

TOWN OF STANLEY, VIRGINIA



FINANCIAL REPORT

YEAR ENDED JUNE 30, 2023

TOWN OF STANLEY, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2023

COUNCIL

Michael Knight, Mayor

Bruce W. Stoneberger, Vice Mayor

Dwayne Layman

Jeremiah Knight

Joseph Mauck

Doug Purdham

OFFICIALS

Terry Pettit Town Manager

Leon Stout..... Treasurer

Belle Blosser Office Assistant

**TOWN OF STANLEY, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023**

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**TOWN OF STANLEY, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITORS' REPORT

**TO THE HONORABLE MEMBERS OF THE TOWN COUNCIL
TOWN OF STANLEY, VIRGINIA**

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information and schedules relating to pension and OPEB funding 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Stanley, Virginia's basic financial statements. The supporting schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2025, on our consideration of the Town of Stanley, 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 Stanley, 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 Stanley, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Assoc.

Staunton, Virginia
February 25, 2025

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF STANLEY, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2023

Exhibit 1

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 607,162 | \$ 64,852 | \$ 672,014 |
| Receivables (net of allowance for uncollectibles): | | | |
| Property taxes | 84,533 | - | 84,533 |
| Accounts receivable | 35,244 | 129,355 | 164,599 |
| Due from other governmental units | 40,201 | - | 40,201 |
| Interest receivable | - | 1,573 | 1,573 |
| Leases receivable | - | 436,455 | 436,455 |
| Prepaid items | 1,055 | - | 1,055 |
| Capital assets (net of accumulated depreciation): | | | |
| Land | 195,244 | 178,431 | 373,675 |
| Utility system | - | 2,048,084 | 2,048,084 |
| Buildings | 511,279 | 134,828 | 646,107 |
| Improvements | 431,878 | 149,285 | 581,163 |
| Machinery and equipment | 275,918 | 167,242 | 443,160 |
| Infrastructure | 47,786 | 3,603 | 51,389 |
| Construction in progress | - | 549,093 | 549,093 |
| Total assets | <u>\$ 2,230,300</u> | <u>\$ 3,862,801</u> | <u>\$ 6,093,101</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related items | \$ 92,227 | \$ 93,747 | \$ 185,974 |
| OPEB related items | 16,445 | 11,683 | 28,128 |
| Total deferred outflows of resources | <u>\$ 108,672</u> | <u>\$ 105,430</u> | <u>\$ 214,102</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 29,825 | \$ 56,184 | \$ 86,009 |
| Accrued payroll and benefits | 35,095 | 21,633 | 56,728 |
| Customer deposits | - | 72,655 | 72,655 |
| Unearned revenue | 377,477 | 6,197 | 383,674 |
| Long-term liabilities: | | | |
| Due within one year | 16,966 | 87,662 | 104,628 |
| Due in more than one year | 235,668 | 655,682 | 891,350 |
| Total liabilities | <u>\$ 695,031</u> | <u>\$ 900,013</u> | <u>\$ 1,595,044</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred revenue - property taxes | \$ 12,619 | \$ - | \$ 12,619 |
| Lease related items | - | 416,538 | 416,538 |
| Pension related items | 74,989 | 51,535 | 126,524 |
| OPEB related items | 8,938 | 6,350 | 15,288 |
| Total deferred inflows of resources | <u>\$ 96,546</u> | <u>\$ 474,423</u> | <u>\$ 570,969</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 1,377,152 | \$ 2,590,351 | \$ 3,967,503 |
| Restricted for: | | | |
| Library | 6,028 | - | 6,028 |
| Unrestricted | 164,215 | 3,444 | 167,659 |
| Total net position | <u>\$ 1,547,395</u> | <u>\$ 2,593,795</u> | <u>\$ 4,141,190</u> |

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

TOWN OF STANLEY, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

| Functions/Programs | Expenses | Program Revenues | | |
|-----------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT: | | | | |
| Governmental activities: | | | | |
| General government administration | \$ 455,683 | \$ 3,937 | \$ 418,663 | \$ - |
| Public safety | 671,540 | - | 187,935 | 6,256 |
| Public works | 206,268 | 202,232 | 21,540 | - |
| Parks, recreation, and cultural | 137,118 | 51,031 | 182,965 | - |
| Interest on long-term debt | 2,740 | - | - | - |
| Total governmental activities | <u>\$ 1,473,349</u> | <u>\$ 257,200</u> | <u>\$ 811,103</u> | <u>\$ 6,256</u> |
| Business-type activities: | | | | |
| Water | \$ 691,423 | \$ 644,674 | \$ - | \$ - |
| Sewer | 435,678 | 462,259 | - | - |
| Park | 238,322 | 51,778 | - | 5,056 |
| Total business-type activities | <u>\$ 1,365,423</u> | <u>\$ 1,158,711</u> | <u>\$ -</u> | <u>\$ 5,056</u> |
| Total primary government | <u>\$ 2,838,772</u> | <u>\$ 1,415,911</u> | <u>\$ 811,103</u> | <u>\$ 11,312</u> |

General revenues:

General property taxes

Other local taxes:

Local sales and use tax

Business licenses tax

Motor vehicle taxes

Meals tax

Transient occupancy tax

Bank stock tax

Communications tax

Utility tax

Franchise tax

Cigarette tax

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

Exhibit 2

| Net (Expense) Revenue and Changes in Net Position | | |
|--|-------------------------------------|---------------------|
| Primary Government | | |
| Governmental Activities | Business-type Activities | Total |
| \$ (33,083) | \$ - | \$ (33,083) |
| (477,349) | - | (477,349) |
| 17,504 | - | 17,504 |
| 96,878 | - | 96,878 |
| (2,740) | - | (2,740) |
| <u>\$ (398,790)</u> | <u>\$ -</u> | <u>\$ (398,790)</u> |
| | | |
| \$ - | \$ (46,749) | \$ (46,749) |
| - | 26,581 | 26,581 |
| - | (181,488) | (181,488) |
| <u>\$ -</u> | <u>\$ (201,656)</u> | <u>\$ (201,656)</u> |
| <u>\$ (398,790)</u> | <u>\$ (201,656)</u> | <u>\$ (600,446)</u> |
| | | |
| \$ 371,953 | \$ - | \$ 371,953 |
| 125,544 | - | 125,544 |
| 71,846 | - | 71,846 |
| 25,617 | - | 25,617 |
| 98,743 | - | 98,743 |
| 2,889 | - | 2,889 |
| 63,671 | - | 63,671 |
| 11,535 | - | 11,535 |
| 21,449 | - | 21,449 |
| 4,710 | - | 4,710 |
| 30,000 | - | 30,000 |
| 4,614 | 37,892 | 42,506 |
| 54,191 | 4,604 | 58,795 |
| 19,905 | - | 19,905 |
| (603,578) | 603,578 | - |
| <u>\$ 303,089</u> | <u>\$ 646,074</u> | <u>\$ 949,163</u> |
| <u>\$ (95,701)</u> | <u>\$ 444,418</u> | <u>\$ 348,717</u> |
| 1,643,096 | 2,148,979 | 3,792,075 |
| <u>\$ 1,547,395</u> | <u>\$ 2,593,397</u> | <u>\$ 4,140,792</u> |

FUND FINANCIAL STATEMENTS

TOWN OF STANLEY, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2023

Exhibit 3

| | <u>General</u> |
|---|-------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 607,162 |
| Receivables (net of allowance for uncollectibles): | |
| Taxes receivable | 84,533 |
| Accounts receivable | 35,244 |
| Due from other governmental units | 40,201 |
| Prepaid items | 1,055 |
| Total assets | <u>\$ 768,195</u> |
| LIABILITIES | |
| Accounts payable | \$ 29,825 |
| Accrued payroll and benefits | 35,095 |
| Unearned revenue | 377,477 |
| Total liabilities | <u>\$ 442,397</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable revenue-property taxes | \$ 95,034 |
| Total deferred inflows of resources | <u>\$ 95,034</u> |
| FUND BALANCES | |
| Nonspendable: | |
| Prepaid items | \$ 1,055 |
| Restricted: | |
| Library | 6,028 |
| Committed: | |
| Homecoming | 10,554 |
| Unassigned | 213,127 |
| Total fund balances | <u>\$ 230,764</u> |
| Total liabilities, deferred inflows or resources, and fund balances | <u>\$ 768,195</u> |

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

TOWN OF STANLEY, VIRGINIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2023

Exhibit 4

Amounts reported for governmental activities in the statement of net position are different because:

| | | |
|--|----|---------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | \$ | 230,764 |
|--|----|---------|

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

| | | | |
|-----------------------|----|---------------|-----------|
| Land | \$ | 195,244 | |
| Buildings | | 511,279 | |
| Improvements | | 431,878 | |
| Machinery & equipment | | 275,918 | |
| Infrastructure | | <u>47,786</u> | |
| | | | 1,462,105 |

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

| | | | |
|--------------------------------------|----|---------------|--------|
| Unavailable revenue - property taxes | \$ | <u>82,415</u> | |
| | | | 82,415 |

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

| | | | |
|-----------------------|----|---------------|---------|
| Pension related items | \$ | 92,227 | |
| OPEB related items | | <u>16,445</u> | |
| | | | 108,672 |

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

| | | | |
|-----------------------|----|------------------|------------------|
| Notes payable | \$ | (84,953) | |
| Compensated absences | | (24,668) | |
| Net OPEB liability | | (37,984) | |
| Net pension liability | | <u>(105,029)</u> | |
| | | | <u>(252,634)</u> |

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

| | | | |
|-----------------------|----|----------------|-----------------|
| Pension related items | \$ | (74,989) | |
| OPEB related items | | <u>(8,938)</u> | |
| | | | <u>(83,927)</u> |

| | | |
|---|----|-------------------------|
| Net position of governmental activities | \$ | <u><u>1,547,395</u></u> |
|---|----|-------------------------|

