



**FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

TOWN OF ALTAVISTA, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-3
<u>Basic Financial Statements:</u>	
Government-Wide Financial Statements:	
Exhibit 1 Statement of Net Position	4
Exhibit 2 Statement of Activities	5-6
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Fund	7
Exhibit 4 Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	8
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balance—Governmental Fund	9
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	10
Exhibit 7 Statement of Net Position—Proprietary Fund	11
Exhibit 8 Statement of Revenues, Expenses, and Changes in Net Position—Proprietary Fund	12
Exhibit 9 Statement of Cash Flows—Proprietary Fund	13
Exhibit 10 Statement of Fiduciary Net Position—Fiduciary Fund	14
Exhibit 11 Statement of Changes in Fiduciary Net Position—Fiduciary Fund	15
Notes to Financial Statements	16-53
<u>Required Supplementary Information:</u>	
Exhibit 12 Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual—General Fund	54
Exhibit 13 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	55-56
Exhibit 14 Schedule of Employer Contributions—Pension Plan	57
Exhibit 15 Notes to Required Supplementary Information—Pension Plan	58
Exhibit 16 Schedule of the Town's Share of Net OPEB Liability—Group Life Insurance Plan	59
Exhibit 17 Schedule of Employer Contributions—Group Life Insurance Plan	60
Exhibit 18 Notes to Required Supplementary Information—Group Life Insurance Plan	61

TOWN OF ALTAVISTA, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

Page

Other Supplementary Information:

Individual Financial Statements

Discretely Presented Component Unit—Altavista Economic Development Authority

Exhibit 19	Statement of Net Position	62
Exhibit 20	Statement of Revenues, Expenses, and Changes in Net Position	63
Exhibit 21	Statement of Cash Flows	64

Statistical Information:

Table 1	General Government Revenues by Source	65
Table 2	General Government Expenditures by Function	66
Table 3	Computation of Legal Debt Limit	67
Table 4	Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Fund	68-69
Table 5	Comparative Statement of Revenues, Expenses and Changes in Net Position of Proprietary Fund	70-71

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 <i>Government Auditing Standards</i>	72-73
Schedule of Findings and Responses	74
Summary Schedule of Prior Audit Findings	75

TOWN OF ALTAVISTA, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2023

TOWN COUNCIL

Mike Mattox, Mayor
Reggie Bennett, Vice Mayor
James H. Higginbotham, II
Tracy Emerson
Tim George
Dr. Scott Lowman
Wayne Mitchell

APPOINTED OFFICIALS

Gary Shanaberger Town Manager
John Eller Town Attorney
Tobie Shelton Treasurer
Tommy Merricks Chief of Police

INDEPENDENT AUDITORS

Robinson, Farmer, Cox Associates



Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Required Supplementary Information (Continued)

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Altavista, Virginia's basic financial statements. The accompanying individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical information but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2023, on our consideration of Town of Altavista, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Altavista, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Altavista, Virginia's internal control over financial reporting and compliance.

