

# TOWN OF TAZEWELL, VIRGINIA



## ANNUAL FINANCIAL REPORT

### FISCAL YEAR ENDED JUNE 30, 2020

**TOWN OF TAZEWELL, VIRGINIA**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2020**

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**TOWN OF TAZEWell, VIRGINIA**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**TABLE OF CONTENTS**

---

**INTRODUCTORY SECTION**

---

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

---

**FINANCIAL SECTION**

---

	<u>Exhibit</u>	<u>Page</u>
Independent Auditors' Report .....		2-4
<b>Basic Financial Statements:</b>		
Government-wide Financial Statements:		
Statement of Net Position .....	1	5
Statement of Activities .....	2	6
Fund Financial Statements:		
Balance Sheet - Governmental Fund .....	3	7
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position .....	4	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund.....	5	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities .....	6	10
Statement of Net Position - Proprietary Fund.....	7	11
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund .....	8	12
Statement of Cash Flows - Proprietary Fund .....	9	13
Notes to the Financial Statements .....		14-58
<b>Required Supplementary Information:</b>		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:		
General Fund .....	10	59
Schedules Related to Pension Funding:		
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios .....	11	60
Schedule of Employer Contributions .....	12	61
Notes to Required Supplementary Information .....	13	62
Schedules Related to OPEB Funding:		
Town Health Insurance OPEB:		
Schedule of Changes in Total OPEB Liability and Related Ratios .....	14	63
Notes to Required Supplementary Information .....	15	64
Line of Duty Act (LODA) Program:		
Schedule of Employer's Share of Net LODA OPEB Liability .....	16	65
Schedule of Employer Contributions.....	17	66
Notes to Required Supplementary Information .....	18	67

**TOWN OF TAZEWELL, VIRGINIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2020**

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**TABLE OF CONTENTS (CONTINUED)**

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**FINANCIAL SECTION (Continued)**

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<b>Other Supplementary Information:</b>	<b><u>Exhibit</u></b>	<b><u>Page</u></b>
Combining Statements - Proprietary Fund		
Statement of Net Position .....	19	68
Statement of Revenues, Expenses, and Changes in Net Position.....	20	69

	<b><u>Schedule</u></b>	<b><u>Page</u></b>
<b>Supporting Schedules:</b>		
Schedule of Revenues - Budget and Actual - Governmental Fund .....	1	70-71
Schedule of Expenditures - Budget and Actual - Governmental Fund .....	2	72-73

<b>Statistical Information:</b>	<b><u>Table</u></b>	<b><u>Page</u></b>
<b>Fund Information:</b>		
General Governmental Expenditures by Function .....	1	74
General Governmental Revenues by Source .....	2	75
Computation of Legal Debt Margin .....	3	76

---

**COMPLIANCE SECTION**

---

<b>Compliance:</b>	<b><u>Page</u></b>
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	77-78
Schedule of Findings and Responses .....	79-82

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## INTRODUCTORY SECTION

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## TOWN OF TAZEVELL, VIRGINIA

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### TOWN COUNCIL

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

### TOWN INDUSTRIAL/ECONOMIC DEVELOPMENT AUTHORITY BOARD

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Kim Santolla, Chair  
Joe Beasley  
Shawn McReynolds  
Zach Cline  
Derek Pridgen

### OTHER OFFICIALS

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

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## FINANCIAL SECTION

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**Independent Auditors' Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Tazewell, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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



## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Tazewell, Virginia, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 58 and 59-66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

### ***Supplementary and Other Information***

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

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020, on our consideration of the Town of Tazewell, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Tazewell, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Tazewell, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia  
October 5, 2020

## **Basic Financial Statements**

Town of Tazewell, Virginia  
Statement of Net Position  
At June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 415,816	\$ 172,956	\$ 588,772
Investments	82,056	-	82,056
Receivables (net of allowance for uncollectibles):			
Taxes receivable	122,879	-	122,879
Accounts receivable	211,516	323,365	534,881
Notes receivable	-	615,885	615,885
EMS and fire receivable	134,215	-	134,215
Internal Balances	(224,897)	224,897	-
Due from other governmental units	3,828	-	3,828
Net pension asset	129,084	48,229	177,313
Capital assets (net of accumulated depreciation):			
Land	2,401,366	21,581	2,422,947
Buildings and improvements	1,623,349	-	1,623,349
Vehicles	557,407	-	557,407
Equipment, furniture, and fixtures	498,086	157,469	655,555
Infrastructure/utility plant and buildings in service	3,840,254	7,867,964	11,708,218
Construction in progress	-	996,011	996,011
Total assets	<u>\$ 9,794,959</u>	<u>\$ 10,428,357</u>	<u>\$ 20,223,316</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	\$ 223,374	\$ 82,696	\$ 306,070
OPEB related items	562,095	31,158	593,253
Total deferred outflows of resources	<u>\$ 785,469</u>	<u>\$ 113,854</u>	<u>\$ 899,323</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 234,993	\$ 308,611	\$ 543,604
Accrued liabilities	107,750	45,155	152,905
Customers' deposits	-	128,747	128,747
Accrued interest payable	12,789	10,711	23,500
Amount due to Tazewell PSA	-	412,325	412,325
Unearned revenue	-	1,067,830	1,067,830
Long-term liabilities:			
Due within one year	164,263	262,231	426,494
Due in more than one year	2,958,086	4,272,379	7,230,465
Total liabilities	<u>\$ 3,477,881</u>	<u>\$ 6,507,989</u>	<u>\$ 9,985,870</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - prepaid taxes	\$ 19,932	\$ -	\$ 19,932
Pension related items	85,716	34,742	120,458
OPEB related items	159,612	88,516	248,128
Total deferred inflows of resources	<u>\$ 265,260</u>	<u>\$ 123,258</u>	<u>\$ 388,518</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 8,303,701	\$ 5,073,793	\$ 13,377,494
Restricted	57,697	-	57,697
Unrestricted	(1,524,111)	(1,162,829)	(2,686,940)
Total net position	<u>\$ 6,837,287</u>	<u>\$ 3,910,964</u>	<u>\$ 10,748,251</u>

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

Town of Tazewell, Virginia  
Statement of Activities  
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government Business-type Activities	
			Grants and Contributions	Capital Grants and Contributions			Total
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 700,731	\$ -	\$ -	-	\$ (700,731)	-	\$ (700,731)
Public safety	2,956,322	1,219,964	133,260	-	(1,603,098)	-	(1,603,098)
Public works	2,772,511	399,796	1,633,700	-	(739,015)	-	(739,015)
Health and welfare	(28,047)	-	-	-	28,047	-	28,047
Parks, recreation, and cultural	476,804	73,454	-	-	(403,350)	-	(403,350)
Community development	164,789	-	-	116,400	(48,389)	-	(48,389)
Interest on long-term debt	33,890	-	-	-	(33,890)	-	(33,890)
Total governmental activities	\$ 7,077,000	\$ 1,693,214	\$ 1,766,960	\$ 116,400	\$ (3,500,426)	-	\$ (3,500,426)
<b>Business-type activities:</b>							
Enterprise fund	\$ 3,079,884	\$ 2,784,901	\$ 166,011	\$ -	\$ -	\$ (128,972)	\$ (128,972)
Total primary government	\$ 10,156,884	\$ 4,478,115	\$ 1,932,971	\$ 116,400	\$ (3,500,426)	\$ (128,972)	\$ (3,629,398)
General revenues:							
General property taxes					\$ 829,379	-	\$ 829,379
Other local taxes:							
Local sales and use taxes					314,921	-	314,921
Consumers' utility taxes					46,721	-	46,721
Business license taxes					284,538	-	284,538
Motor vehicle licenses					67,089	-	67,089
Bank stock tax					187,273	-	187,273
Cigarette Tax					201,164	-	201,164
Meals taxes					777,280	-	777,280
Other local taxes					30,365	-	30,365
Unrestricted revenues from use of money and property					7,865	25,494	33,359
Miscellaneous					129,525	52,787	182,312
Grants and contributions not restricted to specific programs					83,517	-	83,517
Special items - refund of bank franchise tax					(46,141)	-	(46,141)
Transfers					5,617	(5,617)	-
Total general revenues, special items, and transfers					\$ 2,919,113	\$ 72,664	\$ 2,991,777
Change in net position					\$ (581,313)	\$ (56,308)	\$ (637,621)
Net position - beginning					7,418,600	3,967,272	11,385,872
Net position - ending					\$ 6,837,287	\$ 3,910,964	\$ 10,748,251