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUND

Year Ended June 30, 2023

| | <u>General</u> |
|--|--------------------------|
| REVENUES | |
| General property taxes | \$ 349,623 |
| Other local taxes | 456,004 |
| Permits, privilege fees, and regulatory licenses | 1,200 |
| Fines and forfeitures | 2,737 |
| Revenue from the use of money and property | 4,614 |
| Charges for services | 253,263 |
| Miscellaneous | 54,191 |
| Intergovernmental: | |
| Commonwealth | 117,569 |
| Federal | 719,695 |
| Total revenues | <u>\$ 1,958,896</u> |
| EXPENDITURES | |
| Current: | |
| General government administration | \$ 531,725 |
| Public safety | 588,742 |
| Public works | 193,645 |
| Parks, recreation, and cultural | 258,994 |
| Capital projects | 68,663 |
| Debt service: | |
| Debt service payments | 10,471 |
| Interest and other fiscal charges | 2,740 |
| Total expenditures | <u>\$ 1,654,980</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 303,916</u> |
| OTHER FINANCING SOURCES (USES) | |
| Transfers out | <u>\$ (603,578)</u> |
| Total other financing sources (uses) | <u>\$ (603,578)</u> |
| Net change in fund balances | \$ (299,662) |
| Fund balances - beginning | 530,426 |
| Fund balances - ending | <u><u>\$ 230,764</u></u> |

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

TOWN OF STANLEY, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

Exhibit 6

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

| | |
|--|--------------|
| Net change in fund balances - total governmental funds | \$ (299,662) |
|--|--------------|

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/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization in the current period.

| | | |
|-----------------------------------|------------------|---------|
| Capital outlays | \$ 237,853 | |
| Depreciation/amortization expense | <u>(117,569)</u> | |
| | | 120,284 |

Receivables are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

| | | |
|----------------|------------------|--------|
| Property taxes | \$ <u>22,330</u> | |
| | | 22,330 |

The issuance of long-term debt (e.g. 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 | \$ <u>10,471</u> | |
| | | 10,471 |

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.

| | | |
|----------------------|--------------|---------------|
| Pension expense | \$ 47,423 | |
| OPEB expense | 692 | |
| Compensated absences | <u>2,761</u> | |
| | | <u>50,876</u> |

| | |
|---|---------------------------|
| Change in net position of governmental activities | \$ <u><u>(95,701)</u></u> |
|---|---------------------------|

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

TOWN OF STANLEY, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

Exhibit 7

| | Enterprise Fund | | | |
|--|------------------------|---------------------|-------------------|---------------------|
| | Water Fund | Sewer Fund | Park Fund | Total |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ - | \$ 64,852 | \$ - | \$ 64,852 |
| Accounts receivable, net of allowance for uncollectibles | 74,551 | 54,804 | - | 129,355 |
| Interest receivable | 1,573 | - | - | 1,573 |
| Lease receivable | 16,809 | - | - | 16,809 |
| Total current assets | <u>\$ 92,933</u> | <u>\$ 119,656</u> | <u>\$ -</u> | <u>\$ 212,589</u> |
| Noncurrent assets: | | | | |
| Lease receivable | \$ 419,646 | \$ - | \$ - | \$ 419,646 |
| Capital assets, net of accumulated depreciation | 1,450,091 | 1,427,444 | 353,031 | 3,230,566 |
| Total noncurrent assets | <u>\$ 1,869,737</u> | <u>\$ 1,427,444</u> | <u>\$ 353,031</u> | <u>\$ 3,650,212</u> |
| Total assets | <u>\$ 1,962,670</u> | <u>\$ 1,547,100</u> | <u>\$ 353,031</u> | <u>\$ 3,862,801</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension related items | \$ 49,071 | \$ 24,349 | \$ 20,327 | \$ 93,747 |
| OPEB related items | 6,429 | 3,971 | 885 | 11,285 |
| Total deferred outflows of resources | <u>\$ 55,500</u> | <u>\$ 28,320</u> | <u>\$ 21,212</u> | <u>\$ 105,032</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 39,770 | \$ 14,228 | \$ 2,186 | \$ 56,184 |
| Customer deposits | 72,655 | - | - | 72,655 |
| Accrued payroll and benefits | 11,332 | 7,039 | 3,262 | 21,633 |
| Unearned revenue | 6,197 | - | - | 6,197 |
| Notes payable, current portion | 38,378 | 45,694 | - | 84,072 |
| Total current liabilities | <u>\$ 168,332</u> | <u>\$ 66,961</u> | <u>\$ 5,448</u> | <u>\$ 240,741</u> |
| Noncurrent liabilities: | | | | |
| Notes payable, net of current portion | \$ 331,555 | \$ 211,744 | \$ - | \$ 543,299 |
| Compensated absences | 7,707 | 4,955 | 1,698 | 14,360 |
| Net OPEB liability | 14,848 | 9,173 | 2,967 | 26,988 |
| Net pension liability | 41,055 | 25,366 | 8,204 | 74,625 |
| Total noncurrent liabilities | <u>\$ 395,165</u> | <u>\$ 251,238</u> | <u>\$ 12,869</u> | <u>\$ 659,272</u> |
| Total liabilities | <u>\$ 563,497</u> | <u>\$ 318,199</u> | <u>\$ 18,317</u> | <u>\$ 900,013</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension related items | \$ 25,804 | \$ 18,436 | \$ 7,295 | \$ 51,535 |
| OPEB related items | 3,493 | 2,159 | 698 | 6,350 |
| Lease related items | 416,538 | - | - | 416,538 |
| Total deferred inflows of resources | <u>\$ 445,835</u> | <u>\$ 20,595</u> | <u>\$ 7,993</u> | <u>\$ 474,423</u> |
| NET POSITION | | | | |
| Net investment in capital assets | \$ 1,080,158 | \$ 1,170,006 | \$ 353,031 | \$ 2,603,195 |
| Unrestricted | (71,320) | 66,620 | (5,098) | (9,798) |
| Total net position | <u>\$ 1,008,838</u> | <u>\$ 1,236,626</u> | <u>\$ 347,933</u> | <u>\$ 2,593,397</u> |

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

TOWN OF STANLEY, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2023

Exhibit 8

| | Enterprise Funds | | | |
|--|-------------------------|-----------------------|----------------------|--------------|
| | Water Fund | Sewer Fund | Park Fund | Total |
| OPERATING REVENUES | | | | |
| Charges for services | \$ 568,204 | \$ 376,177 | \$ 51,778 | \$ 996,159 |
| Connection fees | 55,400 | 45,950 | - | 101,350 |
| Landfill run-off treatment | - | 40,132 | - | 40,132 |
| Penalties | 21,070 | - | - | 21,070 |
| Land leases | 22,434 | - | - | 22,434 |
| Miscellaneous | 3,637 | - | 967 | 4,604 |
| Total operating revenues | \$ 670,745 | \$ 462,259 | \$ 52,745 | \$ 1,185,749 |
| OPERATING EXPENSES | | | | |
| Salaries | \$ 240,287 | \$ 139,597 | \$ 79,000 | \$ 458,884 |
| Fringe benefits | 78,446 | 36,486 | 14,325 | 129,257 |
| Utilities | 71,067 | 38,427 | 8,420 | 117,914 |
| Telephone | 3,974 | 1,336 | 1,954 | 7,264 |
| Supplies | 72,678 | 41,260 | 11,199 | 125,137 |
| Repairs and maintenance | 25,885 | 33,919 | 39,980 | 99,784 |
| Professional and engineering fees | 3,400 | 12,632 | 4,059 | 20,091 |
| Office expenses | 9,580 | 3,065 | - | 12,645 |
| Vehicle expense | 24,501 | 779 | - | 25,280 |
| Memberships and training | 567 | - | - | 567 |
| Miscellaneous | 5,148 | 5 | 22,385 | 27,538 |
| Testing | 3,804 | 7,888 | - | 11,692 |
| Depreciation | 111,996 | 88,187 | 30,548 | 230,731 |
| Tank repairs | 22,321 | - | - | 22,321 |
| Sludge removal | - | 16,934 | - | 16,934 |
| Pool operating expenses | - | - | 25,273 | 25,273 |
| Events | - | - | 781 | 781 |
| Operations fee | 3,743 | 7,568 | - | 11,311 |
| Total operating expenses | \$ 677,397 | \$ 428,083 | \$ 237,924 | \$ 1,343,404 |
| Net operating income (loss) | \$ (6,652) | \$ 34,176 | \$ (185,179) | \$ (157,655) |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest income | 10,695 | 4,763 | - | 15,458 |
| Interest expense | (14,026) | (7,595) | - | (21,621) |
| Total nonoperating revenues (expenses) | \$ (3,331) | \$ (2,832) | \$ - | \$ (6,163) |
| Income (loss) before transfers and capital contributions | \$ (9,983) | \$ 31,344 | \$ (185,179) | \$ (163,818) |
| Capital contributions | \$ - | \$ - | \$ 5,056 | \$ 5,056 |
| Transfers in | \$ 476,070 | \$ - | \$ 205,549 | \$ 681,619 |
| Transfers out | (78,041) | - | - | (78,041) |
| Change in net position | \$ 388,046 | \$ 31,344 | \$ 25,426 | \$ 444,816 |
| Net position - beginning | 620,792 | 1,205,282 | 322,905 | 2,148,979 |
| Net position - ending | \$ 1,008,838 | \$ 1,236,626 | \$ 348,331 | \$ 2,593,795 |

