In January 2007, the Town entered a 40 year lease agreement with Tazewell County for the Old Junior High School Gymnasium for recreational purposes with annual rent of \$1. Pursuant to the terms of the lease, the Town agreed to assume and pay the expenses related to utilities, repairs, maintenance, or renovation costs, all taxes associated with the building, and hazard insurance premiums on the property.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 16-Contingencies: (Continued)

American Legion Building Lease

In May 2007, the Town entered a 40 year lease agreement with American Legion Post #133 for the American Legion Building with annual rent of \$1. Pursuant to the terms of the lease, the Town agreed to assume and pay the expenses related to utilities, repairs, maintenance, or renovation costs, all taxes associated with the building, and hazard insurance premiums on the property.

These assets are being depreciated over 25 years and are included in the governmental activities, buildings and improvements line.

Grants

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

Note 17-Commitments:

At June 30, 2021, the Town had no outstanding construction commitments.

Note 18-Litigation:

As of 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 on pending matters not be favorable.

Note 19-Service Contract:

Effective September 1996, the Town entered into an agreement with the Tazewell County Public Service Authority (the "PSA") to purchase water for a forty year period at which time the agreement may be renewed in additional five year increments. The Town also conveyed its water treatment plant to the PSA as part of the agreement. For 2021, the Town paid approximately \$650,000 to the PSA for water.

Note 20-Sewer Treatment Capacity:

During 2010, the Town entered into an agreement with the PSA whereby the Town allocated 40% of its sewer treatment plant capacity to the PSA in exchange for water lines valued at \$637,000 and a note receivable for \$750,266. The note has a term of 30 years, an annual interest rate of 4.07%, and monthly payments of \$3,612 which began in 2012. For the year ending June 30, 2021, principal payments on the loan totaled \$18,655 and the balance due at year end was \$597,230.

The PSA will also pay a monthly Treatment and Disposal Volume Charge determined by the Town's total direct and indirect costs to maintain the facility and the number of gallons discharged into the facility by the PSA. Any unexpected capital expenditures along with necessary maintenance, repairs, replacements, or upgrades, of any sanitary sewer lines used to transport the PSA's flow into the facility will be paid by both parties based on their respective capacities in the facility. Both parties will each contribute \$500, \$1,000 in total, per month to a capital reserve fund not to exceed \$50,000 to assist with unexpected capital expenditures.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 20-Sewer Treatment Capacity: (Continued)

In addition, under this agreement, an annual true up of the volume charges to the PSA for wastewater and treatment and disposal charges will be calculated based on the Town's actual expenses incurred for the preceding fiscal year. The Town's policy is to recognize revenue for this true up in the year calculated and billed.

Note 21-Restricted Net Position/Fund Balance:

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

Purpose	Amount
North Tazewell Train Station	\$ 3,031
Fire Program Funds	45,009
Scholarship Fund	12,170
Total	<u>\$ 60,210</u>

Note 22-Jointly Constructed Asset:

The Town entered into an agreement with the Tazewell County Public Service Authority for the joint construction of a water tank. Terms of the agreement require the Town to make payments to the PSA equal to the debt service on their prorated share of the asset (water tank). As of June 30, 2021, this asset was complete. An asset of \$462,389 has been recorded in the accompanying financial statements. In addition, this amount has been reported as an amount due to the Tazewell County PSA for the Town's share of the related liability.

Note 23-Restatement of Beginning Balances:

The financial statements have been restated to correct receivables and payables related to agreements with Tazewell County PSA as follows:

	Net Position	
	Water Fund	Enterprise Fund
Beginning Balance, as previously stated	\$ 736,674	\$ 3,910,964
Correction of receivables and payables	(73,629)	(73,629)
Beginning Balance, as restated	<u>\$ 663,045</u>	<u>\$ 3,837,335</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 24-Pandemic Funding and Subsequent Event:

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

CARES Act Funding

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic, which included direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF).

The Town received total CRF funding of \$294,191 from the County of Tazewell, Virginia. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021 will be returned to the County of Tazewell, Virginia. Unspent CRF funds in the amount of \$13,092 are reported as unearned revenue as of June 30.

ARPA Funding

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

On June 30, 2021, the Town received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$2,148,178 from the initial allocation are reported as unearned revenue as of June 30.