Robinson, Farned, Cox Associates

Charlottesville, Virginia
November 27, 2023

BASIC FINANCIAL STATEMENTS

- Government-Wide Financial Statements -

Statement of Net Position
At June 30, 2023

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	Altavista Economic Development Authority
Assets:				
Current assets:				
Cash and cash equivalents	\$ 15,715,011	\$ 9,165,466	\$ 24,880,477	\$ 2,711
Cash and cash equivalents, restricted	343,478	2,870,213	3,213,691	-
Receivables, (net of allowance for uncollectibles)	1,410,967	1,057,891	2,468,858	-
Due from other governments	118,925	4,145	123,070	-
Due from primary government	-	-	-	11,725
Prepays	36,304	14,828	51,132	-
Inventory	76,052	-	76,052	-
Total current assets	\$ 17,700,737	\$ 13,112,543	\$ 30,813,280	\$ 14,436
Noncurrent assets:				
Net pension asset	\$ 52,955	\$ 31,515	\$ 84,470	\$ -
Capital assets:				
Land and construction in progress	\$ 2,297,236	\$ 7,083,521	\$ 9,380,757	\$ -
Buildings, infrastructure, and equipment (net of accumulated depreciation)	11,617,378	20,623,517	32,240,895	-
Total capital assets	\$ 13,914,614	\$ 27,707,038	\$ 41,621,652	\$ -
Total noncurrent assets	\$ 13,967,569	\$ 27,738,553	\$ 41,706,122	\$ -
Total assets	\$ 31,668,306	\$ 40,851,096	\$ 72,519,402	\$ 14,436
Deferred Outflows of Resources:				
Pension deferrals	\$ 196,928	\$ 112,097	\$ 309,025	\$ -
Group life OPEB deferrals	26,112	14,147	40,259	-
Total deferred outflows of resources	\$ 223,040	\$ 126,244	\$ 349,284	\$ -
Liabilities:				
Current liabilities:				
Accounts payable	\$ 87,154	\$ 319,630	\$ 406,784	\$ -
Accrued liabilities	163,048	41,330	204,378	-
Due to taxpayers	443,316	-	443,316	-
Due to Component Unit EDA	11,725	-	11,725	-
Accrued interest payable	2,262	142,659	144,921	-
Unearned revenue	-	2,805,847	2,805,847	-
Customer deposits	-	63,665	63,665	-
Environmental remediation	-	418,059	418,059	-
Current portion of long-term obligations	126,362	890,253	1,016,615	-
Total current liabilities	\$ 833,867	\$ 4,681,443	\$ 5,515,310	\$ -
Noncurrent liabilities:				
Net group life OPEB liability	\$ 83,291	\$ 49,762	\$ 133,053	\$ -
Noncurrent portion of long-term obligations	267,454	16,694,543	16,961,997	-
Total noncurrent liabilities	\$ 350,745	\$ 16,744,305	\$ 17,095,050	\$ -
Total liabilities	\$ 1,184,612	\$ 21,425,748	\$ 22,610,360	\$ -
Deferred Inflows of Resources:				
Pension deferrals	\$ 379,698	\$ 334,660	\$ 714,358	\$ -
Lease deferrals	1,048,017	-	1,048,017	-
Group life OPEB deferrals	27,897	16,666	44,563	-
Total deferred inflows of resources	\$ 1,455,612	\$ 351,326	\$ 1,806,938	\$ -
Net Position:				
Net investment in capital assets	\$ 13,666,614	\$ 12,641,805	\$ 26,308,419	\$ -
Restricted	1,437,010	31,515	1,468,525	-
Unrestricted	14,147,498	6,526,946	20,674,444	14,436
Total net position	\$ 29,251,122	\$ 19,200,266	\$ 48,451,388	\$ 14,436

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

Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities				
General government administration	\$ 1,351,906	\$ 128,903	\$ -	\$ -
Public safety	1,296,426	68,781	149,491	-
Public works	2,149,885	21,067	1,296,104	-
Parks, recreation, and cultural	433,368	-	-	-
Community development	421,681	-	27,782	-
Interest on long-term debt	4,949	-	-	-
Total governmental activities	<u>\$ 5,658,215</u>	<u>\$ 218,751</u>	<u>\$ 1,473,377</u>	<u>\$ -</u>
Business - type activities				
Water and sewer	\$ 4,264,387	\$ 4,987,449	\$ 269,298	\$ -
Total business-type activities	<u>\$ 4,264,387</u>	<u>\$ 4,987,449</u>	<u>\$ 269,298</u>	<u>\$ -</u>
Total primary government	<u>\$ 9,922,602</u>	<u>\$ 5,206,200</u>	<u>\$ 1,742,675</u>	<u>\$ -</u>
Component Unit:				
Altavista Economic Development Authority	\$ 48,688	\$ -	\$ -	\$ -