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

TOWN OF STANLEY, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2023

Exhibit 9

| | Enterprise Funds | | | |
|---|------------------|-------------|--------------|--------------|
| | Water Fund | Sewer Fund | Park Fund | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers and users | \$ 633,006 | \$ 454,112 | \$ 52,745 | \$ 1,139,863 |
| Payments to suppliers | (233,663) | (157,577) | (115,712) | (506,952) |
| Payments to employees | (334,968) | (187,302) | (93,996) | (616,266) |
| Net cash provided by (used for) operating activities | \$ 64,375 | \$ 109,233 | \$ (156,963) | \$ 16,645 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfers to other funds | \$ (78,041) | \$ - | \$ - | \$ (78,041) |
| Transfer from other funds | 476,070 | - | 205,549 | 681,619 |
| Net cash provided by (used for) noncapital financing activities | \$ 398,029 | \$ - | \$ 205,549 | \$ 603,578 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchase and construction of capital assets | \$ (427,928) | \$ (22,544) | \$ (53,642) | \$ (504,114) |
| Donations for capital projects | - | - | 5,056 | 5,056 |
| Land leases | 11,363 | - | - | 11,363 |
| Principal paid on bonds and notes | (42,185) | (63,397) | - | (105,582) |
| Interest payments | (14,026) | (7,595) | - | (21,621) |
| Net cash provided by (used for) capital and related financing activities | \$ (472,776) | \$ (93,536) | \$ (48,586) | \$ (614,898) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest income | \$ 10,372 | \$ 4,763 | \$ - | \$ 15,135 |
| Net cash provided by (used for) investing activities | \$ 10,372 | \$ 4,763 | \$ - | \$ 15,135 |
| Net increase (decrease) in cash and cash equivalents | \$ - | \$ 20,460 | \$ - | \$ 20,460 |
| Cash and cash equivalents - beginning | - | 44,392 | - | 44,392 |
| Cash and cash equivalents - ending | \$ - | \$ 64,852 | \$ - | \$ 64,852 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Operating income (loss) | \$ (29,086) | \$ 34,176 | \$ (185,577) | \$ (180,487) |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities: | | | | |
| Depreciation | 111,996 | \$ 88,187 | \$ 30,548 | \$ 230,731 |
| (Increase) decrease in accounts receivable | (16,357) | (8,147) | - | (24,504) |
| (Increase) decrease in deferred outflows of resources | 7,700 | 3,791 | 5,022 | 16,513 |
| Increase (decrease) in customer deposits | 2,383 | - | - | 2,383 |
| Increase (decrease) in accounts payable | 13,005 | 6,236 | (1,661) | 17,580 |
| Increase (decrease) in accrued payroll and benefits | 4,513 | 1,749 | 436 | 6,698 |
| Increase (decrease) in unearned revenue | (1,331) | - | - | (1,331) |
| Increase (decrease) in compensated absences | (1,074) | 749 | 705 | 380 |
| Increase (decrease) in deferred inflows of resources | (70,167) | (44,332) | (15,022) | (129,521) |
| Increase (decrease) in net OPEB liability | 1,983 | 1,610 | 431 | 4,024 |
| Increase (decrease) in net pension liability | 40,810 | 25,214 | 8,155 | 74,179 |
| Total adjustments | \$ 93,461 | \$ 75,057 | \$ 28,614 | \$ 197,132 |
| Net cash provided by (used for) operating activities | \$ 64,375 | \$ 109,233 | \$ (156,963) | \$ 16,645 |

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

TOWN OF STANLEY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Town of Stanley, Virginia (“the Town”) is a municipal corporation governed by an elected Mayor and five-member Town Council. The Town has financial accountability, and control over all activities related to public water services and maintenance of Town roads. The Town’s primary source of revenue is from water services. Other revenue sources include various local taxes and miscellaneous other sources.

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

A. Description of 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. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

B. Financial Reporting Entity

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

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the Town’s enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided, and other charges between the Town’s water and sewer functions and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 (CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Town of Stanley, Virginia's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

During the course of operations, the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts s transfers in/out. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

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

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 (CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

However, debt service principal and interest expenditures on general long-term debt as well as expenditures related to compensated absences, claims and judgments, and postemployment benefits are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following governmental funds.

a. General Fund

The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from other local taxes, state, and federal distributions, charges for services, and interest income. The General Fund is considered a major fund for reporting purposes.

2. Proprietary Funds

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

a. Enterprise Funds

Enterprise Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise Funds consist of the Water, Sewer, and Park Funds.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 (CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

F. Program Revenues

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

G. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 water fund are charges to customers for sales and services.

The Water Fund 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.

H. Budgetary Comparison Schedules

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

I. Budgets and Budgetary Accounting

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

1. Prior to year end, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. All funds have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 (CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

I. Budgets and Budgetary Accounting (Continued)

4. The Appropriations Resolution places legal restrictions on expenditures at the function level. The appropriation for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30 for all Town units.
7. The Town Council may legally amend the budget only by following procedures used in the adoption of the original budget.
8. Excess of Expenditures over Appropriations:

For the year ended June 30, 2023, the following government functions had expenditures exceeding appropriations:

| Function | | Excess Expenditures Over Appropriations |
|---------------------------------|----|--|
| General | \$ | 91,080 |
| Parks, recreation, and cultural | | 93,853 |
| Capital outlay | | 68,663 |
| Debt service | | 2,751 |
| Total | \$ | <u>256,347</u> |

J. Cash and Cash Equivalents

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

K. Prepaid Items

Certain payments to vendors represent costs 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.

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 (CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

L. Receivables and Payables

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

All trade receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$30,457 at June 30, 2023 and it is comprised of property tax allowance of \$11,583, trash service allowance of \$3,083, water service allowance of \$9,520, and sewer service allowance of \$6,271.

M. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

As the Town constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical costs. The reported values excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, and infrastructure of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

| | |
|-------------------------|---------------|
| Buildings | 20 – 50 years |
| Improvements | 20 – 50 years |
| Utility System | 25 – 50 years |
| Machinery and Equipment | 5 – 15 years |
| Infrastructure | 10 – 30 years |

N. Compensated Absences

The Town's policy permits employees to accumulate earned but unused vacation and sick benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 (CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

O. Leases

The Town leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessor

The Town recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

Key Estimated and Judgements

Lease accounting includes estimates and judgements for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

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

The Town monitors changes in circumstances that would require a remeasurement or modification of its leases. The Town will remeasure the lease receivable and deferred inflows of resources (lessor) if certain changes occur that are expected to significantly affect the amount of the lease receivable.

P. Deferred Outflows/Inflows of Resources

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

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 (CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

P. Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to leases, pension, and OPEB are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

Q. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

R. Pensions

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

S. Other Postemployment Benefits (OPEB)

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

T. 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.

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 (CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

U. 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/amortization 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.

V. Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called “fund balance.” Town’s governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- Nonspendable fund balance – amounts that are either not in spendable form (such as inventory and prepaids) or are legally or contractually 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;

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 (CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

V. Fund Balance (Continued)

- 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. This is typically done through adoption and amendment of the budget. A fund balance commitment, which does not lapse at year end, 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 purposes (such as the purchase of capital assets, construction, debt service, or for other purposes).

NOTE 2 – DEPOSITS AND INVESTMENTS:

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

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), Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard & Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

NOTE 3 – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units at June 30, 2023, are as follows:

| | | Primary Government |
|----------------------------------|----|-----------------------|
| Commonwealth of Virginia: | | |
| Personal property tax relief | \$ | 8,457 |
| County of Page, Virginia: | | |
| Sales tax | | 31,744 |
| Total due from other governments | \$ | <u>40,201</u> |

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 (CONTINUED)

NOTE 4 – CAPITAL ASSETS:

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

| | Balance July 1, 2022 | Increases | Decreases | Balance June 30, 2023 |
|--|----------------------------|--------------|-------------|-----------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 195,244 | \$ - | \$ - | \$ 195,244 |
| Construction in progress | - | - | - | - |
| Total capital assets not being depreciated | \$ 195,244 | \$ - | \$ - | \$ 195,244 |
| Capital assets being depreciated: | | | | |
| Buildings | \$ 740,109 | \$ - | \$ - | \$ 740,109 |
| Improvements | 444,818 | 162,490 | - | 607,308 |
| Machinery and equipment | 817,426 | 75,363 | - | 892,789 |
| Infrastructure | 123,865 | - | - | 123,865 |
| Total capital assets being depreciated | \$ 2,126,218 | \$ 237,853 | \$ - | \$ 2,364,071 |
| Accumulated depreciation: | | | | |
| Buildings | \$ (210,559) | \$ (18,271) | \$ - | \$ (228,830) |
| Improvements | (151,515) | (23,915) | - | (175,430) |
| Machinery and equipment | (549,741) | (67,130) | - | (616,871) |
| Infrastructure | (67,826) | (8,253) | - | (76,079) |
| Total accumulated depreciation | \$ (979,641) | \$ (117,569) | \$ - | \$ (1,097,210) |
| Capital assets being depreciated, net | 1,146,577 | 120,284 | - | 1,266,861 |
| Net capital assets | \$ 1,341,821 | \$ 120,284 | \$ - | \$ 1,462,105 |
| Business-type Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 178,431 | \$ - | \$ - | \$ 178,431 |
| Construction in progress | 127,317 | 441,046 | (19,270) | 549,093 |
| Total capital assets not being depreciated | \$ 305,748 | \$ 441,046 | \$ (19,270) | \$ 727,524 |
| Capital assets being depreciated: | | | | |
| Utility system | \$ 8,189,352 | \$ - | \$ - | \$ 8,189,352 |
| Buildings | 387,971 | - | - | 387,971 |
| Improvements | 309,850 | 59,794 | - | 369,644 |
| Machinery and equipment | 554,749 | 22,544 | - | 577,293 |
| Infrastructure | 9,718 | - | - | 9,718 |
| Total capital assets being depreciated | \$ 9,451,640 | \$ 82,338 | \$ - | \$ 9,533,978 |
| Accumulated depreciation: | | | | |
| Utility system | \$ (5,984,007) | \$ (157,261) | \$ - | \$ (6,141,268) |
| Buildings | (242,734) | (10,409) | - | (253,143) |
| Improvements | (205,293) | (15,066) | - | (220,359) |
| Machinery and equipment | (362,542) | (47,509) | - | (410,051) |
| Infrastructure | (5,629) | (486) | - | (6,115) |
| Total accumulated depreciation | \$ (6,800,205) | \$ (230,731) | \$ - | \$ (7,030,936) |
| Capital assets being depreciated, net | 2,651,435 | (148,393) | - | 2,503,042 |
| Net capital assets | \$ 2,957,183 | \$ 292,653 | \$ (19,270) | \$ 3,230,566 |

TOWN OF STANLEY, VIRGINIA

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

NOTE 4 – CAPITAL ASSETS: (CONTINUED)