Note 25-Upcoming Pronouncements:

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 25-Upcoming Pronouncements: (Continued)

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

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

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

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

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

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

Required Supplementary Information

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
General property taxes	\$ 889,489	\$ 889,489	\$ 992,901	\$ 103,412
Other local taxes	2,113,095	2,113,095	2,106,602	(6,493)
Permits, privilege fees, and regulatory licenses	1,200	1,500	14,286	12,786
Fines and forfeitures	32,500	32,500	33,900	1,400
Revenue from the use of money and property	11,000	11,000	12,334	1,334
Charges for services	1,964,250	1,965,050	1,768,083	(196,967)
Miscellaneous	67,747	88,747	416,795	328,048
Intergovernmental	1,339,752	1,599,943	1,657,967	58,024
Total revenues	<u>\$ 6,419,033</u>	<u>\$ 6,701,324</u>	<u>\$ 7,002,868</u>	<u>\$ 301,544</u>
EXPENDITURES				
Current:				
General government administration	\$ 738,969	\$ 805,860	\$ 790,036	\$ 15,824
Public safety	2,762,328	2,748,055	2,827,506	(79,451)
Public works	1,622,312	1,824,823	1,833,781	(8,958)
Parks, recreation, and cultural	671,009	702,698	411,379	291,319
Community development	75,900	85,900	164,951	(79,051)
Capital projects	210,831	177,836	380,732	(202,896)
Debt service:				
Principal retirement	303,448	303,448	306,059	(2,611)
Interest and other fiscal charges	30,149	30,149	34,549	(4,400)
Total expenditures	<u>\$ 6,414,946</u>	<u>\$ 6,678,769</u>	<u>\$ 6,748,993</u>	<u>\$ (70,224)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 4,087</u>	<u>\$ 22,555</u>	<u>\$ 253,875</u>	<u>\$ 231,320</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (4,087)	\$ (22,555)	\$ -	\$ 22,555
Total other financing sources (uses)	<u>\$ (4,087)</u>	<u>\$ (22,555)</u>	<u>\$ -</u>	<u>\$ 22,555</u>
Net change in fund balances	\$ -	\$ -	\$ 253,875	\$ 253,875
Fund balances - beginning	-	-	290,238	290,238
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 544,113</u>	<u>\$ 544,113</u>

Town of Tazewell, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Pension Plan
For the Measurement Dates June 30, 2014 through June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 210,799	\$ 179,383	\$ 184,641	\$ 182,645	\$ 162,448	\$ 159,244	\$ 159,643
Interest	463,376	434,836	420,207	428,414	395,660	387,474	368,277
Changes in benefit terms	-	-	-	-	(37,298)	-	-
Changes of assumptions	-	197,476	-	(110,726)	-	-	-
Differences between expected and actual experience	146,038	138,453	(90,679)	(297,667)	262,365	(105,444)	-
Net investment income	-	-	-	-	(279,932)	(315,859)	-
Benefit payments	(301,920)	(294,086)	(316,276)	(323,549)	(27,049)	(25,830)	(165,664)
Net change in total pension liability	\$ 518,243	\$ 656,062	\$ 197,893	\$ (120,883)	\$ 476,194	\$ 99,585	\$ 362,256
Total pension liability - beginning	7,015,043	6,358,981	6,161,088	6,281,971	5,805,777	5,706,192	5,343,936
Total pension liability - ending (a)	\$ 7,533,286	\$ 7,015,043	\$ 6,358,981	\$ 6,161,088	\$ 6,281,971	\$ 5,805,777	\$ 5,706,192
Plan fiduciary net position							
Contributions - employer	\$ 71,228	\$ 67,114	\$ 114,662	\$ 117,604	\$ 101,017	\$ 93,319	\$ 98,541
Contributions - employee	117,521	107,970	101,599	102,534	86,660	79,627	82,807
Net investment income	137,373	454,839	477,130	715,290	100,250	261,411	793,580
Benefit payments	(301,920)	(294,086)	(316,276)	(323,549)	(306,981)	(341,689)	(165,664)
Administrator charges	(4,670)	(4,513)	(4,113)	(4,153)	(3,678)	(3,700)	(4,222)
Other	(163)	(287)	(426)	(634)	(43)	(55)	42
Net change in plan fiduciary net position	\$ 19,369	\$ 331,037	\$ 372,576	\$ 607,092	\$ (22,775)	\$ 88,913	\$ 805,084
Plan fiduciary net position - beginning	7,192,356	6,861,319	6,488,743	5,881,651	5,904,426	5,815,513	5,010,429
Plan fiduciary net position - ending (b)	\$ 7,211,725	\$ 7,192,356	\$ 6,861,319	\$ 6,488,743	\$ 5,881,651	\$ 5,904,426	\$ 5,815,513
Town's net pension liability (asset) - ending (a) - (b)	\$ 321,561	\$ (177,313)	\$ (502,338)	\$ (327,655)	\$ 400,320	\$ (98,649)	\$ (109,321)
Plan fiduciary net position as a percentage of the total pension liability (asset)	95.73%	102.53%	107.90%	105.32%	93.63%	101.70%	101.92%
Covered payroll							
\$	2,516,152	2,286,698	2,128,304	2,165,434	1,813,465	1,631,896	1,631,896
Town's net pension liability (asset) as a percentage of covered payroll	12.78%	-7.75%	-23.60%	-15.13%	22.07%	-6.05%	-6.70%