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

Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Altavista Economic Development Authority
Primary Government:				
Governmental activities				
General government administration	\$ (1,223,003)	\$ -	\$ (1,223,003)	\$ -
Public safety	(1,078,154)	-	(1,078,154)	-
Public works	(832,714)	-	(832,714)	-
Parks, recreation, and cultural	(433,368)	-	(433,368)	-
Community development	(393,899)	-	(393,899)	-
Interest on long-term debt	(4,949)	-	(4,949)	-
Total governmental activities	\$ (3,966,087)	\$ -	\$ (3,966,087)	\$ -
Business - type activities				
Water and sewer	\$ -	\$ 992,360	\$ 992,360	\$ -
Total business-type activities	\$ -	\$ 992,360	\$ 992,360	\$ -
Total primary government	\$ (3,966,087)	\$ 992,360	\$ (2,973,727)	\$ -
Component Unit:				
Altavista Economic Development Authority	\$ -	\$ -	\$ -	\$ (48,688)
General Revenues				
Property taxes	\$ 2,305,838	\$ -	\$ 2,305,838	\$ -
Meals taxes	1,271,909	-	1,271,909	-
Sales and use taxes	251,017	-	251,017	-
Bank stock taxes	195,769	-	195,769	-
Cigarette taxes	105,000	-	105,000	-
Other local taxes	366,455	-	366,455	-
Grants and contributions not restricted to specific programs	148,097	-	148,097	-
Revenue from use of money	415,298	264,358	679,656	5
Contributions from primary government	-	-	-	48,668
Miscellaneous	169,615	-	169,615	2,500
Environmental remediation	-	331,941	331,941	-
Transfers	(1,309,958)	1,309,958	-	-
Total general revenues	\$ 3,919,040	\$ 1,906,257	\$ 5,825,297	\$ 51,173
Change in net position	\$ (47,047)	\$ 2,898,617	\$ 2,851,570	\$ 2,485
Net position, beginning of year	29,298,169	16,301,649	45,599,818	11,951
Net position, end of year	\$ 29,251,122	\$ 19,200,266	\$ 48,451,388	\$ 14,436

BASIC FINANCIAL STATEMENTS

- Fund Financial Statements -

Balance Sheet
 Governmental Fund
 At June 30, 2023

	<u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 15,715,011
Cash and cash equivalents, restricted	343,478
Receivables (net of allowance for uncollectibles):	
Taxes	58,475
Accounts	255,917
Leases	1,096,575
Due from other governments	118,925
Prepaid items	36,304
Inventory	<u>76,052</u>
 Total assets	 \$ <u><u>17,700,737</u></u>
Liabilities:	
Accounts payable	\$ 87,154
Accrued liabilities	163,048
Due to taxpayers	443,316
Due to Component Unit EDA	<u>11,725</u>
 Total liabilities	 \$ <u>705,243</u>
Deferred Inflows of Resources:	
Unavailable revenue-property taxes	\$ 78,458
Lease deferrals	<u>1,048,017</u>
 Total deferred inflows of resources	 \$ <u>1,126,475</u>
Fund Balance:	
Nonspendable	\$ 160,914
Restricted	1,384,055
Committed	6,944,460
Unassigned	<u>7,379,590</u>
 Total fund balance	 \$ <u>15,869,019</u>
 Total liabilities, deferred inflows of resources and fund balance	 \$ <u><u>17,700,737</u></u>

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
At June 30, 2023

Total fund balance for governmental funds (Exhibit 3)	\$	15,869,019
Total net position reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land and construction in progress	\$	2,297,236
Depreciable capital assets, net of accumulated depreciation		<u>11,617,378</u>
Total capital assets		13,914,614
Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable property tax revenue in the funds.		78,458
Items related to measurement of the net pension asset and GLI OPEB liability are considered deferred outflows or deferred inflows and will be amortized and recognized in pension and GLI expense over future years.		
Pension deferrals - deferred outflows		196,928
GLI OPEB deferrals - deferred outflows		26,112
Pension deferrals - deferred inflows		(379,698)
GLI OPEB deferrals - deferred inflows		(27,897)
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:		
Net pension liability/asset	\$	52,955
Net group life OPEB liability		(83,291)
General obligation public improvement bond		(248,000)
Accrued interest payable		(2,262)
Compensated absences		<u>(145,816)</u>
Total long-term liabilities		<u>(426,414)</u>
Total net position of governmental activities (Exhibits 1 and 2)	\$	<u>29,251,122</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Governmental Fund
 For the Year Ended June 30, 2023