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

| | |
|---|-------------------|
| Governmental Activities: | |
| General government administration | \$ 15,835 |
| Public safety | 48,497 |
| Public works | 12,623 |
| Cultural and recreation | 40,614 |
| Total depreciation expense - governmental activities | <u>\$ 117,569</u> |
| Business-type Activities: | |
| Water | \$ 111,996 |
| Sewer | 88,187 |
| Park | 30,548 |
| Total depreciation expense - business-type activities | <u>\$ 230,731</u> |

NOTE 5 – LONG-TERM OBLIGATIONS:

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

| | Balance June 30, 2022 | Increases/ Issuances | Decreases/ Retirements | Balance June 30, 2023 |
|---|-----------------------------|-------------------------|---------------------------|-----------------------------|
| Governmental activities: | | | | |
| Notes payable | \$ 95,424 | \$ - | \$ (10,471) | \$ 84,953 |
| Compensated absences | 27,429 | - | (2,761) | 24,668 |
| Net OPEB liabilities | 30,968 | 27,001 | (19,985) | 37,984 |
| Net pension liability | <u>629</u> | <u>185,092</u> | <u>(80,692)</u> | <u>105,029</u> |
| Governmental activities long-term obligations | <u>\$ 154,450</u> | <u>\$ 212,093</u> | <u>\$ (113,909)</u> | <u>\$ 252,634</u> |
| Business-type activities: | | | | |
| Compensated absences | \$ 13,980 | \$ 380 | \$ - | \$ 14,360 |
| Notes payable | 732,953 | - | (105,582) | 627,371 |
| Net OPEB liability | 22,964 | 18,838 | (14,814) | 26,988 |
| Net pension liability | <u>446</u> | <u>131,516</u> | <u>(57,337)</u> | <u>74,625</u> |
| Business-type activities long-term obligations | <u>\$ 770,343</u> | <u>\$ 150,734</u> | <u>\$ (177,733)</u> | <u>\$ 743,344</u> |

TOWN OF STANLEY, VIRGINIA

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

NOTE 5 – LONG-TERM OBLIGATIONS: (CONTINUED)

The details of long-term obligations are as follows:

| Year Ended June 30, | Governmental Activities | | Business-type activities | |
|------------------------|-------------------------|-----------|--------------------------|------------|
| | Notes Payable | | Notes Payable | |
| | Principal | Interest | Principal | Interest |
| 2024 | \$ 10,799 | \$ 2,413 | \$ 84,072 | \$ 19,080 |
| 2025 | 11,093 | 2,104 | 130,791 | 16,816 |
| 2026 | 5,072 | 1,786 | 58,196 | 14,524 |
| 2027 | 5,234 | 1,634 | 58,248 | 12,149 |
| 2028 | 5,381 | 1,478 | 52,599 | 9,823 |
| 2029-2033 | 28,454 | 4,866 | 153,821 | 26,568 |
| 2034-2037 | 18,920 | 723 | 89,644 | 5,576 |
| Totals | \$ 84,953 | \$ 15,004 | \$ 627,371 | \$ 104,536 |

Governmental Activities:

Notes Payable:

Pioneer Bank - payable monthly in the amount of \$569 commencing April 2016 for a term of five years, including interest at 2.96%, secured by a credit line deed of trust on real estate owned. This loan was refinanced on March 18, 2021, for an additional five years and is payable monthly in the amount of \$572, including interest at 2.96%

| Balance | Due within one year |
|-----------|------------------------|
| \$ 72,766 | 4,781 |

USDA/Rural Development - payable annually in the amount of \$6,353 commencing February 2021 for a term of five years, including interest at 2.75%, secured by capital items purchased.

| | |
|-----------|-----------|
| 12,187 | 6,018 |
| \$ 84,953 | \$ 10,799 |

Total Notes Payable

Other long-term obligations:

Compensated absences

Net OPEB liabilities

Net pension liability

| | |
|------------|-----------|
| \$ 24,668 | \$ - |
| 37,984 | - |
| 105,029 | - |
| \$ 252,634 | \$ 10,799 |

Total governmental activities long-term obligations

TOWN OF STANLEY, VIRGINIA

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

NOTE 5 – LONG-TERM OBLIGATIONS: (CONTINUED)

| <u>Business-type Activities:</u> | <u>Balance</u> | <u>Due within one year</u> |
|---|----------------|--------------------------------|
| Notes Payable: | | |
| Virginia Resources Authority - payable semi-annually in the amount of \$12,481 commencing May 2007 for a term of twenty years, including interest at 0%, secured by revenues and the Town's pledge of its full faith and credit | \$ 99,849 | \$ 24,962 |
| USDA/Rural Development - payable monthly in the amount of \$456 commencing February 2017 for a term of ten years, including interest at 2.875%, secured by capital items purchased. | 18,570 | 5,004 |
| USDA/Rural Development - payable monthly in the amount of \$2,245 commencing February 2017 for a term of twenty-five years, including interest at 3.375%, secured by capital items purchased. | 292,375 | 17,339 |
| Pioneer Bank - payable monthly in the amount of \$1,075 commencing February 2018 for a term of ten years, including interest at 4.64%, secured by two credit deeds of trust on real estate owned. | 53,585 | 10,632 |
| Pioneer Bank - payable monthly in the amount of \$909 commencing January 2020 for a term of four years, including interest at 4.3%, secured by capital items purchased. | 5,403 | 5,403 |
| Pioneer Bank - payable monthly in the amount of \$2,284 commencing March 2020 for a term of five years and a balloon payment due February 2025, including interest at 4.51%, secured by credit line deed of trust on real estate owned. | 157,589 | 20,732 |
| Total Notes Payable | \$ 627,371 | \$ 84,072 |
| Other long-term obligations: | | |
| Compensated absences | \$ 14,360 | \$ - |
| Net OPEB liability | 26,988 | - |
| Net pension liability | 74,625 | - |
| Total business-type activities long-term obligations | \$ 743,344 | \$ 84,072 |

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 (CONTINUED)

NOTE 6 – PENSION PLAN:

Plan Description

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

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

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 (CONTINUED)

NOTE 6 – PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Employees Covered by Benefit Terms

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

| | <u>Primary Government</u> |
|--|--------------------------------------|
| Inactive members or their beneficiaries currently receiving benefits | 11 |
| Inactive members: | |
| Vested inactive members | 1 |
| Non-vested inactive members | 2 |
| Inactive members active elsewhere in VRS | <u>13</u> |
| Total inactive members | 16 |
| Active members | <u>17</u> |
| Total covered employees | <u><u>44</u></u> |

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 (CONTINUED)

NOTE 6 – PENSION PLAN: (CONTINUED)

Contributions

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

The Town’s contractually required employer contribution rate for the year ended June 30, 2023 was 17.56% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$131,225 and \$102,455 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Liability

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

Actuarial Assumptions – General Employees

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

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

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 (CONTINUED)

NOTE 6 – PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

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

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

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 (CONTINUED)

NOTE 6 – PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

TOWN OF STANLEY, VIRGINIA

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

NOTE 6 – PENSION PLAN: (CONTINUED)

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

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TOWN OF STANLEY, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 (CONTINUED)****NOTE 6 – PENSION PLAN: (CONTINUED)*****Long-Term Expected Rate of Return***

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

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

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

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of the expected long-term results of the VRS fund asset allocation, at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

TOWN OF STANLEY, VIRGINIA

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

NOTE 6 – PENSION PLAN: (CONTINUED)

Discount Rate

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

Changes in Net Pension Liability

| | Increase (Decrease) | | |
|--|--------------------------------|------------------------------------|------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a) - (b) |
| Balances at June 30, 2021 | \$ 3,489,112 | \$ 3,488,037 | \$ 1,075 |
| Changes for the year: | | | |
| Service cost | \$ 58,785 | \$ - | \$ 58,785 |
| Interest | 235,434 | - | 235,434 |
| Differences between expected and actual experience | 14,526 | - | 14,526 |
| Contributions - employer | - | 102,455 | (102,455) |
| Contributions - employee | - | 35,491 | (35,491) |
| Net investment income | - | (5,743) | 5,743 |
| Benefit payments, including refunds | (119,985) | (119,985) | - |
| Administrative expenses | - | (2,119) | 2,119 |
| Other changes | - | 82 | (82) |
| Net changes | \$ 188,760 | \$ 10,181 | \$ 178,579 |
| Balances at June 30, 2022 | \$ 3,677,872 | \$ 3,498,218 | \$ 179,654 |

TOWN OF STANLEY, VIRGINIA

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

NOTE 6 – PENSION PLAN: (CONTINUED)

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

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

| | Rate | | |
|--------------------------------------|------------------------|-----------------------------|------------------------|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| Town's Net Pension Liability (Asset) | \$ 669,765 | \$ 179,654 | \$ (216,499) |

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

For the year ended June 30, 2023, the Town recognized pension expense of \$50,166. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 9,106 | \$ 11,165 |
| Change in assumptions | 24,743 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 94,459 |
| Effect of change in proportional allocation | 20,900 | 20,900 |
| Employer contributions subsequent to the measurement date | 131,225 | - |
| Total | \$ 185,974 | \$ 126,524 |

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 (CONTINUED)

NOTE 6 – PENSION PLAN: (CONTINUED)

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

\$131,225 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year Ended June 30</u> | | |
|----------------------------------|----|----------|
| 2024 | \$ | (18,828) |
| 2025 | | (35,657) |
| 2026 | | (65,636) |
| 2027 | | 48,346 |
| 2028 | | - |
| Thereafter | | - |

Pension Plan Data

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

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 (CONTINUED)

NOTE 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 (CONTINUED)

NOTE 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were \$4,103 and \$4,008 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

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

At June 30, 2023, the entity reported a liability of \$41,060 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was 0.00340% as compared to 0.00350% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$1,249. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 (CONTINUED)

NOTE 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 3,251 | \$ 1,647 |
| Net difference between projected and actual earnings on GLI OPEB plan investments | - | 2,566 |
| Change in assumptions | 1,531 | 3,999 |
| Changes in proportionate share | 3,938 | 3,370 |
| Employer contributions subsequent to the measurement date | 4,103 | - |
| Total | <u>\$ 12,823</u> | <u>\$ 11,582</u> |