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

Town of Tazewell, Virginia  
Balance Sheet  
Governmental Fund  
At June 30, 2020

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	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 415,816
Investments	82,056
Receivables (net of allowance for uncollectibles):	
Taxes receivable	122,879
Accounts receivable	211,516
EMS and fire receivable	134,215
Due from other governmental units	3,828
Total assets	<u>\$ 970,310</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 234,993
Accrued payroll and related liabilities	107,750
Due to other funds	224,897
Total liabilities	<u>\$ 567,640</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - property taxes	\$ 112,432
Total deferred inflows of resources	<u>\$ 112,432</u>
<b>FUND BALANCE</b>	
Restricted	\$ 57,697
Unassigned	232,541
Total fund balance	<u>\$ 290,238</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 970,310</u>

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

Town of Tazewell, Virginia  
Reconciliation of the Balance Sheet of Governmental Fund  
to the Statement of Net Position  
At June 30, 2020

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	290,238
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 2,401,366	
Buildings and improvements	1,623,349	
Vehicles	557,407	
Equipment, furniture, and fixtures	498,086	
Infrastructure/utility plant and buildings in service	<u>3,840,254</u>	8,920,462

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

Unavailable revenue - property taxes	\$ 92,500	
Net pension asset	<u>129,084</u>	221,584

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

Pension related items	\$ 223,374	
OPEB related items	<u>562,095</u>	785,469

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

Bond payable	\$ (536,825)	
Capital lease	(79,936)	
Accrued interest payable	(12,789)	
Compensated absences	(157,920)	
Net OPEB liabilities	<u>(2,347,668)</u>	(3,135,138)

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

Pension related items	\$ (85,716)	
OPEB related items	<u>(159,612)</u>	(245,328)

Net position of governmental activities

	\$	<u><u>6,837,287</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Tazewell, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Fund  
For the Year Ended June 30, 2020

	<u>General</u>
<b>REVENUES</b>	
General property taxes	\$ 869,972
Other local taxes	1,909,351
Permits, privilege fees, and regulatory licenses	2,686
Fines and forfeitures	23,629
Revenue from the use of money and property	7,865
Charges for services	1,666,899
Miscellaneous	129,525
Intergovernmental	1,966,877
Total revenues	<u>\$ 6,576,804</u>
<b>EXPENDITURES</b>	
Current:	
General government administration	\$ 716,265
Public safety	2,678,111
Public works	2,529,642
Parks, recreation, and cultural	366,764
Community development	127,294
Capital projects	126,194
Debt service:	
Principal retirement	814,349
Interest and other fiscal charges	21,101
Total expenditures	<u>\$ 7,379,720</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (802,916)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers in	\$ 5,617
Issuance of note payable	1,030,000
Total other financing sources (uses)	<u>\$ 1,035,617</u>
<b>SPECIAL ITEMS</b>	
Bank Franchise Tax Refund	<u>\$ (46,141)</u>
Total special and extraordinary items	<u>\$ (46,141)</u>
Net change in fund balances	\$ 186,560
Fund balance - beginning	103,678
Fund balance - ending	<u><u>\$ 290,238</u></u>

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



Town of Tazewell, Virginia  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balance of Governmental Fund  
to the Statement of Activities  
For the Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds	\$	186,560
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation expense in the current period.

Capital outlays	\$ 158,258	
Depreciation expense	<u>(484,128)</u>	(325,870)

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

Loss on disposal of assets - includes economic incentive contributions		(6,104)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		(40,593)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:		
Issuance of note payable	\$ (1,030,000)	
Principal repayments:		
Bond payable	14,456	
Note payable	772,824	
Capital lease	<u>27,069</u>	(215,651)

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

Change in compensated absences	\$ (20,606)	
Change in accrued interest payable	(12,789)	
Change in pension related items	42,040	
Change in OPEB related items	<u>(188,300)</u>	(179,655)

Change in net position of governmental activities	<u>\$</u>	<u>(581,313)</u>
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The notes to the financial statements are an integral part of this statement.

Town of Tazewell, Virginia  
Statement of Net Position  
Proprietary Fund  
At June 30, 2020

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 172,956
Accounts receivable, net of allowances for uncollectibles	323,365
Due from other funds	224,897
Note receivable, current portion	18,625
Total current assets	<u>\$ 739,843</u>
Noncurrent assets:	
Note receivable, net of current portion	\$ 597,260
Net pension asset	48,229
Capital assets:	
Land	21,581
Utility plant and buildings in service	16,808,083
Machinery and equipment	800,797
Accumulated depreciation	(9,583,447)
Construction in progress	996,011
Net capital assets	<u>\$ 9,043,025</u>
Total noncurrent assets	<u>\$ 9,688,514</u>
Total assets	<u>\$ 10,428,357</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related items	\$ 82,696
OPEB related items	31,158
Total deferred outflows of resources	<u>\$ 113,854</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 308,611
Accrued payroll and related liabilities	45,155
Customers' deposits	128,747
Accrued interest payable	10,711
Amount due to Tazewell PSA	412,325
Unearned revenue	1,067,830
Revenue bonds payable - current portion	168,423
General obligation bonds and notes - current portion	39,967
Compensated absences - current portion	53,841
Total current liabilities	<u>\$ 2,235,610</u>
Noncurrent liabilities:	
Revenue bonds payable - net of current portion	\$ 2,485,661
General obligation bonds and notes - net of current portion	1,275,181
Compensated absences - net of current portion	17,946
Net OPEB liability	493,591
Total noncurrent liabilities	<u>\$ 4,272,379</u>
Total liabilities	<u>\$ 6,507,989</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related items	\$ 34,742
OPEB related items	88,516
Total deferred inflows of resources	<u>\$ 123,258</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 5,073,793
Unrestricted	(1,162,829)
Total net position	<u><u>\$ 3,910,964</u></u>

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

Town of Tazewell, Virginia  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2020

	<u>Enterprise Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Charges for services	\$ 2,780,086
Penalties and service charges	4,815
Miscellaneous	52,787
Total operating revenues	<u>\$ 2,837,688</u>
<b>OPERATING EXPENSES</b>	
Salaries, wages and fringes	\$ 735,326
Fringe benefits	275,865
Insurance	11,125
Office supplies	17,313
Postage	9,078
Telecommunications	15,711
Uniforms	7,433
Training	2,933
Maintenance	319,412
Equipment	20,293
Motor fuel and oil	6,426
Water works fees	5,803
Wastewater fees	29,363
Supplies	149,106
Purchased water	630,410
Utilities	190,796
Chemicals	106,963
Water Line Mapping	35,000
Miscellaneous	14,740
Depreciation	409,018
Total operating expenses	<u>\$ 2,992,114</u>
Operating income (loss)	<u>\$ (154,426)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	\$ 25,494
Feasibility study grant	166,011
Interest expense	(87,770)
Total nonoperating revenues (expenses)	<u>\$ 103,735</u>
Income before transfers	\$ (50,691)
Transfers out	<u>(5,617)</u>
Change in net position	\$ (56,308)
Total net position - beginning	3,967,272
Total net position - ending	<u><u>\$ 3,910,964</u></u>

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

Town of Tazewell, Virginia  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2020

	<u>Enterprise Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 2,797,485
Payments to suppliers	(1,358,199)
Payments to and for employees	(1,002,052)
Net cash provided by (used for) operating activities	<u>\$ 437,234</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from (to) other funds	\$ (230,514)
Intergovernmental revenue	166,011
Net cash provided by (used for) noncapital financing activities	<u>\$ (64,503)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Additions to utility plant	\$ (607,821)
Principal payments on revenue bonds	(39,288)
Principal payments on general obligation bond	(176,144)
Payments received on note receivable	17,884
Interest received on note receivable	25,494
Proceeds from debt issuance	366,951
Interest expense	(88,748)
Net cash provided by (used for) capital and related financing activities	<u>\$ (501,672)</u>
Net increase (decrease) in cash and cash equivalents	\$ (128,941)
Cash and cash equivalents - beginning	301,897
Cash and cash equivalents - ending	<u><u>\$ 172,956</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ (154,426)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 409,018
Change in accounts receivable	9,236
Change in deferred outflows of resources	(69,508)
Change in prepaid items	5,825
Change in customer deposits	(12,932)
Change in accounts payable	207,881
Change in accrued payroll and related liabilities	6,864
Change in unearned revenue	(36,507)
Change in compensated absences	8,643
Change in net pension asset	86,320
Change in net OPEB liability	(56,171)
Change in deferred inflows of resources	32,991
Total adjustments	<u>\$ 591,660</u>
Net cash provided by (used for) operating activities	<u><u>\$ 437,234</u></u>
<b>Noncash investing, capital, and financing activities:</b>	
Increase in amount due to Tazewell PSA	\$ 222,606
Capital assets paid for by Tazewell PSA	(222,606)