	<u>General Fund</u>
Revenues:	
General property taxes	\$ 2,295,451
Other local taxes	2,190,150
Permits, privilege fees and regulatory licenses	19,378
Fines and forfeitures	49,403
Revenue from use of money and property	560,104
Charges for services	5,164
Miscellaneous	169,615
Intergovernmental	<u>1,621,474</u>
Total revenues	<u>\$ 6,910,739</u>
Expenditures:	
Current:	
General government administration	\$ 1,423,764
Public safety	1,321,966
Public works	2,303,412
Parks, recreation and cultural	382,821
Community development	1,196,878
Debt service:	
Principal retirement	17,000
Interest and other fiscal charges	<u>5,104</u>
Total expenditures	<u>\$ 6,650,945</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 259,794</u>
Other financing sources (uses):	
Transfers out	<u>\$ (1,309,958)</u>
Total other financing sources (uses)	<u>\$ (1,309,958)</u>
Net changes in fund balance	\$ (1,050,164)
Fund balance at beginning of year	<u>16,919,183</u>
Fund balance at end of year	<u><u>\$ 15,869,019</u></u>

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

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, 2023

Net change in fund balance - total governmental funds (Exhibit 5) \$ (1,050,164)

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 capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 1,547,760	
Depreciation expense	<u>(731,517)</u>	816,243

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Unavailable revenue - taxes	\$ 10,387	10,387
-----------------------------	-----------	--------

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. Details of this adjustment are as follows:

Principal retired on bonds payable	\$ <u>17,000</u>	17,000
------------------------------------	------------------	--------

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. The following is a summary of items supporting this adjustment:

Change in compensated absences	\$ (21,771)	
Change in accrued interest payable	155	
Change in deferred inflows related to the measurement of the net GLI OPEB liability	4,100	
Change in deferred inflows related to the measurement of the net pension liability	429,448	
Change in deferred outflows related to pensions	(113,450)	
Change in deferred outflows related to GLI OPEB	(2,941)	
Change in net GLI OPEB liability	(1,882)	
Change in net pension liability/asset	<u>(134,172)</u>	
Net adjustment		<u>159,487</u>

Change in net position of governmental activities (Exhibit 2)	\$ <u><u>(47,047)</u></u>	
---	---------------------------	--

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

Statement of Net Position
Proprietary Fund
At June 30, 2023

	Business-type Activities
	Enterprise Fund
	Water and Sewer
Assets:	
Current assets:	
Cash and cash equivalents	\$ 9,165,466
Cash and cash equivalents - restricted	2,870,213
Receivables (net of allowance for uncollectibles):	
Accounts	1,057,891
Due from other governments	4,145
Prepays	14,828
Total current assets	<u>\$ 13,112,543</u>
Noncurrent assets:	
Net pension asset	<u>\$ 31,515</u>
Capital assets:	
Land and construction in progress	\$ 7,083,521
Buildings, infrastructure, and equipment, net of accumulated depreciation	<u>20,623,517</u>
Total capital assets	<u>\$ 27,707,038</u>
Total noncurrent assets	<u>\$ 27,738,553</u>
Total assets	<u>\$ 40,851,096</u>
Deferred Outflows of Resources:	
Pension deferrals	\$ 112,097
Group life OPEB deferrals	<u>14,147</u>
Total deferred outflows of resources	<u>\$ 126,244</u>
Liabilities:	
Current liabilities:	
Accounts payable	\$ 319,630
Accrued liabilities	41,330
Accrued interest payable	142,659
Customers' deposits	63,665
Unearned revenue	2,805,847
Environmental remediation	418,059
Bonds payable - current portion	845,710
Compensated absences - current portion	<u>44,543</u>
Total current liabilities	<u>\$ 4,681,443</u>
Noncurrent liabilities:	
Bonds payable - noncurrent portion	\$ 16,679,696
Net group life OPEB liability	49,762
Compensated absences - noncurrent portion	<u>14,847</u>
Total noncurrent liabilities	<u>\$ 16,744,305</u>
Total liabilities	<u>\$ 21,425,748</u>
Deferred Inflows of Resources:	
Pension deferrals	\$ 334,660
Group life OPEB deferrals	<u>16,666</u>
Total deferred inflows of resources	<u>\$ 351,326</u>
Net Position:	
Net investment in capital assets	\$ 12,641,805
Restricted	31,515
Unrestricted	<u>6,526,946</u>
Total net position	<u>\$ 19,200,266</u>