\$4,103 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| <u>Year Ended June 30</u> | |
|---------------------------|----------|
| 2024 | \$ (782) |
| 2025 | (762) |
| 2026 | (1,792) |
| 2027 | 987 |
| 2028 | (513) |
| Thereafter | - |

TOWN OF STANLEY, VIRGINIA

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

NOTE 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

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

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

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

TOWN OF STANLEY, VIRGINIA

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

NOTE 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees (Continued)

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

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

TOWN OF STANLEY, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 (CONTINUED)****NOTE 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)*****Actuarial Assumptions (Continued)*****Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees (Continued)**

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

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

| | | GLI OPEB Plan |
|--|----|--------------------------|
| Total GLI OPEB Liability | \$ | 3,672,085 |
| Plan Fiduciary Net Position | | 2,467,989 |
| GLI Net OPEB Liability (Asset) | \$ | <u>1,204,096</u> |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | | 67.21% |

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

TOWN OF STANLEY, VIRGINIA

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

NOTE 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 (CONTINUED)

NOTE 7 – GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

| | | Rate | | |
|-----------------------------------|----|-------------|------------------|-------------|
| | | 1% Decrease | Current Discount | 1% Increase |
| | | (5.75%) | (6.75%) | (7.75%) |
| Town's proportionate share fo the | | | | |
| GLI Plan Net OPEB Liability | \$ | 59,747 | \$ 41,060 | \$ 25,958 |

GLI Plan Fiduciary Net Position

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

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 (CONTINUED)

NOTE 8 – HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):

Plan Description

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

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 (CONTINUED)

NOTE 8 – HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Employees Covered by Benefit Terms

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

| | <u>Number</u> |
|--|------------------|
| Inactive members or their beneficiaries currently receiving benefits | 5 |
| Active members | <u>17</u> |
| Total covered employees | <u><u>22</u></u> |

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) 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. The Town's contractually required employer contribution rate for the year ended June 30, 2023 was 0.33% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Town to the HIC Plan were \$2,507 and \$2,449 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net HIC OPEB Liability

The Town's net HIC OPEB liability was measured as of June 30, 2022. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

| | |
|--|---|
| Inflation | 2.50% |
| Salary increases, including inflation: | |
| Locality - General employees | 3.50%-5.35% |
| Investment rate of return | 6.75%, net of investment expenses, including inflation |

TOWN OF STANLEY, VIRGINIA

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

NOTE 8 – HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 (CONTINUED)

NOTE 8 – HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

**On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2022, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 (CONTINUED)

NOTE 8 – HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Changes in Net HIC OPEB Liability

| | Increase (Decrease) | | |
|---|---------------------------------------|--|---|
| | Total HIC OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net HIC OPEB Liability (Asset) (a) - (b) |
| Balances at June 30, 2021 | \$ 42,537 | \$ 29,354 | \$ 13,183 |
| Changes for the year: | | | |
| Service cost | \$ 849 | \$ - | \$ 849 |
| Interest | 2,856 | - | 2,856 |
| Changes in assumptions | 12,715 | - | 12,715 |
| Differences between expected and actual experience | (3,267) | - | (3,267) |
| Contributions - employer | - | 2,450 | (2,450) |
| Net investment income | - | 25 | (25) |
| Benefit payments | (2,157) | (2,157) | - |
| Administrative expenses | - | (51) | 51 |
| Net changes | \$ 10,996 | \$ 267 | \$ 10,729 |
| Balances at June 30, 2022 | \$ 53,533 | \$ 29,621 | \$ 23,912 |

Sensitivity of the Town's HIC Net OPEB Liability to Changes in the Discount Rate

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

| | Rate | | |
|------------------------|------------------------|-----------------------------|------------------------|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| Net HIC OPEB Liability | \$ 29,069 | \$ 23,912 | \$ 19,488 |

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 (CONTINUED)

NOTE 8 – HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB

For the year ended June 30, 2023, the Town recognized HIC Plan OPEB expense of \$4,138. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to the Town's HIC Program from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 1,234 | \$ 2,967 |
| Net difference between projected and actual earnings on HIC OPEB plan investments | - | 688 |
| Change in assumptions | 11,564 | 51 |
| Employer contributions subsequent to the measurement date | <u>2,507</u> | <u>-</u> |
| Total | <u>\$ 15,305</u> | <u>\$ 3,706</u> |

\$2,507 reported as deferred outflows of resources related to the HIC OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

| <u>Year Ended June 30,</u> | |
|----------------------------|----------|
| 2024 | \$ 2,437 |
| 2025 | 2,360 |
| 2026 | 1,434 |
| 2027 | 2,223 |
| 2028 | 638 |
| Thereafter | - |

HIC Program Plan Data

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

TOWN OF STANLEY, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 (CONTINUED)****NOTE 9 – SUMMARY OF POSTEMPLOYMENT BENEFIT (OPEB) PLANS**

The following is a summary of the Town's OPEB plans as of June 30, 2023:

| | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> | <u>Net OPEB Liability</u> | <u>OPEB Expense</u> |
|---------------------------------|------------------------------|-----------------------------|-------------------------------|-------------------------|
| Primary Government | | | | |
| Group Life Insurance Program | \$ 12,823 | \$ 11,582 | \$ 41,060 | \$ 1,249 |
| Health Insurance Credit Program | 15,305 | 3,706 | 23,912 | 4,138 |
| Total OPEB Plans | <u>\$ 28,128</u> | <u>\$ 15,288</u> | <u>\$ 64,972</u> | <u>\$ 5,387</u> |

NOTE 10 – UNAVAILABLE REVENUE, UNEARNED REVENUE AND DEFERRED REVENUE

Deferred revenue / unavailable revenue represent 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. Unearned revenue of \$7,528, reported in the business-type activities consists of customer utility prepayments. Unearned revenue of \$217,960 reported in the governmental activities consists of American Rescue Plan Act grant funding unspent as of June 30, 2023. The details of deferred, unavailable, and unearned revenue reported for governmental activities are as follows:

| | <u>Government-wide Statements Governmental Activities</u> | <u>Balance Sheet Governmental Funds</u> |
|--|---|---|
| Primary Government: | | |
| Unearned grant revenue - American Recovery Plan Act | \$ 377,477 | \$ 377,477 |
| Total unearned revenue | <u>\$ 377,477</u> | <u>\$ 377,477</u> |
| Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures | \$ - | \$ 82,415 |
| Prepaid property taxes due in December 2023, but paid in advance by the taxpayers | 12,619 | 12,619 |
| Total deferred revenue/unavailable revenue | <u>\$ 12,619</u> | <u>\$ 95,034</u> |

NOTE 11 – CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

TOWN OF STANLEY, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 (CONTINUED)****NOTE 12 – LEASES RECEIVABLE**

The Town has entered into 3 non-cancellable lease agreements with telecommunications companies for land and use of the Town's water tower to house telecommunications equipment. Lease related revenue for the year ended June 30, 2023 was as follows:

| | <u>Amount</u> |
|------------------------------|------------------|
| Lease-related Revenue | |
| Lease Revenue | |
| Infrastructure - Water Tower | \$ 22,434 |
| Interest Revenue | 10,637 |
| Variable & Other Revenue | - |
| Total | <u>\$ 33,071</u> |

A maturity analysis of the future lease receipts is as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Receipts</u> |
|----------------------------|-------------------|-------------------|-----------------------|
| 2024 | \$ 16,809 | \$ 10,046 | \$ 26,855 |
| 2025 | 15,428 | 9,757 | 25,185 |
| 2026 | 16,139 | 9,454 | 25,593 |
| 2027 | 16,874 | 9,136 | 26,010 |
| 2028 | 17,751 | 8,803 | 26,554 |
| 2029-2033 | 281,170 | 103,063 | 384,233 |
| 2034-2037 | 72,284 | 22,291 | 94,575 |
| Total Future Receipts | <u>\$ 436,455</u> | <u>\$ 172,550</u> | <u>\$ 609,005</u> |

NOTE 13 – CONDUIT DEBT:

On April 28, 2019, a loan was obtained in the amount of \$100,000 from the U.S. Department of Agriculture on behalf of the Stanley Volunteer Fire Department. The loan will be repaid by the Fire Department and is secured by a fire truck. The loan was paid off in full in February 2023.

NOTE 14 – INTERFUND TRANSFERS

During the year, 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 General Fund to finance various programs accounted for in other funds in accordance with budget authorization. Interfund transfers during the year ended June 30, 2023, were as follows:

| <u>Fund</u> | <u>Net Transfers In (Out)</u> |
|--------------|-----------------------------------|
| General Fund | \$ (603,578) |
| Water Fund | 398,029 |
| Park Fund | <u>205,549</u> |
| Total | <u>\$ -</u> |

TOWN OF STANLEY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 (CONTINUED)

NOTE 15 – RELATED PARTY TRANSACTIONS:

The Town executed a contract for construction of an Amphitheater with Knight and Lucas Construction, a proprietorship owned and operated by the Town Mayor, Michael Knight. The total amount paid to this business enterprise during the year ended June 30, 2023 amounted to \$88,677.