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

## TOWN OF TAZEVELL, VIRGINIA

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

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#### **Note 1-Summary of Significant Accounting Policies:**

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

#### **A. Financial reporting entity:**

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

**B. Government-wide financial statements:**

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

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

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

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

**C. Budgetary basis of accounting**

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

C. Budgetary basis of accounting (Continued)

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

For the year ended June 30, 2020, the expenditures for several departments in the Town exceeded their respective appropriations.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

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

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary fund:

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

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

1. Cash and Cash Equivalents

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

2. Investments

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

3. Property Taxes

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

4. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$374,982 for the General Fund and \$144,522 for the Enterprise Fund at June 30, 2020. The allowance consists of unpaid taxes in the amount of \$84,002, unpaid garbage bills of \$23,656, ambulance services of \$267,324, and unpaid water/sewer bills of \$144,522.

5. Use of Estimates

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

6. Prepaid Items

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

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

7. Capital Assets

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

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

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

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

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

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

8. Compensated Absences

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

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

9. Pensions

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

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

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

11. Long-term Obligations

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

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

12. Fund Balance

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

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

13. Deferred Outflows/Inflows of Resources

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

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

14. Net Position

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

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

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

**Note 2-Deposits and Investments:**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 2-Deposits and Investments: (Continued)**

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

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

**Investment Maturities (in years)**

<u>Investment Type</u>	<u>Fair Value</u>	<u>1 Year</u>	<u>1-5 Years</u>
LGIP	\$ 82,056	\$ 82,056	\$ -

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town’s investments at June 30, 2020 were held in the Town’s name by the Town’s custodial bank.

Credit Risk of Debt Securities: The Town’s rated debt investments as of June 30, 2020 were rated by Standard and Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor’s rating scale.

**Town’s Rated Debt Investments’ Values**

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
LGIP	\$ 82,056

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

TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 3-Due from Other Governmental Units:**

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

	Governmental Activities
<b><u>Commonwealth of Virginia:</u></b>	
Noncategorical aid	\$ 3,828
Total	<u>\$ 3,828</u>

**Note 4-Interfund Activity:**

Interfund transfers for the year ended June 30, 2020, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 5,617	\$ -
Water and Sewer Fund	-	5,617
Total	<u>\$ 5,617</u>	<u>\$ 5,617</u>

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

As of June 30, 2020, interfund obligations of \$224,897 were due from the General Fund to the Water and Sewer Fund.



TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 5-Long-term Obligations:**

**Governmental Activity Obligations:**

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2020:

	Balance July 1, 2019	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2020
Direct borrowings and placements -				
Bond payable	\$ 294,105	\$ -	\$ (14,456)	\$ 279,649
Note payable	-	1,030,000	(772,824)	257,176
Capital lease	107,005	-	(27,069)	79,936
Net OPEB liabilities	2,035,432	955,806	(643,570)	2,347,668
Compensated absences	137,314	123,592	(102,986)	157,920
Total	<u>\$ 2,573,856</u>	<u>\$ 2,109,398</u>	<u>\$ (1,560,905)</u>	<u>\$ 3,122,349</u>

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

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

Year Ending June 30,	Direct Borrowings and Placements			
	Bond Payable		Note Payable	
	Principal	Interest	Principal	Interest
2021	\$ 15,495	\$ 11,623	\$ -	\$ 16,344
2022	16,175	10,943	257,176	4,308
2023	16,880	10,239	-	-
2024	17,615	9,504	-	-
2025	18,382	8,737	-	-
2026-2030	104,635	30,958	-	-
2031-2034	90,467	8,968	-	-
Totals	<u>\$ 279,649</u>	<u>\$ 90,972</u>	<u>\$ 257,176</u>	<u>\$ 20,652</u>

TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 5-Long-term Obligations: (Continued)**

**Governmental Activity Obligations: (Continued)**

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Direct Borrowings and Placements:						
Bond Payable	4.27%	2019	2034	\$ 300,000	\$ 279,649	\$ 15,495
Note Payable	3.35%	2019	2021	1,030,000	257,176	-
Total Direct Borrowings and Placements					\$ 536,825	\$ 15,495
Other Obligations:						
Capital Lease	2.75%	2018	2023	150,000	\$ 79,936	\$ 30,328
Net OPEB Liabilities	n/a	n/a	n/a	n/a	2,347,668	-
Compensated Absences	n/a	n/a	n/a	n/a	157,920	118,440
Total other obligations					\$ 2,585,524	\$ 148,768
Total long-term obligations					\$ 3,122,349	\$ 164,263

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

TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 5-Long-term Obligations: (Continued)**

**Business-type Activity Obligations:**

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2020:

	<u>Balance July 1, 2019</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2020</u>
Direct Borrowings and Placements -				
Revenue bonds	\$ 1,354,436	\$ -	\$ (39,288)	\$ 1,315,148
GO bonds and notes	2,463,277	366,951	(176,144)	2,654,084
Net OPEB liability	549,762	89,945	(146,116)	493,591
Compensated absences	63,144	56,001	(47,358)	71,787
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 4,430,619</u>	<u>\$ 512,897</u>	<u>\$ (408,906)</u>	<u>\$ 4,534,610</u>

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

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

<u>Year Ending June 30,</u>	<u>Direct Borrowings and Placements - Revenue Bonds</u>		<u>Direct Borrowings and Placements - GO Bonds and Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 39,967	\$ 42,761	\$ 168,423	\$ 54,182
2022	41,266	41,462	538,111	42,808
2023	42,607	40,121	173,942	36,474
2024	43,992	38,736	176,770	33,699
2025	45,421	37,307	179,645	30,878
2026-2030	250,233	163,407	943,043	110,416
2031-2035	293,626	120,014	287,186	41,111
2036-2040	344,544	69,096	117,106	19,872
2041-2044	213,492	13,404	69,858	5,520
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Totals	<u>\$ 1,315,148</u>	<u>\$ 566,308</u>	<u>\$ 2,654,084</u>	<u>\$ 374,960</u>

TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 5-Long-term Obligations: (Continued)**

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Direct Borrowings and Placements:						
Revenue Bond-Rural Development	3.25%	2003	2043	\$ 1,800,000	\$ 1,315,148	\$ 39,967
(General Obligation Bonds:						
Virginia Resources Authority	2.25%	2015	2046	518,022	429,829	14,450
Virginia Resources Authority	2.25%	2015	2046	108,598	72,653	3,461
Virginia Resources Authority	1.55%	2013	2034	2,988,696	1,784,651	150,512
First Sentinel Bank Loan	3.35%	2019	2021	900,000	366,951	-
Total direct borrowings and placements					<u>\$ 3,969,232</u>	<u>\$ 208,390</u>
Other Obligations:						
Net OPEB Liability	n/a	n/a	n/a	n/a	\$ 493,591	\$ -
Compensated Absences	n/a	n/a	n/a	n/a	<u>71,787</u>	<u>53,841</u>
Total other obligations					<u>\$ 565,378</u>	<u>\$ 53,841</u>
Total long-term obligations					<u><u>\$ 4,534,610</u></u>	<u><u>\$ 262,231</u></u>

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

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

Arbitrage Rebate Compliance:

As of June 30, 2020 and for the year then ended, the Town was not liable for any amounts due under current rules governing arbitrage earnings.

Debt Purpose:

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

TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 6-Line of Credit:**

**Governmental Activity Obligations:**

On June 19, 2019, the Town entered into a \$350,000 line of credit with New Peoples Bank, Inc. with an interest rate of 6.50% to cover cash shortfalls. During the year, the town had issuances and payments as detailed below.