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2023

	Business-type Activities
	Enterprise Fund
	Water and Sewer
Operating revenues:	
Charges for services	\$ 4,987,449
Total operating revenues	\$ 4,987,449
Operating expenses:	
Salaries	\$ 1,009,911
Fringe benefits	210,765
Insurance	31,200
Maintenance	99,840
Utilities	624,032
Materials and supplies	543,295
Sample testing	24,921
Purchase of water	45,507
Other	160,660
Depreciation	1,153,196
Total operating expenses	\$ 3,903,327
Operating income (loss)	\$ 1,084,122
Nonoperating revenues (expenses):	
Interest revenue	\$ 264,358
Interest expense	(361,060)
Environmental remediation	331,941
Grants	269,298
Total nonoperating revenues (expenses)	\$ 504,537
Income (loss) before transfers	\$ 1,588,659
Transfers:	
Transfers in	\$ 1,309,958
Net transfers	\$ 1,309,958
Change in net position	\$ 2,898,617
Net position, beginning of year	16,301,649
Net position, end of year	\$ 19,200,266

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

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2023

	Business-type Activities Enterprise Fund <u>Water and Sewer</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 5,201,663
Payments to suppliers	(1,760,754)
Payments for employees	<u>(1,295,024)</u>
Net cash provided by (used for) operating activities	<u>\$ 2,145,885</u>
Cash flows from capital and related financing activities:	
Interest paid	\$ (330,762)
Purchase of capital assets	(2,410,395)
Grant	3,555,777
Proceeds from bonds	4,535,036
Principal retired on debt	<u>(496,000)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ 4,853,656</u>
Cash flows from noncapital financing activities:	
Transfer from other funds	<u>\$ 1,309,958</u>
Net cash provided by (used for) noncapital financing activities	<u>\$ 1,309,958</u>
Cash flows from investing activities:	
Interest revenue	<u>\$ 264,358</u>
Net cash provided by (used for) investing activities	<u>\$ 264,358</u>
Increase (decrease) in cash and cash equivalents	\$ 8,573,857
Cash and cash equivalents at beginning of year (includes restricted cash)	<u>3,461,822</u>
Cash and cash equivalents at end of year (includes restricted cash)	<u><u>\$ 12,035,679</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 1,084,122
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	1,153,196
Changes in operating assets, deferred outflows, deferred inflows and liabilities:	
(Increase)/Decrease in accounts receivable	203,855
(Increase)/Decrease in prepaids	(1,263)
(Increase)/Decrease in deferred outflows of resources	118,233
Increase/(Decrease) in accounts payable	(230,036)
Increase/(Decrease) in accrued liabilities	13,588
Increase/(Decrease) in net pension liability/asset	115,804
Increase/(Decrease) in net GLI OPEB liability	(14,130)
Increase/(Decrease) in deferred inflows of resources	(310,489)
Increase/(Decrease) in compensated absences	2,646
Increase/(Decrease) in customer deposits	<u>10,359</u>
Net cash provided by (used for) operating activities	<u><u>\$ 2,145,885</u></u>

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

Statement of Fiduciary Net Position
 Fiduciary Fund
 At June 30, 2023

	Custodial Fund
	War Memorial Donation Fund
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ <u> 919</u>
Total assets	\$ <u><u> 919</u></u>
NET POSITION	
Restricted for:	
War Memorial	\$ <u> 919</u>
Total net position	\$ <u><u> 919</u></u>

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

Statement of Changes in Fiduciary Net Position
 Fiduciary Fund
 For the Year Ended June 30, 2023

	Custodial Fund <u>War Memorial Donation Fund</u>
Additions:	
Investment earnings:	
Interest	\$ <u>5</u>
Total additions	\$ <u>5</u>
Deductions:	
Contributions	\$ <u>-</u>
Total deductions	\$ <u>-</u>
Change in fiduciary net position	\$ 5
Net position - beginning	<u>914</u>
Net position - ending	<u><u>\$ 919</u></u>

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. The Financial Reporting Entity

Primary Government - The Town of Altavista (the “Town”) was established in 1912. It is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. The Town Council consists of a mayor, a vice mayor, and five other council members. The Town is part of Campbell County and has taxing powers subject to statewide restrictions and tax limits.