NOTE 16 – UPCOMING PRONOUNCEMENTS:

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

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

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

Statement No. 102, *Certain Risk Disclosures*, provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended June 30, 2023

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | Actual Amounts | |
| REVENUES | | | | |
| General property taxes | \$ 348,700 | \$ 348,700 | \$ 349,623 | \$ 923 |
| Other local taxes | 399,210 | 399,210 | 456,004 | 56,794 |
| Permits, privilege fees, and regulatory licenses | 800 | 800 | 1,200 | 400 |
| Fines and forfeitures | 3,000 | 3,000 | 2,737 | (263) |
| Revenue from the use of money and property | 1,490 | 1,490 | 4,614 | 3,124 |
| Charges for services | 220,000 | 220,000 | 253,263 | 33,263 |
| Miscellaneous | 6,000 | 6,000 | 54,191 | 48,191 |
| Intergovernmental: | | | | |
| Commonwealth | 63,600 | 63,600 | 117,569 | 53,969 |
| Federal | 620,000 | 620,000 | 719,695 | 99,695 |
| Total revenues | <u>\$ 1,662,800</u> | <u>\$ 1,662,800</u> | <u>\$ 1,958,896</u> | <u>\$ 296,096</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 440,645 | \$ 440,645 | \$ 531,725 | \$ (91,080) |
| Public safety | 596,837 | 596,837 | 588,742 | 8,095 |
| Public works | 197,000 | 197,000 | 193,645 | 3,355 |
| Parks, recreation, and cultural | 165,141 | 165,141 | 258,994 | (93,853) |
| Capital outlay | - | - | 68,663 | (68,663) |
| Debt service: | | | | |
| Principal retirement | 8,826 | 8,826 | 10,471 | (1,645) |
| Interest and other fiscal charges | 1,634 | 1,634 | 2,740 | (1,106) |
| Total expenditures | <u>\$ 1,410,083</u> | <u>\$ 1,410,083</u> | <u>\$ 1,654,980</u> | <u>\$ (244,897)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 252,717</u> | <u>\$ 252,717</u> | <u>\$ 303,916</u> | <u>\$ 51,199</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 113,719 | \$ 113,719 | \$ - | \$ (113,719) |
| Transfers out | (366,436) | (366,436) | (603,578) | (237,142) |
| Total other financing sources (uses) | <u>\$ (252,717)</u> | <u>\$ (252,717)</u> | <u>\$ (603,578)</u> | <u>\$ (350,861)</u> |
| Net change in fund balances | \$ - | \$ - | \$ (299,662) | \$ (299,662) |
| Fund balances - beginning | - | - | 530,426 | 530,426 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 230,764</u> | <u>\$ 230,764</u> |

TOWN OF STANLEY, VIRGINIA

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

| | 2022 | 2021 | 2020 |
|---|---------------------|---------------------|---------------------|
| Total pension liability | | | |
| Service cost | \$ 58,785 | \$ 63,712 | \$ 60,476 |
| Interest | 235,434 | 217,323 | 206,506 |
| Differences between expected and actual experience | 14,526 | (39,075) | 10,036 |
| Changes of assumptions | - | 86,603 | - |
| Benefit payments | (119,985) | (118,109) | (115,408) |
| Net change in total pension liability | \$ 188,760 | \$ 210,454 | \$ 161,610 |
| Total pension liability - beginning | 3,489,112 | 3,278,658 | 3,117,048 |
| Total pension liability - ending (a) | <u>\$ 3,677,872</u> | <u>\$ 3,489,112</u> | <u>\$ 3,278,658</u> |
| Plan fiduciary net position | | | |
| Contributions - employer | \$ 102,455 | \$ 65,072 | \$ 35,047 |
| Contributions - employee | 35,491 | 34,427 | 30,823 |
| Net investment income | (5,743) | 755,060 | 52,574 |
| Benefit payments | (119,985) | (118,109) | (115,408) |
| Administrator charges | (2,119) | (1,845) | (1,791) |
| Other | 82 | 72 | (62) |
| Net change in plan fiduciary net position | \$ 10,181 | \$ 734,677 | \$ 1,183 |
| Plan fiduciary net position - beginning | 3,488,037 | 2,753,360 | 2,752,177 |
| Plan fiduciary net position - ending (b) | <u>\$ 3,498,218</u> | <u>\$ 3,488,037</u> | <u>\$ 2,753,360</u> |
| Town's net pension liability - ending (a) - (b) | \$ 179,654 | \$ 1,075 | \$ 525,298 |
| Plan fiduciary net position as a percentage of the total pension liability | 95.12% | 99.97% | 83.98% |
| Covered payroll | \$ 742,256 | \$ 722,144 | \$ 638,052 |
| Town's net pension liability as a percentage of covered payroll | 24.20% | 0.15% | 82.33% |

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.

| 2019 | | 2018 | | 2017 | | 2016 | | 2015 | | 2014 | |
|------|-----------|------|-----------|------|-----------|------|-----------|------|-----------|------|-----------|
| \$ | 61,787 | \$ | 60,048 | \$ | 54,388 | \$ | 58,725 | \$ | 57,510 | \$ | 57,052 |
| | 179,828 | | 169,584 | | 167,651 | | 159,544 | | 149,074 | | 139,671 |
| | 275,099 | | 9,201 | | (77,005) | | (41,084) | | 4,369 | | - |
| | 88,112 | | - | | (49,481) | | - | | - | | - |
| | (113,494) | | (71,486) | | (64,393) | | (58,348) | | (64,427) | | (60,355) |
| \$ | 491,332 | \$ | 167,347 | \$ | 31,160 | \$ | 118,837 | \$ | 146,526 | \$ | 136,368 |
| | 2,625,716 | | 2,458,369 | | 2,427,209 | | 2,308,372 | | 2,161,846 | | 2,025,478 |
| \$ | 3,117,048 | \$ | 2,625,716 | \$ | 2,458,369 | \$ | 2,427,209 | \$ | 2,308,372 | \$ | 2,161,846 |
| | | | | | | | | | | | |
| \$ | 35,152 | \$ | 41,810 | \$ | 38,567 | \$ | 55,940 | \$ | 55,928 | \$ | 60,354 |
| | 42,322 | | 31,941 | | 29,527 | | 30,096 | | 31,710 | | 29,775 |
| | 174,206 | | 181,187 | | 266,167 | | 38,201 | | 92,205 | | 269,338 |
| | (113,494) | | (71,486) | | (64,393) | | (58,348) | | (64,427) | | (60,355) |
| | (1,715) | | (1,536) | | (1,505) | | (1,279) | | (1,219) | | (1,413) |
| | (110) | | (162) | | (238) | | (16) | | (22) | | 14 |
| \$ | 136,361 | \$ | 181,754 | \$ | 268,125 | \$ | 64,594 | \$ | 114,175 | \$ | 297,713 |
| | 2,615,816 | | 2,434,062 | | 2,165,937 | | 2,101,343 | | 1,987,168 | | 1,689,455 |
| \$ | 2,752,177 | \$ | 2,615,816 | \$ | 2,434,062 | \$ | 2,165,937 | \$ | 2,101,343 | \$ | 1,987,168 |
| | | | | | | | | | | | |
| \$ | 364,871 | \$ | 9,900 | \$ | 24,307 | \$ | 261,272 | \$ | 207,029 | \$ | 174,678 |
| | | | | | | | | | | | |
| | 88.29% | | 99.62% | | 99.01% | | 89.24% | | 91.03% | | 91.92% |
| \$ | 603,029 | \$ | 656,159 | \$ | 597,925 | \$ | 588,960 | \$ | 588,814 | \$ | 554,108 |
| | | | | | | | | | | | |
| | 60.51% | | 1.51% | | 4.07% | | 44.36% | | 35.16% | | 31.52% |

Schedule of Employer Contributions

Pension Plans

Years Ended June 30, 2014 through June 30, 2023

| Date | Contributions in Relation to | | | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|------|---|---|---|---|---|
| | Contractually Required Contribution (1)* | Contractually Required Contribution (2)* | Contribution Deficiency (Excess) (3) | | |
| 2023 | \$ 131,225 | \$ 131,225 | \$ - | \$ 759,774 | 17.27% |
| 2022 | 102,455 | 102,455 | - | 742,256 | 13.80% |
| 2021 | 65,028 | 65,028 | - | 722,144 | 9.00% |
| 2020 | 35,047 | 35,047 | - | 638,052 | 5.49% |
| 2019 | 36,996 | 36,996 | - | 603,029 | 6.14% |
| 2018 | 42,492 | 42,492 | - | 656,159 | 6.48% |
| 2017 | 40,758 | 40,758 | - | 597,925 | 6.82% |
| 2016 | 55,598 | 55,598 | - | 588,960 | 9.44% |
| 2015 | 55,584 | 55,584 | - | 588,814 | 9.44% |
| 2014 | 60,354 | 60,354 | - | 554,108 | 10.89% |

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

Notes to Required Supplementary Information
Pension Plans
Year Ended June 30, 2023

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

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

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

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

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

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

Schedule of Town's Share of Net OPEB Liability
Group Life Insurance Plan

For the Measurement Dates of June 30, 2017 Through June 30, 2022

| Date | Employer's Proportion of the Net GLI OPEB Liability | Employer's Proportionate Share of the Net GLI OPEB Liability | Employer's Covered Payroll | Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) | Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6) |
|-------------|--|---|---|--|--|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 2022 | 0.00340% \$ | 41,060 \$ | 742,256 | 5.53% | 67.21% |
| 2021 | 0.00350% | 40,749 | 722,144 | 5.64% | 67.45% |
| 2020 | 0.00310% | 51,734 | 638,052 | 8.11% | 52.64% |
| 2019 | 0.00323% | 52,561 | 603,029 | 8.72% | 52.00% |
| 2018 | 0.00345% | 52,000 | 656,159 | 7.92% | 51.22% |
| 2017 | 0.00324% | 48,000 | 597,925 | 8.03% | 48.86% |

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

Schedule of Employer Contributions

Group Life Insurance Plan

Years Ended June 30, 2018 through June 30, 2023

| Date | Contributions in Relation to | | | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|------|---|---|--|----------------------------------|--|
| | Contractually Required Contribution | Contractually Required Contribution | Contribution Deficiency (Excess) | | |
| | (1) | (2) | (3) | (4) | (5) |
| 2023 | \$ 4,103 | \$ 4,103 | \$ - | \$ 759,774 | 0.54% |
| 2022 | 4,008 | 4,008 | - | 742,256 | 0.54% |
| 2021 | 3,900 | 3,900 | - | 722,144 | 0.54% |
| 2020 | 3,318 | 3,318 | - | 638,052 | 0.52% |
| 2019 | 3,317 | 3,317 | - | 603,029 | 0.55% |
| 2018 | 3,382 | 3,382 | - | 656,159 | 0.52% |

Schedule is intended to show information for 10 years. Information prior to 2018 was not presented. However, additional years will be included as they become available.