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

Town of Tazewell, Virginia
Schedule of Employer Contributions - Pension Plan
For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2021	\$ 174,818	\$ 174,818	\$ -	\$ 2,595,131	6.74%
2020	71,228	71,228	-	2,516,152	2.83%
2019	67,114	67,114	-	2,286,698	2.93%
2018	114,662	114,662	-	2,128,304	5.39%
2017	117,604	117,604	-	2,165,434	5.43%
2016	101,017	101,017	-	1,813,465	5.57%
2015	93,319	93,319	-	1,631,896	5.72%
2014	98,540	98,540	-	1,656,141	5.95%
2013	97,652	97,652	-	1,641,208	5.95%
2012	41,798	41,798	-	1,498,139	2.79%
			-		

Current year contributions are from the Town records and prior year contributions are from the VRS actuarial valuation performed each year.

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Town of Tazewell, Virginia
Schedule of Changes in Total OPEB Liability and Related Ratios - Health Insurance
For the Measurement Dates June 30, 2019 through June 30, 2021

	2021		2020		2019
Total OPEB liability					
Service cost	\$ 305,088	\$	208,213	\$	191,769
Interest	55,662		75,110		75,837
Effect of economic/demographic gains or losses	(441,109)		-		-
Effect of assumptions changes or inputs	(41,694)		129,562		53,071
Benefit payments	(105,033)		(168,278)		(133,386)
Net change in total OPEB liability	\$ (227,086)	\$	244,607	\$	187,291
Total OPEB liability - beginning	2,265,801		2,021,194		1,833,903
Total OPEB liability - ending	\$ 2,038,715	\$	2,265,801	\$	2,021,194
 Covered employee payroll	 \$ 2,532,012	\$	 2,781,543	\$	 2,135,889
 Town total OPEB liability (asset) as a percentage of covered payroll	 80.52%		 81.46%		 94.63%

Town of Tazewell, Virginia
Notes to Required Supplementary Information - Health Insurance OPEB
For the Year Ended June 30, 2021

Valuation Date: 7/1/2020
Measurement Date: 6/30/2021

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	2.21% as of June 30, 2020; 2.16% as of June 30, 2021
Inflation	2.50% per year as of June 30, 2020; 2.50% per year as of June 30, 2021
Healthcare Trend Rate	The healthcare trend rate assumption starts at 4.80% decreasing to 4.00% over 53 years
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Mortality Rates-General Employees	The pre-retirement mortality rates are based on 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. 35% of deaths are assumed to be service-related. The post-retirement mortality rates are based on 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% increased compounded from ages 70 to 90; females set forward 3 years. The post-disablement mortality rates are based on RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males are set forward 2 years; unisex using 100% male.
Mortality Rates-Public Safety	The pre-retirement mortality rates are based on 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. 35% of deaths are assumed to be service-related. The post-retirement mortality rates are based on 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% increased compounded from ages 70 to 90; females set forward 3 years. The post-disablement mortality rates are based on RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males are set forward 2 years; unisex using 100% male.