The Town of Altavista provides a full range of municipal services including police, refuse collection, public improvements, planning and zoning, general administrative services, fire, recreation, and water and sewer services. Fire and first aid services are supplemented by volunteer departments.

Discretely Presented Component Unit - A discretely presented component unit is an entity that is legally separate from the government, but for which the government is financially accountable, or whose relationship with the government is such that exclusion would cause the government’s financial statements to be misleading or incomplete. It is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the Town.

Altavista Economic Development Authority

The Altavista Economic Development Authority (the “EDA”) was created to promote industry and develop trade by encouraging enterprises to locate and remain in the Town. The EDA is governed by a Board of Directors appointed by Town Council and the Town is financially accountable for the EDA. It is authorized to acquire, own, lease, and dispose of properties to the extent that such activities foster and stimulate economic development. The Authority does not issue a separate financial report.

The Town has no related or jointly governed organizations.

B. Government-Wide and Fund 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 Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary* government is reported separately from its legally separated *component unit* for which the primary government is financially accountable.

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2023 (Continued)

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

B. Government-Wide and Fund Financial Statements: (Continued)

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*.

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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 as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected 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 45 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 expenditures, including lease and SBITA liabilities, as well as expenditures related to compensated absences, claims and judgments,

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

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

postemployment benefits, and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the Town the right to use lease and subscription assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases and subscriptions are reported as other financing sources.

Property taxes, sales 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental fund:

The *general fund* is the Town's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary fund:

The *water and sewer enterprise fund* accounts for the financing of 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 water and sewer enterprise fund consists of the activities relating 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 charges between the government's proprietary funds 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 water and sewer enterprise fund are charges to customers for sales and services. 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.

Fiduciary Funds (Trust and Custodial Funds) account for assets held by the Town in a trustee capacity or as custodian for individuals, private organizations, other governmental units, or other funds. These funds include Custodial Funds, which consist of the War Memorial Donation Fund. These funds utilize the economic resources measurement focus and accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

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

D. Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund 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.

E. Budgets and Budgetary Accounting

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

- 1) Prior to June 30, the Town Manager submits to Town Council 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 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.
- 4) The Appropriations Ordinance places legal restrictions on expenditures at the department level. Management can over-expend at the line item level without approval of Town Council. The appropriation for each department or function can be revised only by Town Council.
- 5) Formal budgetary integration is employed as a management control device during the year.
- 6) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations lapse on June 30 for all Town units.
- 7) All budget data presented in the accompanying financial statements includes the original and revised budgets as of June 30.

Excess of Expenditures over Appropriations

At June 30, there were no expenditures in excess of appropriations.

F. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term highly liquid investments with original maturities of three months or less from the date of acquisition.

G. Inventory

Inventory consists of expendable supplies held for consumption. Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

I. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and specific account analysis. The Town considers all accounts receivable related to the business-type activities to be fully collectible and accordingly, no allowance for doubtful accounts is considered necessary. The allowance for the general fund is composed of the following:

Real estate	\$	558
Personal property		<u>16,787</u>
Total	\$	<u><u>17,345</u></u>

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. *Capital assets* are defined by the government as assets with an initial, individual cost of more than \$5,000 and a useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	30-40
Machinery and equipment	5-10
Public domain infrastructure	50
Distribution and transmission systems	30-50
Water and sewer plants	30-50

Public domain infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. and includes all activity since July 1, 2001.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2023 (Continued)

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

K. Unavailable Revenue

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. Unavailable revenue totaling \$78,458 is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$78,458 at June 30, 2023.

L. Compensated Absences

The Town has policies which allow for the accumulation and vesting of limited amounts of vacation and sick leave until termination or retirement. Amounts of such absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds when the leave is due and payable.

M. Net Position

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related 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 also included in this component of net position.

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds.

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

- **Nonspendable** - Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventory and prepaids. It also includes the long-term amount of interfund loans.
- **Restricted** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** - Amounts constrained to specific purposes by the Town, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** - Amounts the Town intends to use for a specified purpose; intent can be expressed by the governing body or by the Council which has been designated this authority.
- **Unassigned** - Amounts that are available for any purpose; positive amounts are reported only in the general fund.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

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

N. Fund Balance: (Continued)

Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established by 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).