Notes to Required Supplementary Information
Group Life Insurance Plan
Year Ended June 30, 2023

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

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

Non-Largest Ten Locality Employers - General Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Schedule of Changes in Net OPEB Liability and Related Ratios
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2022

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total HIC OPEB Liability | | | | | | |
| Service cost | \$ 849 | \$ 811 | \$ 955 | \$ 926 | \$ 949 | \$ 613 |
| Interest | 2,856 | 2,666 | 2,618 | 2,344 | 2,288 | 2,245 |
| Differences between expected and actual experience | (3,267) | (472) | 2 | 3,868 | - | - |
| Changes of assumptions | 12,715 | 1,486 | - | 905 | (69) | (675) |
| Benefit payments | (2,157) | (2,877) | (2,877) | (2,595) | (2,145) | (995) |
| Net change in total HIC OPEB liability | \$ 10,996 | \$ 1,614 | \$ 698 | \$ 5,448 | \$ 1,023 | \$ 1,188 |
| Total HIC OPEB Liability - beginning | 42,537 | 40,923 | 40,225 | 34,777 | 33,754 | 32,566 |
| Total HIC OPEB Liability - ending (a) | \$ 53,533 | \$ 42,537 | \$ 40,923 | \$ 40,225 | \$ 34,777 | \$ 33,754 |
| Plan fiduciary net position | | | | | | |
| Contributions - employer | \$ 2,450 | \$ 2,385 | \$ 1,850 | \$ 1,836 | \$ 1,706 | \$ 1,554 |
| Net investment income | 25 | 6,146 | 485 | 1,491 | 1,611 | 2,320 |
| Benefit payments | (2,157) | (2,877) | (2,877) | (2,595) | (2,145) | (995) |
| Administrator charges | (51) | (72) | (45) | (32) | (38) | (39) |
| Other | - | - | - | (2) | (115) | 115 |
| Net change in plan fiduciary net position | \$ 267 | \$ 5,582 | \$ (587) | \$ 698 | \$ 1,019 | \$ 2,955 |
| Plan fiduciary net position - beginning | 29,354 | 23,772 | 24,359 | 23,661 | 22,642 | 19,687 |
| Plan fiduciary net position - ending (b) | \$ 29,621 | \$ 29,354 | \$ 23,772 | \$ 24,359 | \$ 23,661 | \$ 22,642 |
| Town's net HIC OPEB liability - ending (a) - (b) | \$ 23,912 | \$ 13,183 | \$ 17,151 | \$ 15,866 | \$ 11,116 | \$ 11,112 |
| Plan fiduciary net position as a percentage of the total HIC OPEB liability | 55.33% | 69.01% | 58.09% | 60.56% | 68.04% | 67.08% |
| Covered payroll | \$ 742,256 | \$ 722,144 | \$ 638,052 | \$ 603,029 | \$ 656,159 | \$ 597,925 |
| Town's net HIC OPEB liability as a percentage of covered payroll | 3.22% | 1.83% | 2.69% | 2.63% | 1.69% | 1.86% |

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

Schedule of Employer Contributions

Health Insurance Credit (HIC) Plan

Years Ended June 30, 2017 through June 30, 2023

| Date | Contributions in | | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|------|--|---|---|---|---|
| | Contractually Required Contribution (1) | Relation to Contractually Required Contribution (2) | | | |
| 2023 | \$ 2,507 | \$ 2,507 | \$ - | \$ 759,774 | 0.33% |
| 2022 | 2,449 | 2,449 | - | 742,256 | 0.33% |
| 2021 | 2,383 | 2,383 | - | 722,144 | 0.33% |
| 2020 | 1,850 | 1,850 | - | 638,052 | 0.29% |
| 2019 | 1,836 | 1,836 | - | 603,029 | 0.30% |
| 2018 | 1,707 | 1,707 | - | 656,159 | 0.26% |
| 2017 | 1,554 | 1,554 | - | 597,925 | 0.26% |

Notes to Required Supplementary Information
 Health Insurance Credit (HIC) Plan
 Year Ended June 30, 2023

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

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

Non-Largest Ten Locality Employers - General Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

OTHER SUPPLEMENTARY INFORMATION

TOWN OF STANLEY, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2023

Schedule 1

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|--|----------------------------|-------------------------|---------------------|---|
| General Fund: | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 269,000 | \$ 269,000 | \$ 272,771 | \$ 3,771 |
| Personal property taxes | 74,700 | 74,700 | 68,169 | (6,531) |
| Penalties and interest on delinquent taxes | 5,000 | 5,000 | 8,683 | 3,683 |
| Total general property taxes | <u>\$ 348,700</u> | <u>\$ 348,700</u> | <u>\$ 349,623</u> | <u>\$ 923</u> |
| Other local taxes: | | | | |
| Local sales tax | \$ 95,000 | \$ 95,000 | \$ 125,544 | \$ 30,544 |
| Consumer utility taxes | 10,000 | 10,000 | 21,449 | 11,449 |
| Transient occupancy taxes | 4,000 | 4,000 | 2,889 | (1,111) |
| Business license taxes | 55,000 | 55,000 | 71,846 | 16,846 |
| Motor vehicle taxes | 25,000 | 25,000 | 25,617 | 617 |
| Bank stock taxes | 60,000 | 60,000 | 63,671 | 3,671 |
| Meals taxes | 90,000 | 90,000 | 98,743 | 8,743 |
| Cigarette taxes | 40,000 | 40,000 | 30,000 | (10,000) |
| Communications tax | 14,000 | 14,000 | 11,535 | (2,465) |
| Franchise tax | 6,210 | 6,210 | 4,710 | (1,500) |
| Total other local taxes | <u>\$ 399,210</u> | <u>\$ 399,210</u> | <u>\$ 456,004</u> | <u>\$ 56,794</u> |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Zoning | \$ 800 | \$ 800 | \$ 1,200 | \$ 400 |
| Total permits, privilege fees, and regulatory licenses | <u>\$ 800</u> | <u>\$ 800</u> | <u>\$ 1,200</u> | <u>\$ 400</u> |
| Fines and forfeitures | <u>\$ 3,000</u> | <u>\$ 3,000</u> | <u>\$ 2,737</u> | <u>\$ (263)</u> |
| Revenue from the use of money and property: | | | | |
| Revenue from use of money | \$ 90 | \$ 90 | \$ 3,114 | \$ 3,024 |
| Revenue from use of property | 1,400 | 1,400 | 1,500 | 100 |
| Total revenue from the use of money and property | <u>\$ 1,490</u> | <u>\$ 1,490</u> | <u>\$ 4,614</u> | <u>\$ 3,124</u> |
| Charges for services: | | | | |
| Homecoming | \$ 30,000 | \$ 30,000 | \$ 51,031 | \$ 21,031 |
| Trash collection | 190,000 | 190,000 | 202,232 | 12,232 |
| Total charges for services | <u>\$ 220,000</u> | <u>\$ 220,000</u> | <u>\$ 253,263</u> | <u>\$ 33,263</u> |
| Miscellaneous: | | | | |
| Donations - general | \$ 1,000 | \$ 1,000 | \$ 4,060 | \$ 3,060 |
| Donations - Police | - | - | 2,201 | 2,201 |
| SVFD reimbursements | 4,000 | 4,000 | 6,808 | 2,808 |
| Miscellaneous | 1,000 | 1,000 | 41,122 | 40,122 |
| Total miscellaneous | <u>\$ 6,000</u> | <u>\$ 6,000</u> | <u>\$ 54,191</u> | <u>\$ 48,191</u> |
| Total revenue from local sources | <u>\$ 979,200</u> | <u>\$ 979,200</u> | <u>\$ 1,121,632</u> | <u>\$ 142,432</u> |

TOWN OF STANLEY, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2023

Schedule 1

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|--|----------------------------|----------------------------|----------------------------|---|
| General Fund: (Continued) | | | | |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Car rental tax | \$ - | \$ - | \$ 546 | \$ 546 |
| Rolling stock tax | 2,500 | 2,500 | 2,370 | (130) |
| Mobile home titling tax | - | - | 75 | 75 |
| Personal property tax relief funds | - | - | 16,914 | 16,914 |
| Total noncategorical aid | <u>\$ 2,500</u> | <u>\$ 2,500</u> | <u>\$ 19,905</u> | <u>\$ 17,405</u> |
| Categorical aid: | | | | |
| Fire program | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ - |
| Litter control grant | 1,100 | 1,100 | 1,674 | 574 |
| Local law enforcement state aid | 35,000 | 35,000 | 38,868 | 3,868 |
| School resource officer grant | - | - | 16,000 | 16,000 |
| Police equipment grant | - | - | 6,256 | 6,256 |
| VDOT snow removal | 10,000 | 10,000 | 19,866 | 9,866 |
| Total categorical aid | <u>\$ 61,100</u> | <u>\$ 61,100</u> | <u>\$ 97,664</u> | <u>\$ 36,564</u> |
| Total revenue from the Commonwealth | <u>\$ 63,600</u> | <u>\$ 63,600</u> | <u>\$ 117,569</u> | <u>\$ 53,969</u> |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Coronavirus state and local fiscal recovery fund | \$ 620,000 | \$ 620,000 | \$ 708,366 | \$ 88,366 |
| Justice assistance grant | - | - | 11,329 | 11,329 |
| Total revenue from the federal government | <u>\$ 620,000</u> | <u>\$ 620,000</u> | <u>\$ 719,695</u> | <u>\$ 99,695</u> |
| Total General Fund | <u><u>\$ 1,662,800</u></u> | <u><u>\$ 1,662,800</u></u> | <u><u>\$ 1,958,896</u></u> | <u><u>\$ 296,096</u></u> |