On March 22, 2018, the Town entered into a \$400,000 line of credit with National Bank with variable interest rate, 4.5% as of April, 2020, to cover cash shortfalls during the year. During the year, the Town had issuances and payments as detailed below:

	Balance July 1, 2019	Issuances	Retirements	Balance June 30, 2020
National Bank LOC	\$ -	\$ 400,000	\$ (400,000)	\$ -
New Peoples Bank LOC	-	250,000	(250,000)	-
Total	<u>\$ -</u>	<u>\$ 650,000</u>	<u>\$ (650,000)</u>	<u>\$ -</u>

**Note 7-Capital Lease:**

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

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

Garbage truck	\$ 141,414
Total capital asset	<u>\$ 141,414</u>
Accumulated Depreciation	(36,535)
Net Book Value of Capital Asset	<u>\$ 104,879</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 7-Capital Lease: (Continued)**

Present value of future minimum lease payments:

Year Ending June 30,	Capital Leases
2021	32,144
2022	32,144
2023	18,528
Total minimum lease payments	\$ 82,816
Less: amount representing interest	(2,880)
Present value of future minimum lease payments	\$ 79,936

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

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

***Benefit Structures***

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

***Benefit Structures (Continued)***

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

***Average Final Compensation and Service Retirement Multiplier***

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

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

***Employees Covered by Benefit Terms***

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	40
Inactive members:	
Vested inactive members	6
Non-vested inactive members	24
Inactive members active elsewhere in VRS	<u>29</u>
Total inactive members	59
Active members	<u>62</u>
Total covered employees	<u><u>161</u></u>

***Contributions***

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

The Town's contractually required employer contribution rate for the year ended June 30, 2020 was 3.48% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

***Contributions (Continued)***

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$71,241 and \$67,111 for the years ended June 30, 2020 and June 30, 2019, respectively.

***Net Pension Asset***

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Town's net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019.

***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, 2018, 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, 2019.

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

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

**Mortality rates:**

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related  
Pre-Retirement:  
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

## Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

**Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits**

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.63%</u>

\* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75%, which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability/(Asset)**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances at June 30, 2018	\$ 6,358,981	\$ 6,861,319	\$ (502,338)
Changes for the year:			
Service cost	\$ 179,383	\$ -	\$ 179,383
Interest	434,836	-	434,836
Changes of assumptions	197,476	-	197,476
Differences between expected and actual experience	138,453	-	138,453
Contributions - employer	-	67,114	(67,114)
Contributions - employee	-	107,970	(107,970)
Net investment income	-	454,839	(454,839)
Benefit payments, including refunds of employee contributions	(294,086)	(294,086)	-
Administrative expenses	-	(4,513)	4,513
Other changes	-	(287)	287
Net changes	\$ 656,062	\$ 331,037	\$ 325,025
Balances at June 30, 2019	\$ 7,015,043	\$ 7,192,356	\$ (177,313)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

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

	Rate		
	1% Decrease (5.75%)	Discount (6.75%)	1% Increase (7.75%)
Town's			
Net Pension Liability (Asset)	\$ 707,225	\$ (177,313)	\$ (880,750)

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

For the year ended June 30, 2020, the Town recognized pension expense of \$19,025. At June 30, 2020, 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 \$	94,915	\$ 51,077
Change in assumptions	135,377	4,598
Change in proportionate shares	4,537	4,537
Net difference between projected and actual earnings on pension plan investments	-	60,246
Employer contributions subsequent to the measurement date	71,241	-
Total	\$ 306,070	\$ 120,458

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 8-Pension Plan: (Continued)*****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

\$71,241 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2021	\$ 61,880
2022	30,344
2023	17,923
2024	4,224
Thereafter	-

***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 9-Capital Assets:**

Capital asset activity for the year ended June 30, 2020 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,366,366	\$ 35,000	\$ -	\$ 2,401,366
Total capital assets not being depreciated	<u>\$ 2,366,366</u>	<u>\$ 35,000</u>	<u>\$ -</u>	<u>\$ 2,401,366</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,845,349	\$ -	\$ -	\$ 2,845,349
Infrastructure	4,719,299	-	-	4,719,299
Vehicles	2,526,214	95,211	(22,973)	2,598,452
Equipment, furniture, and fixtures	1,385,284	28,047	(104,894)	1,308,437
Total capital assets being depreciated	<u>\$ 11,476,146</u>	<u>\$ 123,258</u>	<u>\$ (127,867)</u>	<u>\$ 11,471,537</u>
Accumulated depreciation:				
Buildings and improvements	\$ (1,152,241)	\$ (69,759)	\$ -	\$ (1,222,000)
Infrastructure	(690,662)	(188,383)	-	(879,045)
Vehicles	(1,929,913)	(128,001)	16,869	(2,041,045)
Equipment, furniture, and fixtures	(817,260)	(97,985)	104,894	(810,351)
Total accumulated depreciation	<u>\$ (4,590,076)</u>	<u>\$ (484,128)</u>	<u>\$ 121,763</u>	<u>\$ (4,952,441)</u>
Total capital assets being depreciated, net	<u>\$ 6,886,070</u>	<u>\$ (360,870)</u>	<u>\$ (6,104)</u>	<u>\$ 6,519,096</u>
Governmental activities capital assets, net	<u>\$ 9,252,436</u>	<u>\$ (325,870)</u>	<u>\$ (6,104)</u>	<u>\$ 8,920,462</u>



TOWN OF TAZEWELL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 9-Capital Assets: (Continued)**

Primary Government: (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 21,581	\$ -	\$ -	\$ 21,581
Construction in progress	189,719	806,292	-	996,011
Total capital assets not being depreciated	<u>\$ 211,300</u>	<u>\$ 806,292</u>	<u>\$ -</u>	<u>\$ 1,017,592</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 784,690	\$ 16,107	\$ -	\$ 800,797
Utility plant and buildings in service	16,800,055	8,028	-	16,808,083
Total capital assets being depreciated	<u>\$ 17,584,745</u>	<u>\$ 24,135</u>	<u>\$ -</u>	<u>\$ 17,608,880</u>
Accumulated depreciation:				
Machinery and equipment	\$ (599,731)	\$ (43,597)	\$ -	\$ (643,328)
Utility plant and buildings in service	(8,574,698)	(365,421)	-	(8,940,119)
Total accumulated depreciation	<u>\$ (9,174,429)</u>	<u>\$ (409,018)</u>	<u>\$ -</u>	<u>\$ (9,583,447)</u>
Total capital assets being depreciated, net	<u>\$ 8,410,316</u>	<u>\$ (384,883)</u>	<u>\$ -</u>	<u>\$ 8,025,433</u>
Business-type activities capital assets, net	<u>\$ 8,621,616</u>	<u>\$ 421,409</u>	<u>\$ -</u>	<u>\$ 9,043,025</u>

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

Governmental activities:	
General government administration	\$ 32,801
Public safety	149,685
Public works	248,635
Parks, recreation, and cultural	<u>53,007</u>
Total depreciation expense - governmental activities	<u>\$ 484,128</u>
Business type activities:	
Water and sewer	<u>\$ 409,018</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

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**Note 10-Risk Management:**

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

**Note 11-Aggregate OPEB Information:**

The following is a summary of deferred outflows, deferred inflows, net OPEB liabilities, and OPEB expense for the year ended June 30, 2020.

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
Other Postemployment Benefits - Health Insurance (Note 12)	\$ 225,124	\$ 111,573	\$ 2,265,801	\$ 308,979
Line of Duty Act (LODA) Program (Note 13)	<u>368,129</u>	<u>136,555</u>	<u>575,458</u>	<u>74,217</u>
Totals	<u>\$ 593,253</u>	<u>\$ 248,128</u>	<u>\$ 2,841,259</u>	<u>\$ 383,196</u>

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

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

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

The plan does not issue a publicly available financial report.

***Benefits Provided***

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

At June 30, 2020 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	63
Total retirees and spouses with coverage	11
Total	<u>74</u>

***Contributions***

The Town does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Town. The amount paid by the Town for OPEB as the benefits came due during the year ended June 30, 2020 was \$168,278.

***Total OPEB Liability***

The Town's total OPEB liability was measured as of June 30, 2020. The total OPEB liability was determined by an actuarial valuation as of that date.

***Actuarial Assumptions***

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

**Discount Rate** - A 3.5% discount rate was used for measuring the plan's June 30, 2019 total OPEB liability. This assumption is similar to yields implied by theoretical 20-year general obligation bond indices as of June 30, 2019. A 2.21% discount rate was used for measuring the plan's June 30, 2020 total OPEB liability. This assumption is similar to yields implied by theoretical 20-year general obligation bond indices as of June 30, 2020.