Town of Tazewell, Virginia
Schedule of Employer's Share of Net LODA OPEB Liability
Line of Duty Act (LODA) Program
For the Measurement Dates of June 30, 2017 through June 30, 2020

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

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

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

Town of Tazewell, Virginia
Schedule of Employer Contributions
Line of Duty Act (LODA) Program
For the Years Ended June 30, 2017 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2021	\$ 25,465	\$ 25,465	\$ -	\$ N/A	N/A
2020	22,937	22,937	-	N/A	N/A
2019	21,526	21,526	-	N/A	N/A
2018	19,149	19,149	-	N/A	N/A
2017	20,993	20,993	-	N/A	N/A

*The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

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

Town of Tazewell, Virginia
Notes to Required Supplementary Information
Line of Duty Act (LODA) Program
For the Year Ended June 30, 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 results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Other Supplementary Information

Town of Tazewell, Virginia
Combining Statement of Net Position
Proprietary Fund
At June 30, 2021

	Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 443,528	\$ 187,084	\$ 630,612
Accounts receivable, net of allowances for uncollectibles	170,613	188,797	359,410
Prepaid items	894	417	1,311
Note receivable, current portion	-	19,398	19,398
Total current assets	<u>\$ 615,035</u>	<u>\$ 395,696</u>	<u>\$ 1,010,731</u>
Noncurrent assets:			
Note receivable, net of current portion	\$ -	\$ 577,832	\$ 577,832
Capital assets:			
Land	-	21,581	21,581
Utility plant and buildings in service	6,483,203	10,787,269	17,270,472
Machinery and equipment	345,018	455,779	800,797
Accumulated depreciation	(3,858,180)	(6,136,920)	(9,995,100)
Construction in progress	15,641	672,537	688,178
Net capital assets	<u>\$ 2,985,682</u>	<u>\$ 5,800,246</u>	<u>\$ 8,785,928</u>
Total noncurrent assets	<u>\$ 2,985,682</u>	<u>\$ 6,378,078</u>	<u>\$ 9,363,760</u>
Total assets	<u>\$ 3,600,717</u>	<u>\$ 6,773,774</u>	<u>\$ 10,374,491</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 51,534	\$ 98,024	\$ 149,558
OPEB related items	37,853	44,506	82,359
Total deferred outflows of resources	<u>\$ 89,387</u>	<u>\$ 142,530</u>	<u>\$ 231,917</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 191,628	\$ 11,697	\$ 203,325
Accrued payroll and related liabilities	17,140	27,272	44,412
Customers' deposits	140,036	-	140,036
Accrued interest payable	3,848	6,260	10,108
Amount due to Tazewell PSA	438,589	-	438,589
Unearned revenue	-	1,031,323	1,031,323
General obligation bonds and notes - current portion	36,646	152,845	189,491
Revenue bonds payable - current portion	41,266	-	41,266
Compensated absences - current portion	26,289	43,183	69,472
Total current liabilities	<u>\$ 895,442</u>	<u>\$ 1,272,580</u>	<u>\$ 2,168,022</u>
Noncurrent liabilities:			
General obligation bonds and notes - net of current portion	\$ 449,598	\$ 1,844,791	\$ 2,294,389
Revenue bonds payable - net of current portion	1,233,297	-	1,233,297
Compensated absences - net of current portion	8,763	14,393	23,156
Net pension liability	22,641	47,409	70,050
Net OPEB liability	186,192	320,198	506,390
Total noncurrent liabilities	<u>\$ 1,900,491</u>	<u>\$ 2,226,791</u>	<u>\$ 4,127,282</u>
Total liabilities	<u>\$ 2,795,933</u>	<u>\$ 3,499,371</u>	<u>\$ 6,295,304</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 1,179	\$ 2,232	\$ 3,411
OPEB related items	75,288	84,699	159,987
Total deferred inflows of resources	<u>\$ 76,467</u>	<u>\$ 86,931</u>	<u>\$ 163,398</u>
NET POSITION			
Net investment in capital assets	\$ 786,286	\$ 3,802,610	\$ 4,588,896
Unrestricted	31,418	(472,608)	(441,190)
Total net position	<u>\$ 817,704</u>	<u>\$ 3,330,002</u>	<u>\$ 4,147,706</u>

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

Town of Tazewell, Virginia
Combining Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2021

	Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Charges for services	\$ 1,784,984	\$ 1,369,690	\$ 3,154,674
Penalties and service charges	-	4,910	4,910
Miscellaneous	21,550	271	21,821
Total operating revenues	<u>\$ 1,806,534</u>	<u>\$ 1,374,871</u>	<u>\$ 3,181,405</u>
OPERATING EXPENSES			
Salaries, wages and fringes	\$ 282,331	\$ 515,333	\$ 797,664
Fringe benefits	107,463	131,549	239,012
Insurance	6,421	6,332	12,753
Office supplies	11,770	7,333	19,103
Postage	5,481	5,523	11,004
Telecommunications	5,283	10,940	16,223
Uniforms	694	5,786	6,480
Training	792	3,972	4,764
Maintenance	118,585	68,002	186,587
Equipment	-	16,979	16,979
Motor fuel and oil	4,310	2,111	6,421
Water works fees	5,803	-	5,803
Wastewater fees	-	9,379	9,379
Supplies	100,281	16,235	116,516
Purchased water	787,854	-	787,854
Utilities	33,375	143,082	176,457
Chemicals	-	97,520	97,520
Miscellaneous	13,795	14,434	28,229
Depreciation	114,497	297,156	411,653
Total operating expenses	<u>\$ 1,598,735</u>	<u>\$ 1,351,666</u>	<u>\$ 2,950,401</u>
Operating income (loss)	<u>\$ 207,799</u>	<u>\$ 23,205</u>	<u>\$ 231,004</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	\$ -	\$ 24,820	\$ 24,820
Bond issuance cost	-	(13,600)	(13,600)
Interest expense	(53,140)	(34,751)	(87,891)
Total nonoperating revenues (expenses)	<u>\$ (53,140)</u>	<u>\$ (23,531)</u>	<u>\$ (76,671)</u>
Income before contributions	<u>\$ 154,659</u>	<u>\$ (326)</u>	<u>\$ 154,333</u>
Contributed capital	-	156,038	156,038
Change in net position	<u>\$ 154,659</u>	<u>\$ 155,712</u>	<u>\$ 310,371</u>
Total net position - beginning, as restated	663,045	3,174,290	3,837,335
Total net position - ending	<u>\$ 817,704</u>	<u>\$ 3,330,002</u>	<u>\$ 4,147,706</u>

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

Supporting Schedules

Town of Tazewell, Virginia
Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2021

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 738,789	\$ 738,789	\$ 753,367	\$ 14,578
Personal property taxes	125,700	125,700	194,947	69,247
Penalties and Interest	25,000	25,000	44,587	19,587
Total general property taxes	<u>\$ 889,489</u>	<u>\$ 889,489</u>	<u>\$ 992,901</u>	<u>\$ 103,412</u>
Other local taxes:				
Local sales and use taxes	\$ 298,000	\$ 298,000	\$ 348,082	\$ 50,082
Public service utility tax	35,000	35,000	58,430	23,430
Meals tax	905,000	905,000	901,577	(3,423)
Cigarette tax	293,333	293,333	211,864	(81,469)
Transient occupancy tax	16,000	16,000	23,442	7,442
Bank stock tax	200,000	200,000	169,979	(30,021)
Business license tax	276,762	276,762	302,471	25,709
Local consumption tax	19,000	19,000	17,628	(1,372)
Motor vehicle licenses	70,000	70,000	73,129	3,129
Total other local taxes	<u>\$ 2,113,095</u>	<u>\$ 2,113,095</u>	<u>\$ 2,106,602</u>	<u>\$ (6,493)</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 1,200	\$ 1,500	\$ 14,286	\$ 12,786
Total permits, privilege fees, and regulatory licenses	<u>\$ 1,200</u>	<u>\$ 1,500</u>	<u>\$ 14,286</u>	<u>\$ 12,786</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,000	\$ 30,000	\$ 32,495	\$ 2,495
Parking fines	2,500	2,500	1,405	(1,095)
Total fines and forfeitures	<u>\$ 32,500</u>	<u>\$ 32,500</u>	<u>\$ 33,900</u>	<u>\$ 1,400</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 3,000	\$ 3,000	\$ 39	\$ (2,961)
Revenue from use of property	8,000	8,000	12,295	4,295
Total revenue from use of money and property	<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>\$ 12,334</u>	<u>\$ 1,334</u>
Charges for services:				
Refuse collections	\$ 412,750	\$ 412,750	\$ 402,420	\$ (10,330)
Pool admission	18,000	18,000	28,164	10,164
Youth activities	5,000	5,000	6,200	1,200
Lessons	1,000	1,000	-	(1,000)
Concessions	500	500	1,657	1,157
Pool rentals	3,000	3,000	6,000	3,000
Gym rentals	6,000	6,000	3,052	(2,948)
Shelter rentals	2,500	2,500	2,932	432
Miscellaneous recreation fees	315,500	315,500	48,495	(267,005)
Rescue squad billings	1,200,000	1,200,000	1,254,012	54,012
Property maintenance	-	800	15,151	14,351
Total charges for services	<u>\$ 1,964,250</u>	<u>\$ 1,965,050</u>	<u>\$ 1,768,083</u>	<u>\$ (196,967)</u>
Miscellaneous:				
Donations	\$ 12,747	\$ 12,747	\$ 5,299	\$ (7,448)
Miscellaneous	55,000	76,000	111,496	35,496
Virginia Coalfield Economic Development grant	-	-	100,000	100,000
Comberland Plateau Regional Opportunity program grant	-	-	200,000	200,000
Total miscellaneous	<u>\$ 67,747</u>	<u>\$ 88,747</u>	<u>\$ 416,795</u>	<u>\$ 328,048</u>
Total revenue from local sources	<u>\$ 5,079,281</u>	<u>\$ 5,101,381</u>	<u>\$ 5,344,901</u>	<u>\$ 243,520</u>