TOWN OF STANLEY, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2023

Schedule 2

| Fund, Function, Activity, and Elements | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|----------------------------|-------------------------|---------------|---|
| General Fund: | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| Town Council: | | | | |
| Personnel services | \$ 9,000 | \$ 9,000 | \$ 10,875 | \$ (1,875) |
| Total legislative | \$ 9,000 | \$ 9,000 | \$ 10,875 | \$ (1,875) |
| General and financial administration | | | | |
| Mayor compensation | \$ 2,400 | \$ 2,400 | \$ 2,775 | \$ (375) |
| Town Manager compensation | 74,418 | 74,418 | 74,880 | (462) |
| Office salaries | 122,781 | 122,781 | 135,349 | (12,568) |
| Fringe benefits | 60,896 | 60,896 | 84,367 | (23,471) |
| Legal and accounting services | 16,000 | 16,000 | 2,253 | 13,747 |
| General insurance | 62,000 | 62,000 | 67,564 | (5,564) |
| Vehicle expenses | 3,000 | 3,000 | 3,557 | (557) |
| Grant writing | 1,500 | 1,500 | 1,320 | 180 |
| Administrative expense | 8,000 | 8,000 | 15,922 | (7,922) |
| Town code updates | 2,000 | 2,000 | 1,195 | 805 |
| Website | 800 | 800 | 851 | (51) |
| Cell phone | 750 | 750 | 1,532 | (782) |
| Credit card fees | 26,000 | 26,000 | 37,848 | (11,848) |
| Department of records | 2,500 | 2,500 | 4,873 | (2,373) |
| Office supplies | 7,000 | 7,000 | 4,956 | 2,044 |
| Postage | 6,000 | 6,000 | 3,934 | 2,066 |
| Telephone | 9,500 | 9,500 | 6,333 | 3,167 |
| Utilities | 7,500 | 7,500 | 10,752 | (3,252) |
| Rent | 2,500 | 2,500 | 5,102 | (2,602) |
| Janitorial service | 2,600 | 2,600 | 2,500 | 100 |
| Office repairs and maintenance | 10,500 | 10,500 | 19,980 | (9,480) |
| Veterans memorial flags | - | - | 8,155 | (8,155) |
| Miscellaneous | 1,000 | 1,000 | 18,002 | (17,002) |
| Donations | 2,000 | 2,000 | 6,850 | (4,850) |
| Total general and financial administration | \$ 431,645 | \$ 431,645 | \$ 520,850 | \$ (89,205) |
| Total general government administration | \$ 440,645 | \$ 440,645 | \$ 531,725 | \$ (91,080) |

TOWN OF STANLEY, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2023

Schedule 2

| Fund, Function, Activity, and Elements | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Public safety: | | | | |
| Police department: | | | | |
| Salaries | \$ 338,710 | \$ 338,710 | \$ 324,362 | \$ 14,348 |
| Fringe benefits | 150,584 | 150,584 | 110,439 | 40,145 |
| Police vehicles - gas and oil | 10,000 | 10,000 | 7,626 | 2,374 |
| Police vehicles - other expenses | 4,500 | 4,500 | 1,639 | 2,861 |
| Equipment repairs | 31,479 | 31,479 | 58,380 | (26,901) |
| Supplies | 1,500 | 1,500 | 8,145 | (6,645) |
| Uniforms | 3,000 | 3,000 | 3,798 | (798) |
| Legal fees | 1,000 | 1,000 | - | 1,000 |
| Rentals | 4,500 | 4,500 | 4,125 | 375 |
| Telephone | 12,000 | 12,000 | 10,974 | 1,026 |
| Training | 4,000 | 4,000 | 4,340 | (340) |
| Miscellaneous | 11,564 | 11,564 | 27,348 | (15,784) |
| Total police department | \$ 572,837 | \$ 572,837 | \$ 561,176 | \$ 11,661 |
| Fire and rescue services: | | | | |
| Fire and rescue donations | \$ 5,000 | \$ 5,000 | \$ 320 | \$ 4,680 |
| Virginia fire funds | 15,000 | 15,000 | 15,000 | - |
| SVFD reimbursements | 4,000 | 4,000 | 12,246 | (8,246) |
| Total fire and rescue services | \$ 24,000 | \$ 24,000 | \$ 27,566 | \$ (3,566) |
| Total public safety | \$ 596,837 | \$ 596,837 | \$ 588,742 | \$ 8,095 |
| Public works: | | | | |
| Public works department: | | | | |
| Maintenance and streets: | | | | |
| Street lights | \$ 32,000 | \$ 32,000 | \$ 28,151 | \$ 3,849 |
| Supplies | - | - | 471 | (471) |
| Street and sidewalk repairs | 3,000 | 3,000 | 16,859 | (13,859) |
| Safety | 1,000 | 1,000 | 357 | 643 |
| Sweeper | 1,000 | 1,000 | 220 | 780 |
| Mowing | 20,000 | 20,000 | 5,429 | 14,571 |
| Miscellaneous | 3,000 | 3,000 | 1,313 | 1,687 |
| Repairs and maintenance - equipment & vehicles | 5,500 | 5,500 | 1,911 | 3,589 |
| Total maintenance and streets | \$ 65,500 | \$ 65,500 | \$ 54,711 | \$ 10,789 |
| Sanitation: | | | | |
| Trash service | \$ 130,000 | \$ 130,000 | \$ 135,779 | \$ (5,779) |
| Landfill fees | 500 | 500 | 916 | (416) |
| Trash vehicles | 1,000 | 1,000 | 2,239 | (1,239) |
| Total sanitation | \$ 131,500 | \$ 131,500 | \$ 138,934 | \$ (7,434) |
| Total public works | \$ 197,000 | \$ 197,000 | \$ 193,645 | \$ 3,355 |

TOWN OF STANLEY, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2023

Schedule 2

| Fund, Function, Activity, and Elements | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Parks, recreation, and cultural: | | | | |
| Homecoming | \$ - | \$ - | \$ 36,184 | \$ (36,184) |
| Christmas | - | - | 8,935 | (8,935) |
| Library | 5,000 | 5,000 | 2,500 | 2,500 |
| Vehicle expense | - | - | 81 | (81) |
| Recreation programs - little league | 5,252 | 5,252 | 6,000 | (748) |
| Ed Good Memorial Park | 106,072 | 106,072 | 122,096 | (16,024) |
| Skatepark | 48,817 | 48,817 | 81,453 | (32,636) |
| Museum | - | - | 889 | (889) |
| Century Station | - | - | 856 | (856) |
| Total parks, recreation, and cultural | \$ 165,141 | \$ 165,141 | \$ 258,994 | \$ (93,853) |
| Capital outlay: | | | | |
| Police vehicles | \$ - | \$ - | \$ 68,663 | \$ (68,663) |
| Total capital outlay | \$ - | \$ - | \$ 68,663 | \$ (68,663) |
| Debt service: | | | | |
| Principal | \$ 8,826 | \$ 8,826 | \$ 10,471 | \$ (1,645) |
| Interest | 1,634 | 1,634 | 2,740 | (1,106) |
| Total debt service | \$ 10,460 | \$ 10,460 | \$ 13,211 | \$ (2,751) |
| Total General Fund | \$ 1,410,083 | \$ 1,410,083 | \$ 1,654,980 | \$ (244,897) |

COMPLIANCE



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

**TO THE HONORABLE MEMBERS OF
THE TOWN COUNCIL
TOWN OF STANLEY, VIRGINIA**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Stanley, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Stanley, Virginia's basic financial statements, and have issued our report thereon dated February 25, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Stanley, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Stanley, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Stanley, 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 the 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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

Town of Stanley, Virginia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Town of Stanley, Virginia's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. Town of Stanley, Virginia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Assoc.

Staunton, Virginia
February 25, 2025

TOWN OF STANLEY, VIRGINIA
Schedule of Findings and Responses
Year Ended June 30, 2023

Financial Statement Findings

Section I-Summary of Auditors' Results

Financial Statements

| | |
|--|-----------------------------------|
| Type of auditors' report issued | <u>unmodified</u> |
| Internal control over financial reporting: | |
| - Material weakness(es) identified? | <u> x </u> yes <u> </u> no |
| - Significant deficiency(ies) identified? | <u> </u> yes <u> x </u> no |
| Non compliance material to financial statements noted? | <u> </u> yes <u> x </u> no |

Section II-Financial Statement Findings

Finding 2023-001 Material Weakness:

Criteria: A system of internal controls over financial reporting includes controls over the general ledger and the preparation of the financial statements. The auditor cannot be a compensating control for the client.

Condition: Material audit adjustments were required in order for the Town's financial statements to be fairly stated in accordance with generally accepted accounting principles (GAAP) for governments.

Cause: Internal controls over financial reporting under GAAP were inadequately designed.

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

Recommendation: The Town should implement procedures to ensure that all adjustments for GAAP financial reporting have been made at the close of the Town's fiscal year.

Management's Response:

A. Comments on Findings and Recommendations: The Town concurs with the finding.

B. Actions Planned or Taken: We intend to review our operations and processes to determine if changes are warranted and if those changes will be cost beneficial.

Finding 2023-002 Material Weakness:

Criteria: A key concept of internal controls is segregation of duties. No one employee should have access to cash collections, cash disbursements, and the recording of these transactions in the Town's general ledger.

Condition: The Town Treasurer has sole responsibility for the deposit and disbursement of cash, the recording of transactions, and the reconciliation of records with bank statements.

Cause: Duties are not adequately segregated due to the small staff of the Town and internal controls over financial duties are inadequately designed.

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

TOWN OF STANLEY, VIRGINIA
Schedule of Findings and Responses
Year Ended June 30, 2023

Section II - Financial Statement Findings (continued)

Finding 2022-002 Material Weakness: (continued)

Recommendation: While we recognize that the Town does not have adequate staff to properly segregate duties, we recommend that, at a minimum, Town Council should continue to monitor the Treasurer's activities. This monitoring should include approval of bank reconciliations, review of bank statements, approval of invoices prior to payment, signature of checks, and approval of monthly financial statements. Approval of all reports should be indicated by a Council member either signing the reports or at least initialing and dating them.

Management's Response:

A. Comments on Findings and Recommendations: The Town management concurs with the finding.

B. Actions Planned or Taken: The Town made significant improvements to the segregation of duties among staff in during FY23. The Town has started segregating job duties by utilizing the Parks Director in carrying out the bank reconciliation function and in January 2023 the newly hired Clerk began maintaining the check book and issuing disbursements.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Summary Schedule of Prior Year Findings

Finding 2022-001 Material Weakness

Finding remains applicable in 2023, reference finding 2023-001

Finding 2022-002 Material Weakness

Finding remains applicable in 2023, reference finding 2023-002