**Inflation Rate** - 2.50% annual rate of inflation.

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

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

**Mortality Rates-General Employees** - The pre-retirement mortality rates are based on RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. The post-retirement mortality rates are based on RP 2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85. The post-disablement mortality rates are based on RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

***Actuarial Assumptions (Continued)***

Mortality Rates-Public Safety - The pre-retirement mortality rates are based on RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year. The post-retirement mortality rates are based on RP 2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years. The post-disablement mortality rates are based on RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

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

Healthcare Trend Assumption - The healthcare trend rate assumption starts at 6.3% decreasing to 4.10% over 54 years.

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

***Changes in Total OPEB Liability***

		<b>Primary Government Total OPEB Liability</b>
Balances at June 30, 2019	\$	2,021,194
Changes for the year:		
Service cost		208,213
Interest		75,110
Changes in assumptions		129,562
Benefit payments		(168,278)
Net changes		244,607
Balances at June 30, 2020	\$	2,265,801

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 12-Other Postemployment Benefits - Health Insurance: (Continued)*****Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following presents the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate:

Rate		
1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
\$ 2,437,210	\$ 2,265,801	\$ 2,107,449

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

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

Rates		
1% Decrease (5.30% decreasing to 3.10%)	Healthcare Cost Trend (6.30% decreasing to 4.10%)	1% Increase (7.30% decreasing to 5.10%)
\$ 1,980,975	\$ 2,265,801	\$ 2,610,401

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

For the year ended June 30, 2020, the Town recognized OPEB expense in the amount of \$308,979. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 143,030	\$ 29,479
Change in proportionate shares	82,094	82,094
Total	\$ 225,124	\$ 111,573

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

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

<u>Year Ended June 30</u>	
2021	\$ 25,656
2022	25,656
2023	25,656
2024	25,656
2025	10,927
Thereafter	-

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

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

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

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

***Eligible Employees***

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

***Benefit Amounts***

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

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

***Contributions***

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2020 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$22,937 and \$21,526 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the entity reported a liability of \$575,458 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2019 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2019, the entity's proportion was 0.16039% as compared to 0.17978% at June 30, 2018.

For the year ended June 30, 2020, the entity recognized LODA OPEB expense of \$74,217. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020Note 13-Line of Duty Act (LODA) Program: (Continued)***LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB: (Continued)***

At June 30, 2020, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 83,642	\$ -
Net difference between projected and actual earnings on LODA OPEB plan investments	-	1,139
Change in assumptions	27,001	49,886
Change in proportion	234,549	85,530
Employer contributions subsequent to the measurement date	<u>22,937</u>	<u>-</u>
Total	<u>\$ 368,129</u>	<u>\$ 136,555</u>

\$22,937 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ 34,031
2022	34,033
2023	34,209
2024	34,397
2025	34,453
Thereafter	37,514



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups as noted below. Salary Increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Locality employees	N/A
Medical cost trend rates assumption:	
Under age 65	7.25%-4.75%
Ages 65 and older	5.50%-4.75%
Year of ultimate trend rate:	
Post-65	Fiscal year ended 2023
Pre-65	Fiscal year ended 2028
Investment rate of return	3.50%, including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.50%. However, since the difference was minimal, a more conservative 3.50% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

***Actuarial Assumptions (Continued)***

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

The net OPEB liability (NOL) for the LODA Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 361,626
Plan Fiduciary Net Position	<u>2,839</u>
LODA Net OPEB Liability (Asset)	<u><u>\$ 358,787</u></u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.79%

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

***Long-Term Expected Rate of Return***

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.50% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2019.

***Discount Rate***

The discount rate used to measure the total LODA OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.50%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

	Discount Rate		
	1% Decrease (2.50%)	Current (3.50%)	1% Increase (4.50%)
Town's proportionate share of the total LODA Net OPEB Liability	\$ 667,572	\$ 575,458	\$ 502,601

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

Because the LODA Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.75% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 3.75%) or one percentage point higher (8.75% decreasing to 5.75%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.75% decreasing to 3.75%)	Current (7.75% decreasing to 4.75%)	1% Increase (8.75% decreasing to 5.75%)
Town's proportionate share of the LODA Net OPEB Liability	\$ 486,544	\$ 575,458	\$ 687,587

***LODA OPEB Fiduciary Net Position***

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

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**Note 14-Deferred/ Unavailable Revenue:**

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

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 92,500
Prepaid property taxes due after June 30 but paid in advance by taxpayers	19,932	19,932
	\$ 19,932	\$ 112,432

**Note 15-Unearned Revenue:**

The enterprise fund reports unearned revenue in connection with receipt of capital assets from the sale of capacity rights to the Town's sewer treatment plant. Revenue is recognized over the term of the agreement. During the year ended June 30, 2019, \$36,507 of revenue was recognized under this agreement. At June 30, 2020, the Town had \$1,067,830 in unearned revenue under this agreement.

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

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

**American Legion Building Lease**

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 16-Contingencies: (Continued)**

**Grants**

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

**Note 17-Commitments:**

At June 30, 2020, the Town had no outstanding construction commitments.

**Note 18-Litigation:**

As of June 30, 2020, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable.

**Note 19-Service Contract:**

Effective September 1996, the Town entered into an agreement with the Tazewell County Public Service Authority (the "PSA") to purchase water for a forty year period at which time the agreement may be renewed in additional five year increments. The Town also conveyed its water treatment plant to the PSA as part of the agreement. For 2020, the Town paid approximately \$630,000 to the PSA for water.

**Note 20-Sewer Treatment Capacity:**

During 2010, the Town entered into an agreement with the PSA whereby the Town allocated 40% of its sewer treatment plant capacity to the PSA in exchange for water lines valued at \$637,000 and a note receivable for \$750,266. The note has a term of 30 years, an annual interest rate of 4.07%, and monthly payments of \$3,612 which began in 2012. For the year ending June 30, 2020, principal payments on the loan totaled \$17,884 and the balance due at year end was \$615,885.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 21-Restricted Net Position/Fund Balance:**

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

Purpose	Amount
North Tazewell Train Station	\$ 2,981
Sesquicentennial Celebration	706
Fire Program Funds	27,374
Police Department Endowment	1,622
Scholarship Fund	11,879
Walking Trail Contributions	13,135
Total	<u>\$ 57,697</u>

**Note 22-Jointly Constructed Asset:**

The Town entered into an agreement with the Tazewell County Public Service Authority for the joint construction of a water tank. Terms of the agreement require the Town to make payments to the PSA equal to the debt service on their prorated share of the asset (water tank). As of June 30, 2020, this asset is under construction and cost incurred to date related to the Town's share stands at \$412,325. This amount has been recorded as construction in progress in the accompanying financial statements. In addition, this amount has been reported as an amount due to the Tazewell County PSA for the Town's share of the related liability.

**Note 23-Subsequent Events:**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the release date of this report. As such, the full magnitude that the pandemic will have on the Town's financial condition, liquidity, and future results of operations is uncertain. Management is monitoring the global situation and impact that it may have on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and global responses to curb its spread, the Commission is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 24-Upcoming Pronouncements:**

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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

Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 24-Upcoming Pronouncements: (Continued)**