Town of Tazewell, Virginia
Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2021

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 22,000	\$ 22,000	\$ 20,280	\$ (1,720)
Rolling stock tax	5,500	5,500	5,730	230
Motor vehicle carriers' tax	1,500	1,500	-	(1,500)
Personal property tax relief funds	54,500	54,500	54,820	320
Game of skills tax	-	24,000	23,472	(528)
Total noncategorical aid	<u>\$ 83,500</u>	<u>\$ 107,500</u>	<u>\$ 104,302</u>	<u>\$ (3,198)</u>
Categorical aid:				
Other categorical aid:				
Street maintenance	\$ 1,100,000	\$ 1,100,000	\$ 1,122,684	\$ 22,684
Litter control grant	2,400	2,400	2,195	(205)
Local law enforcement grant	102,000	102,000	120,891	18,891
Fire program fund grants	16,852	16,852	17,635	783
Total other categorical aid	<u>\$ 1,221,252</u>	<u>\$ 1,221,252</u>	<u>\$ 1,263,405</u>	<u>\$ 42,153</u>
Total categorical aid	<u>\$ 1,221,252</u>	<u>\$ 1,221,252</u>	<u>\$ 1,263,405</u>	<u>\$ 42,153</u>
Total revenue from the Commonwealth	<u>\$ 1,304,752</u>	<u>\$ 1,328,752</u>	<u>\$ 1,367,707</u>	<u>\$ 38,955</u>
Revenue from the federal government:				
Categorical aid:				
COVID-19-coronavirus relief funds	\$ -	\$ 236,191	\$ 281,099	\$ 44,908
Federal police grants	35,000	35,000	7,511	(27,489)
Highway planning and construction grant	-	-	1,650	1,650
Total categorical aid	<u>\$ 35,000</u>	<u>\$ 271,191</u>	<u>\$ 290,260</u>	<u>\$ 19,069</u>
Total revenue from the federal government	<u>\$ 35,000</u>	<u>\$ 271,191</u>	<u>\$ 290,260</u>	<u>\$ 19,069</u>
Total General Fund	<u>\$ 6,419,033</u>	<u>\$ 6,701,324</u>	<u>\$ 7,002,868</u>	<u>\$ 301,544</u>

Town of Tazewell, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2021

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
General and financial administration:				
Town Council	\$ 30,600	\$ 28,800	\$ 28,792	\$ 8
Administration	419,270	528,770	531,963	(3,193)
Treasurer	106,899	106,931	101,238	5,693
Bookkeeping	30,086	30,245	28,682	1,563
Insurance	76,224	58,724	51,047	7,677
Town attorney	75,890	52,390	48,314	4,076
Total general and financial administration	<u>\$ 738,969</u>	<u>\$ 805,860</u>	<u>\$ 790,036</u>	<u>\$ 15,824</u>
Total general government administration	<u>\$ 738,969</u>	<u>\$ 805,860</u>	<u>\$ 790,036</u>	<u>\$ 15,824</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,400,294	\$ 1,354,651	\$ 1,428,579	\$ (73,928)
Total law enforcement and traffic control	<u>\$ 1,400,294</u>	<u>\$ 1,354,651</u>	<u>\$ 1,428,579</u>	<u>\$ (73,928)</u>
Fire and rescue services:				
Fire Department	\$ 84,997	\$ 84,747	\$ 65,983	\$ 18,764
Rescue Squad	1,200,000	1,232,380	1,260,416	(28,036)
Total fire and rescue services	<u>\$ 1,284,997</u>	<u>\$ 1,317,127</u>	<u>\$ 1,326,399</u>	<u>\$ (9,272)</u>
Development services				
Building, planning, zoning, and engineering	\$ 77,037	\$ 76,277	\$ 72,528	\$ 3,749
Total development services	<u>\$ 77,037</u>	<u>\$ 76,277</u>	<u>\$ 72,528</u>	<u>\$ 3,749</u>
Total public safety	<u>\$ 2,762,328</u>	<u>\$ 2,748,055</u>	<u>\$ 2,827,506</u>	<u>\$ (79,451)</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,186,944	\$ 1,388,927	\$ 1,350,710	\$ 38,217
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 1,186,944</u>	<u>\$ 1,388,927</u>	<u>\$ 1,350,710</u>	<u>\$ 38,217</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 206,107	\$ 208,894	\$ 230,737	\$ (21,843)
Total sanitation and waste removal	<u>\$ 206,107</u>	<u>\$ 208,894</u>	<u>\$ 230,737</u>	<u>\$ (21,843)</u>
Maintenance of general buildings and grounds:				
Mowing	\$ 90,792	\$ 90,218	\$ 82,651	\$ 7,567
Total maintenance of general buildings and grounds	<u>\$ 90,792</u>	<u>\$ 90,218</u>	<u>\$ 82,651</u>	<u>\$ 7,567</u>
Maintenance of vehicle and heavy equipment				
Maintenance	\$ 138,469	\$ 136,784	\$ 169,683	\$ (32,899)
Total maintenance of vehicle and heavy equipment	<u>\$ 138,469</u>	<u>\$ 136,784</u>	<u>\$ 169,683</u>	<u>\$ (32,899)</u>
Total public works	<u>\$ 1,622,312</u>	<u>\$ 1,824,823</u>	<u>\$ 1,833,781</u>	<u>\$ (8,958)</u>

Town of Tazewell, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2021

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 642,709	\$ 645,542	\$ 361,324	\$ 284,218
American Legion building	10,300	9,900	8,298	1,602
Mini park	1,000	4,100	7,402	(3,302)
Train depot	17,000	43,156	34,355	8,801
Total parks and recreation	<u>\$ 671,009</u>	<u>\$ 702,698</u>	<u>\$ 411,379</u>	<u>\$ 291,319</u>
Total parks, recreation, and cultural	<u>\$ 671,009</u>	<u>\$ 702,698</u>	<u>\$ 411,379</u>	<u>\$ 291,319</u>
Community development:				
Planning and community development:				
Planning commission	\$ 5,900	\$ 5,900	\$ 6,100	\$ (200)
Community development	70,000	80,000	108,179	(28,179)
Community development - COVID business assistance grants	-	-	47,000	(47,000)
Economic development - incentive payments	-	-	3,036	(3,036)
Community development - Ramey Project	-	-	636	(636)
Total planning and community development	<u>\$ 75,900</u>	<u>\$ 85,900</u>	<u>\$ 164,951</u>	<u>\$ (79,051)</u>
Total community development	<u>\$ 75,900</u>	<u>\$ 85,900</u>	<u>\$ 164,951</u>	<u>\$ (79,051)</u>
Capital projects:				
Capital projects and capital outlays	<u>\$ 210,831</u>	<u>\$ 177,836</u>	<u>\$ 380,732</u>	<u>\$ (202,896)</u>
Total capital projects	<u>\$ 210,831</u>	<u>\$ 177,836</u>	<u>\$ 380,732</u>	<u>\$ (202,896)</u>
Debt service:				
Principal retirement	\$ 303,448	\$ 303,448	\$ 306,059	\$ (2,611)
Interest and other fiscal charges	30,149	30,149	34,549	(4,400)
Total debt service	<u>\$ 333,597</u>	<u>\$ 333,597</u>	<u>\$ 340,608</u>	<u>\$ (7,011)</u>
Total General Fund	<u><u>\$ 6,414,946</u></u>	<u><u>\$ 6,678,769</u></u>	<u><u>\$ 6,748,993</u></u>	<u><u>\$ (70,224)</u></u>

Expenditures of the component unit I/EDA of \$380,187 included above are not subject to appropriation.