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

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

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

## **Required Supplementary Information**

Town of Tazewell, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
General property taxes	\$ 812,700	\$ 812,700	\$ 869,972	\$ 57,272
Other local taxes	1,867,790	1,867,790	1,909,351	41,561
Permits, privilege fees, and regulatory licenses	1,200	1,200	2,686	1,486
Fines and forfeitures	37,500	37,500	23,629	(13,871)
Revenue from the use of money and property	11,000	11,000	7,865	(3,135)
Charges for services	1,136,750	1,136,750	1,666,899	530,149
Miscellaneous	73,035	73,035	129,525	56,490
Intergovernmental	1,743,900	1,743,900	1,966,877	222,977
Total revenues	\$ 5,683,875	\$ 5,683,875	\$ 6,576,804	\$ 892,929
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 809,802	\$ 764,302	\$ 716,265	\$ 48,037
Public safety	2,237,124	2,241,126	2,678,111	(436,985)
Public works	1,608,031	1,596,777	2,529,642	(932,865)
Parks, recreation, and cultural	721,688	707,519	366,764	340,755
Community development	67,100	89,948	127,294	(37,346)
Capital projects	176,558	130,633	126,194	4,439
Debt service:				
Principal retirement	30,280	30,280	814,349	(784,069)
Interest and other fiscal charges	2,524	2,524	21,101	(18,577)
Total expenditures	\$ 5,653,107	\$ 5,563,109	\$ 7,379,720	\$ (1,816,611)
Excess (deficiency) of revenues over (under) expenditures	\$ 30,768	\$ 120,766	\$ (802,916)	\$ (923,682)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ 5,617	\$ 5,617
Transfers out	(30,768)	(30,768)	-	30,768
Issuance of bond payable	-	-	1,030,000	1,030,000
Total other financing sources (uses)	\$ (30,768)	\$ (30,768)	\$ 1,035,617	\$ 1,066,385
<b>SPECIAL ITEMS</b>				
Bank Franchise Tax Refund	\$ -	\$ -	\$ (46,141)	\$ (46,141)
Total special items	\$ -	\$ -	\$ (46,141)	\$ (46,141)
Net change in fund balances	\$ -	\$ 89,998	\$ 186,560	\$ 96,562
Fund balances - beginning	-	-	103,678	103,678
Fund balances - ending	\$ -	\$ 89,998	\$ 290,238	\$ 200,240

## Town of Tazewell, Virginia

**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Pension Plan**  
**For the Measurement Dates June 30, 2014 through June 30, 2019**

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

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

Town of Tazewell, Virginia  
Schedule of Employer Contributions - Pension Plan  
For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2020	\$ 71,241	\$ 71,241	\$ -	\$ 2,516,152	2.83%
2019	67,111	67,111	-	2,286,698	2.93%
2018	114,662	114,662	-	2,128,304	5.39%
2017	117,604	117,604	-	2,165,434	5.43%
2016	101,017	101,017	-	1,813,465	5.57%
2015	93,319	93,319	-	1,631,896	5.72%
2014	98,540	98,540	-	1,656,141	5.95%
2013	97,652	97,652	-	1,641,208	5.95%
2012	41,798	41,798	-	1,498,139	2.79%
2011	40,537	40,537	-	1,452,942	2.79%
			-		

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

**Town of Tazewell, Virginia**  
**Notes to Required Supplementary Information - Pension Plan**  
**For the Year Ended June 30, 2020**

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

**Changes of assumptions** - actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

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

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

Town of Tazewell, Virginia  
Schedule of Changes in Total OPEB Liability and Related Ratios - Health Insurance  
For the Measurement Dates of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Total OPEB liability</b>		
Service cost	\$ 208,213	\$ 191,769
Interest	75,110	75,837
Changes in assumptions	129,562	53,071
Benefit payments	(168,278)	(133,386)
<b>Net change in total OPEB liability</b>	\$ 244,607	\$ 187,291
<b>Total OPEB liability - beginning</b>	2,021,194	1,833,903
<b>Total OPEB liability - ending</b>	<u>\$ 2,265,801</u>	<u>\$ 2,021,194</u>
 <b>Covered payroll</b>	 \$ 2,781,543	 \$ 2,135,889
 <b>Town total OPEB liability (asset) as a percentage of covered payroll</b>	 81.46%	 94.63%

**Town of Tazewell, Virginia**  
**Notes to Required Supplementary Information - Health Insurance OPEB**  
**For the Year Ended June 30, 2020**

Valuation Date: 6/30/2018  
Measurement Date: 6/30/2020

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

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.50% as of June 30, 2019; 2.21% as of June 30, 2020
Inflation	2.50% per year as of June 30, 2019; 2.50% per year as of June 30, 2020
Healthcare Trend Rate	The healthcare trend rate assumption starts at 6.30% decreasing to 4.10% over 54 years
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Mortality Rates-General Employees	The pre-retirement mortality rates are based on RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. The post-retirement mortality rates are based on RP 2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85. The post-disablement mortality rates are based on RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.
Mortality Rates-Public Safety	The pre-retirement mortality rates are based on RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year. The post-retirement mortality rates are based on RP 2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years. The post-disablement mortality rates are based on RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males set forward 2 years; unisex using 100% male.



Town of Tazewell, Virginia  
Schedule of Employer's Share of Net LODA OPEB Liability  
Line of Duty Act (LODA) Program  
For the Measurement Dates of June 30, 2017 through June 30, 2019

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

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

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

Town of Tazewell, Virginia  
Schedule of Employer Contributions  
Line of Duty Act (LODA) Program  
For the Years Ended June 30, 2017 through June 30, 2020

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

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

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

**Town of Tazewell, Virginia**  
**Notes to Required Supplementary Information**  
**Line of Duty Act (LODA) Program**  
**For the Year Ended June 30, 2020**

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**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, 2018 valuation were based on results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

## **Other Supplementary Information**

Town of Tazewell, Virginia  
Combining Statement of Net Position  
Proprietary Fund  
At June 30, 2020

	Enterprise Funds		
	Water	Sewer	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 79,321	\$ 93,635	\$ 172,956
Accounts receivable, net of allowances for uncollectibles	147,753	175,612	323,365
Due from other funds	210,159	14,738	224,897
Note receivable, current portion	-	18,625	18,625
Total current assets	\$ 437,233	\$ 302,610	\$ 739,843
Noncurrent assets:			
Note receivable, net of current portion	\$ -	\$ 597,260	\$ 597,260
Net pension asset	17,344	30,885	48,229
Capital assets:			
Land	-	21,581	21,581
Utility plant and buildings in service	6,020,814	10,787,269	16,808,083
Machinery and equipment	345,018	455,779	800,797
Accumulated depreciation	(3,743,683)	(5,839,764)	(9,583,447)
Construction in progress	412,325	583,686	996,011
Net capital assets	\$ 3,034,474	\$ 6,008,551	\$ 9,043,025
Total noncurrent assets	\$ 3,051,818	\$ 6,636,696	\$ 9,688,514
Total assets	\$ 3,489,051	\$ 6,939,306	\$ 10,428,357
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	\$ 29,848	\$ 52,848	\$ 82,696
OPEB related items	10,071	21,087	31,158
Total deferred outflows of resources	\$ 39,919	\$ 73,935	\$ 113,854
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 172,106	\$ 136,505	\$ 308,611
Accrued payroll and related liabilities	18,036	27,119	45,155
Customers' deposits	128,747	-	128,747
Accrued interest payable	3,264	7,447	10,711
Amount due to Tazewell PSA	412,325	-	412,325
Unearned revenue	-	1,067,830	1,067,830
Revenue bonds payable - current portion	17,911	150,512	168,423
General obligation bonds and notes - current portion	39,967	-	39,967
Compensated absences - current portion	17,815	36,026	53,841
Total current liabilities	\$ 810,171	\$ 1,425,439	\$ 2,235,610
Noncurrent liabilities:			
Revenue bonds payable - net of current portion	\$ 484,571	\$ 2,001,090	\$ 2,485,661
General obligation bonds and notes - net of current portion	1,275,181	-	1,275,181
Compensated absences - net of current portion	5,938	12,008	17,946
Net OPEB liability	159,534	334,057	493,591
Total noncurrent liabilities	\$ 1,925,224	\$ 2,347,155	\$ 4,272,379
Total liabilities	\$ 2,735,395	\$ 3,772,594	\$ 6,507,989
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	\$ 13,284	\$ 21,458	\$ 34,742
OPEB related items	43,617	44,899	88,516
Total deferred inflows of resources	\$ 56,901	\$ 66,357	\$ 123,258
<b>NET POSITION</b>			
Net investment in capital assets	\$ 1,216,844	\$ 3,856,949	\$ 5,073,793
Unrestricted	(480,170)	(682,659)	(1,162,829)
Total net position	\$ 736,674	\$ 3,174,290	\$ 3,910,964

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

Town of Tazewell, Virginia  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2020

	Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services:			
Charges for services	\$ 1,453,138	\$ 1,326,948	\$ 2,780,086
Penalties and service charges	-	4,815	4,815
Miscellaneous	52,787	-	52,787
Total operating revenues	<u>\$ 1,505,925</u>	<u>\$ 1,331,763</u>	<u>\$ 2,837,688</u>
<b>OPERATING EXPENSES</b>			
Salaries, wages and fringes	\$ 260,574	\$ 474,752	\$ 735,326
Fringe benefits	103,811	172,054	275,865
Insurance	6,068	5,057	11,125
Office supplies	12,060	5,253	17,313
Postage	5,157	3,921	9,078
Telecommunications	5,306	10,405	15,711
Uniforms	1,186	6,247	7,433
Training	224	2,709	2,933
Maintenance	270,196	49,216	319,412
Equipment	6,304	13,989	20,293
Motor fuel and oil	4,555	1,871	6,426
Water works fees	5,803	-	5,803
Wastewater fees	-	29,363	29,363
Supplies	130,025	19,081	149,106
Purchased water	630,410	-	630,410
Utilities	31,213	159,583	190,796
Chemicals	-	106,963	106,963
Water Line Mapping	35,000	-	35,000
Miscellaneous	7,796	6,944	14,740
Depreciation	111,139	297,879	409,018
Total operating expenses	<u>\$ 1,626,827</u>	<u>\$ 1,365,287</u>	<u>\$ 2,992,114</u>
Operating income (loss)	<u>\$ (120,902)</u>	<u>\$ (33,524)</u>	<u>\$ (154,426)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	\$ -	\$ 25,494	\$ 25,494
Feasibility Study Grant	-	166,011	166,011
Interest expense	(52,418)	(35,352)	(87,770)
Total nonoperating revenues (expenses)	<u>\$ (52,418)</u>	<u>\$ 156,153</u>	<u>\$ 103,735</u>
Income before transfers	<u>\$ (173,320)</u>	<u>\$ 122,629</u>	<u>\$ (50,691)</u>
Transfers out	-	(5,617)	(5,617)
Change in net position	<u>\$ (173,320)</u>	<u>\$ 117,012</u>	<u>\$ (56,308)</u>
Total net position - beginning	909,994	3,057,278	3,967,272
Total net position - ending	<u>\$ 736,674</u>	<u>\$ 3,174,290</u>	<u>\$ 3,910,964</u>

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

## **Supporting Schedules**

Town of Tazewell, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Fund  
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 655,000	\$ 655,000	\$ 715,751	\$ 60,751
Personal property taxes	127,700	127,700	123,807	(3,893)
Penalties and Interest	30,000	30,000	30,414	414
Total general property taxes	<u>\$ 812,700</u>	<u>\$ 812,700</u>	<u>\$ 869,972</u>	<u>\$ 57,272</u>
Other local taxes:				
Local sales and use taxes	\$ 295,000	\$ 295,000	\$ 314,921	\$ 19,921
Public service utility tax	33,000	33,000	46,721	13,721
Meals tax	778,000	778,000	777,280	(720)
Cigarette tax	200,000	200,000	201,164	1,164
Transient occupancy tax	18,700	18,700	14,502	(4,198)
Bank stock tax	190,000	190,000	187,273	(2,727)
Business license tax	254,090	254,090	284,538	30,448
Local consumption tax	17,000	17,000	15,863	(1,137)
Motor vehicle licenses	82,000	82,000	67,089	(14,911)
Total other local taxes	<u>\$ 1,867,790</u>	<u>\$ 1,867,790</u>	<u>\$ 1,909,351</u>	<u>\$ 41,561</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 1,200	\$ 1,200	\$ 2,686	\$ 1,486
Total permits, privilege fees, and regulatory licenses	<u>\$ 1,200</u>	<u>\$ 1,200</u>	<u>\$ 2,686</u>	<u>\$ 1,486</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 35,000	\$ 35,000	\$ 23,229	\$ (11,771)
Parking fines	2,500	2,500	400	(2,100)
Total fines and forfeitures	<u>\$ 37,500</u>	<u>\$ 37,500</u>	<u>\$ 23,629</u>	<u>\$ (13,871)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 3,000	\$ 3,000	\$ 1,740	\$ (1,260)
Revenue from use of property	8,000	8,000	6,125	(1,875)
Total revenue from use of money and property	<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>\$ 7,865</u>	<u>\$ (3,135)</u>
Charges for services:				
Refuse collections	\$ 412,750	\$ 412,750	\$ 395,011	\$ (17,739)
Pool admission	14,000	14,000	16,872	2,872
Youth activities	5,000	5,000	2,695	(2,305)
Lessons	1,000	1,000	-	(1,000)
Concessions	12,000	12,000	16,517	4,517
Pool rentals	6,000	6,000	2,884	(3,116)
Gym rentals	3,000	3,000	8,525	5,525
Shelter rentals	2,500	2,500	2,112	(388)
Miscellaneous recreation fees	15,500	15,500	23,849	8,349
Rescue squad billings	665,000	665,000	1,193,649	528,649
Property maintenance	-	-	4,785	4,785
Total charges for services	<u>\$ 1,136,750</u>	<u>\$ 1,136,750</u>	<u>\$ 1,666,899</u>	<u>\$ 530,149</u>
Miscellaneous:				
Donations	\$ 6,300	\$ 6,300	\$ 37,634	\$ 31,334
Miscellaneous	66,735	66,735	91,891	25,156
Total miscellaneous	<u>\$ 73,035</u>	<u>\$ 73,035</u>	<u>\$ 129,525</u>	<u>\$ 56,490</u>
Total revenue from local sources	<u>\$ 3,939,975</u>	<u>\$ 3,939,975</u>	<u>\$ 4,609,927</u>	<u>\$ 669,952</u>



Town of Tazewell, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Fund  
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 25,000	\$ 25,000	\$ 22,832	\$ (2,168)
Rolling stock tax	5,500	5,500	5,865	365
Motor vehicle carriers' tax	1,500	1,500	-	(1,500)
Personal property tax relief funds	54,500	54,500	54,820	320
Total noncategorical aid	<u>\$ 86,500</u>	<u>\$ 86,500</u>	<u>\$ 83,517</u>	<u>\$ (2,983)</u>
Categorical aid:				
Other categorical aid:				
Street maintenance	\$ 1,200,000	\$ 1,200,000	\$ 1,633,700	\$ 433,700
Litter control grant	2,400	2,400	1,912	(488)
Local law enforcement grant	102,000	102,000	110,132	8,132
Fire program fund grants	18,000	18,000	16,852	(1,148)
Asset forfeitures	-	-	402	402
VDOT recreational grant	300,000	300,000	-	(300,000)
Total other categorical aid	<u>\$ 1,622,400</u>	<u>\$ 1,622,400</u>	<u>\$ 1,762,998</u>	<u>\$ 140,598</u>
Total categorical aid	<u>\$ 1,622,400</u>	<u>\$ 1,622,400</u>	<u>\$ 1,762,998</u>	<u>\$ 140,598</u>
Total revenue from the Commonwealth	<u>\$ 1,708,900</u>	<u>\$ 1,708,900</u>	<u>\$ 1,846,515</u>	<u>\$ 137,615</u>
Revenue from the federal government:				
Categorical aid:				
Federal police grants	\$ 35,000	\$ 35,000	\$ 3,962	\$ (31,038)
Highway planning and construction grant - Train station	-	-	92,400	92,400
Rural development grant	-	-	24,000	24,000
Total categorical aid	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 120,362</u>	<u>\$ 85,362</u>
Total revenue from the federal government	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 120,362</u>	<u>\$ 85,362</u>
Total General Fund	<u>\$ 5,683,875</u>	<u>\$ 5,683,875</u>	<u>\$ 6,576,804</u>	<u>\$ 892,929</u>

Town of Tazewell, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Fund  
For the Year Ended June 30, 2020