Statistical Information

Table 1

Town of Tazewell, Virginia
General Governmental Expenditures by Function
Last Nine Fiscal Years (1)

Fiscal Year	General and Financial Administration	Public Safety	Public Works	Parks, Recreation, and Cultural			Community Development	Capital Outlay	Debt Service	Total
				Recreation,	and Cultural					
2012-13	\$ 708,674	\$ 1,402,518	\$ 1,354,398	\$ 224,035	\$	\$	-	\$ 228,610	\$ 458,402	\$ 4,376,637
2013-14	735,709	1,445,140	1,289,641	342,256			-	479,339	98,449	4,390,534
2014-15	749,359	1,596,981	1,764,012	379,408			-	305,786	61,184	4,856,730
2015-16	846,402	1,961,563	2,379,047	469,937			-	1,112,846	139,807	6,909,602
2016-17	816,425	2,001,069	1,540,952	514,481			-	1,144,011	136,132	6,153,070
2017-18	734,404	1,979,222	1,668,430	424,632			728,597	1,294,386	842,845	7,672,516
2018-19	852,328	2,206,756	1,434,573	523,943			397,942	285,087	62,098	5,762,727
2019-20	716,265	2,678,111	2,529,642	366,764			127,294	126,194	835,450	7,379,720
2020-21	790,036	2,827,506	1,833,781	411,379			164,951	380,732	340,608	6,748,993

(1) Information has only been available for nine years. Restatements have not been applied retroactively.

Table 2

Town of Tazewell, Virginia
General Governmental Revenues by Source
Last Nine Fiscal Years (1)

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

(1) Information has only been available for nine years.

Table 3

Town of Tazewell, Virginia
Computation of Legal Debt Margin
At June 30, 2021

Total assessed value of taxed real property	\$ 276,028,000
Debt limit - 10 percent of total assessed value	27,602,800
Amount of debt applicable to debt limit	<u>(3,758,443)</u>
Legal debt margin	<u>\$ 23,844,357</u>
Total net debt applicable to the limit as percentage of debt limit	13.62%

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Tazewell, Virginia as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Tazewell, Virginia's basic financial statements and have issued our report thereon dated October 7, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Tazewell, Virginia's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Tazewell, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Tazewell, Virginia'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 item 2021-001 that we consider to be a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Tazewell, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as items 2021-001.

Town of Tazewell, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
October 7, 2021

Town of Tazewell, Virginia
Schedule of Findings and Responses
For the Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

Section II - Financial Statement Findings

2021-001

(Material Weakness)

(Noncompliance)

Criteria:	Expenditures should not exceed appropriations.
Condition:	Expenditures for several departments exceed budgeted appropriations.
Cause:	The Town did not formally approve supplemental appropriations prior to the expenditure of all funds.
Effect:	Funds have been spent without an appropriation of the governing body.
Recommendation:	The Town should begin comparing expenditures against appropriations and request that the Town Council approve supplemental appropriations, as necessary, on a monthly basis.
Management's Response:	Management agrees and will monitor expenses and adjust the budget or issue amendments if necessary.

Town of Tazewell, Virginia
Schedule of Findings and Responses
For the Year Ended June 30, 2021

Section III - Status of Prior Audit Findings

2020-001

(Material Weakness)

Finding 2020-001 was addressed during the 2021 fiscal year

2020-002

(Material Weakness)

Finding 2020-002 was addressed during the 2021 fiscal year.

2020-003

(Material Weakness)

Finding 2020-003 was addressed during the 2021 fiscal year.

2020-004

(Material Weakness)

(Noncompliance)

Finding 2020-004 was recurring in fiscal year 2021 as 2021-001.