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
General and financial administration:				
Town Council	\$ 40,600	\$ 30,600	\$ 29,754	\$ 846
Administration	487,706	462,706	405,670	57,036
Treasurer	122,106	111,606	110,052	1,554
Bookkeeping	31,924	31,924	27,808	4,116
Insurance	66,576	66,576	70,746	(4,170)
Town attorney	60,890	60,890	72,235	(11,345)
Total general and financial administration	\$ 809,802	\$ 764,302	\$ 716,265	\$ 48,037
Total general government administration	\$ 809,802	\$ 764,302	\$ 716,265	\$ 48,037
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,315,647	\$ 1,315,647	\$ 1,388,662	\$ (73,015)
Total law enforcement and traffic control	\$ 1,315,647	\$ 1,315,647	\$ 1,388,662	\$ (73,015)
Fire and rescue services:				
Fire Department	\$ 104,606	\$ 104,608	\$ 123,951	\$ (19,343)
Rescue Squad	718,541	718,541	1,065,338	(346,797)
Total fire and rescue services	\$ 823,147	\$ 823,149	\$ 1,189,289	\$ (366,140)
Development services				
Building, planning, zoning, and engineering	\$ 98,330	\$ 102,330	\$ 100,160	\$ 2,170
Total development services	\$ 98,330	\$ 102,330	\$ 100,160	\$ 2,170
Total public safety	\$ 2,237,124	\$ 2,241,126	\$ 2,678,111	\$ (436,985)
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,160,719	\$ 1,163,340	\$ 2,054,103	\$ (890,763)
Total maintenance of highways, streets, bridges and sidewalks	\$ 1,160,719	\$ 1,163,340	\$ 2,054,103	\$ (890,763)
Sanitation and waste removal:				
Refuse collection and disposal	\$ 240,150	\$ 229,275	\$ 252,563	\$ (23,288)
Total sanitation and waste removal	\$ 240,150	\$ 229,275	\$ 252,563	\$ (23,288)
Maintenance of general buildings and grounds:				
Mowing	\$ 69,756	\$ 69,756	\$ 79,158	\$ (9,402)
Total maintenance of general buildings and grounds	\$ 69,756	\$ 69,756	\$ 79,158	\$ (9,402)
Maintenance of vehicle and heavy equipment				
Maintenance	\$ 137,406	\$ 134,406	\$ 143,818	\$ (9,412)
Total maintenance of vehicle and heavy equipment	\$ 137,406	\$ 134,406	\$ 143,818	\$ (9,412)
Total public works	\$ 1,608,031	\$ 1,596,777	\$ 2,529,642	\$ (932,865)

Town of Tazewell, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Fund  
For the Year Ended June 30, 2020

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 688,488	\$ 683,319	\$ 338,877	\$ 344,442
American Legion building	17,700	15,700	9,612	6,088
Mini park	1,500	1,500	1,583	(83)
Train depot	14,000	7,000	16,692	(9,692)
Total parks and recreation	<u>\$ 721,688</u>	<u>\$ 707,519</u>	<u>\$ 366,764</u>	<u>\$ 340,755</u>
Total parks, recreation, and cultural	<u>\$ 721,688</u>	<u>\$ 707,519</u>	<u>\$ 366,764</u>	<u>\$ 340,755</u>
Community development:				
Planning and community development:				
Planning commission	\$ 6,100	\$ 5,400	\$ 4,727	\$ 673
Community development	61,000	84,548	108,786	(24,238)
Economic development - incentive payments	-	-	13,781	(13,781)
Total planning and community development	<u>\$ 67,100</u>	<u>\$ 89,948</u>	<u>\$ 127,294</u>	<u>\$ (37,346)</u>
Total community development	<u>\$ 67,100</u>	<u>\$ 89,948</u>	<u>\$ 127,294</u>	<u>\$ (37,346)</u>
Capital projects:				
Capital projects and capital outlays	\$ 176,558	\$ 130,633	\$ 126,194	\$ 4,439
Total capital projects	<u>\$ 176,558</u>	<u>\$ 130,633</u>	<u>\$ 126,194</u>	<u>\$ 4,439</u>
Debt service:				
Principal retirement	\$ 30,280	\$ 30,280	\$ 814,349	\$ (784,069)
Interest and other fiscal charges	2,524	2,524	21,101	(18,577)
Total debt service	<u>\$ 32,804</u>	<u>\$ 32,804</u>	<u>\$ 835,450</u>	<u>\$ (802,646)</u>
Total General Fund	<u>\$ 5,653,107</u>	<u>\$ 5,563,109</u>	<u>\$ 7,379,720</u>	<u>\$ (1,816,611)</u>

## **Statistical Information**

Table 1

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

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

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

Table 2

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

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

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

Table 3

**Town of Tazewell, Virginia  
Computation of Legal Debt Margin  
At June 30, 2020**

Total assessed value of taxed real property	\$ 275,709,050
Debt limit - 10 percent of total assessed value	27,570,905
Amount of debt applicable to debt limit	<u>(4,585,993)</u>
Legal debt margin	<u>\$ 22,984,912</u>
Total net debt applicable to the limit as percentage of debt limit	16.63%

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## COMPLIANCE SECTION

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## **Compliance**



**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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Tazewell, Virginia as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Tazewell, Virginia's basic financial statements and have issued our report thereon dated October 5, 2020.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as items 2020-001, 2020-002, 2020-003, and 2020-004 that we consider to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Tazewell, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as items 2020-004.

## Town of Tazewell, Virginia's Response to Findings

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

## Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia  
October 5, 2020

Town of Tazewell, Virginia  
Schedule of Findings and Responses  
For the Year Ended June 30, 2020

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**Section I - Summary of Auditors' Results**

**Financial Statements**

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

**Section II - Financial Statement Findings**

**2020-001**

**(Material Weakness)**

Criteria:	An auditee should have sufficient expertise in the selection and application of accounting principles used in the preparation of the annual financial report.
Condition:	The auditee does not possess sufficient expertise in the selection and application of accounting principles to ensure the annual financial report meets all applicable standards promulgated by the Governmental Accounting Standards Board (GASB). The Town's accounting records required significant adjustments by the auditors.
Cause:	The auditee is small and does not have staff with significant experience in maintaining and preparing financial statements in accordance with current reporting standards.
Effect:	There is reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected by the Town's internal controls over financial reporting.
Recommendation:	The auditor recommends that the Town either provide accounting training to current staff or hire a consulting accountant to assist in conducting monthly and yearend reconciliations and post any resulting adjustments to the books.
Managements' Response:	Management will consider the recommendation(s) and determine an appropriate course of action.

Town of Tazewell, Virginia  
Schedule of Findings and Responses  
For the Year Ended June 30, 2020 (Continued)

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Section II - Financial Statement Findings (Continued)

2020-002

(Material Weakness)

Criteria: A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.

Condition: The Town lacks proper segregation of duties - One employee has access to both the accounting records and related assets.

Cause: The Town's limited number of staff does not allow them to properly segregate duties.

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

Recommendation: Management should further try to segregate duties amongst current staff and/or establish compensating controls to alleviate risk created by improper segregation of duties.

Management's Response: Limited number of staff has precluded the Town from segregating key duties related to accounting records and related assets. Currently, the Town does not plan on hiring additional personnel to address the aforementioned condition as same is not considered cost-effective.

Town of Tazewell, Virginia  
Schedule of Findings and Responses  
For the Year Ended June 30, 2020 (Continued)

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Section II - Financial Statement Findings (Continued)

**2020-003**

**(Material Weakness)**

Criteria:                      Subsidiary ledgers (receivable listings) should be reconciled to the general ledger periodically.

Condition:                    Management did not reconcile taxes, utilities, and EMS receivables to the general ledger.

Cause:                        The auditee is small and has not developed formal procedures for accounting staff to reconcile subsidiary ledgers to the general ledger periodically.

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

Recommendation:        The auditor recommends that the Town either provide accounting training to current staff or hire a consulting accountant to assist in conducting monthly and yearend reconciliations and post any resulting adjustments to the books.

Management's Response:    Management agrees and will begin doing monthly reconciliations of taxes, utilities, and EMS billings.

Town of Tazewell, Virginia  
Schedule of Findings and Responses  
For the Year Ended June 30, 2020 (Continued)

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**Section II - Financial Statement Findings (Continued)**

**2020-004**

**(Material Weakness)  
(Noncompliance)**

Criteria: Expenditures should not exceed appropriations.

Condition: Certain general fund expenditure categories exceed budgeted appropriations.

Cause: The Town did not formally approve supplemental appropriations prior to the expenditure of all funds.

Effect: Funds have been spent without an appropriation of the governing body.

Recommendation: The Town should begin comparing expenditures against appropriations and request that the Town Council approve supplemental appropriations, as necessary, on a monthly basis.

Management's Response: Management agrees and will monitor expenses and adjust the budget or issue amendments if necessary.

**Section III - Status of Prior Audit Findings**

**2019-001**

**(Material Weakness)**

Finding 2019-001 was recurring in fiscal year 2020 as 2020-001.

**2019-002**

**(Material Weakness)**

Finding 2019-002 was recurring in fiscal year 2020 as 2020-002.

**2019-003**

**(Material Weakness)**

Finding 2019-003 was recurring in fiscal year 2020 as 2020-003.

**2019-004**

**(Material Weakness)  
(Noncompliance)**

Finding 2019-004 was recurring in fiscal year 2020 as 2020-004.