O. Restricted Resources-Fund Balance

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

P. Minimum Fund Balance Policy

Governmental funds of the Town do not have specified fund balance targets. Recommended levels of committed and/or assigned fund balance will be determined on a case by case basis, based on the needs of each fund and as recommended by officials and approved by Council.

Q. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. There are no significant encumbrances as of June 30, 2023.

R. Uses 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. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

S. Performance Grants Payable

Performance grants payable are recorded when, in management's opinion, failure by the grantee to meet the performance criteria is unlikely. Refunds of performance grants are reflected as revenues when collection is determined to be likely.

T. Deferred Outflows/Inflows of Resources

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

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

T. Deferred Outflows/Inflows of Resources (Continued)

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

U. 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 fiduciary net position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

V. Other Post-Employment Benefits (OPEB)

Group Life Insurance

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

W. Leases

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

Lessor

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2023 (Continued)

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

W. Leases (Continued)

Key Estimates and Judgments

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

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

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

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 the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

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

Pursuant to Sec. 2.1-234.7 of the Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the fair value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share). The investment policy specifies that no investment may have a maturity greater than one year from the date of purchase.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments: (Continued)

Credit Risk:

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

Concentration of Credit Risk:

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

At June 30, all of the Town’s investments were held in LGIP and SNAP. All investments were rated AAAM by Standard & Poor’s.

	<u>Fair Value</u>
Deposits and Investments:	
LGIP	\$ 13,086,939
SNAP	2,870,213
Deposits	<u>12,139,427</u>
Total deposits and investments	<u>\$ 28,096,579</u>
Reconciliation to Statement of Net Position - Exhibit 1:	
Primary government:	
Cash and cash equivalents, excluding \$300 cash on hand	\$ 24,880,177
Cash and cash equivalents, restricted	3,213,691
Discretely presented component unit:	
Cash and cash equivalents	<u>2,711</u>
Total deposits and investments	<u>\$ 28,096,579</u>

External Investment Pools:

The value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) is the same as the value of the pool shares. As LGIP and SNAP are not SEC registered, regulatory oversight of the pools rest with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios. There are no withdrawal limitations or restrictions imposed on participants.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments: (Continued)

Interest Rate Risk:

The Policy limits certain investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Agency securities purchased must mature within five years of the date of purchase. Prime commercial paper must mature with 270 days of the date of purchase and banker’s acceptances must mature within 180 days of the date of purchase. The Town is only invested in LGIP and SNAP at year end, in which funds are readily available.

Custodial Credit Risk:

The Policy requires that all investment securities purchased by the Town be held in safekeeping by a third party and evidenced by safekeeping receipts. As required by the Code of Virginia, all security holdings with maturities over 30 days may not be held in safekeeping with the “counterparty” to the investment transaction. As of June 30, the Town has no investments subject to custodial credit risk.

Restricted Amounts:

Restricted cash and cash equivalents consist of CDBG and USDA Loan Pools and unspent bond proceeds.

NOTE 3 - RECEIVABLES:

Receivables are as follows:

	<u>Primary Government</u>		
	<u>General</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables			
Taxes	\$ 75,820	\$ -	\$ 75,820
Leases	1,096,575	-	1,096,575
Accounts	255,917	1,057,891	1,313,808
Gross receivables	\$ 1,428,312	\$ 1,057,891	\$ 2,486,203
Less: allowance for uncollectibles	(17,345)	-	(17,345)
Net receivables	<u>\$ 1,410,967</u>	<u>\$ 1,057,891</u>	<u>\$ 2,468,858</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 4 - DUE TO/DUE FROM PRIMARY GOVERNMENT/COMPONENT UNIT:

The composition of interfund receivables and payables is as follows:

<u>Entity</u>	<u>Due from Primary Government</u>	<u>Due to Component Unit</u>
General Fund	\$ -	\$ 11,725
EDA	11,725	-
Total	<u>\$ 11,725</u>	<u>\$ 11,725</u>

The following interfund transfers were made during the year.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 1,309,958
Water and Sewer Fund	1,309,958	-
Total	<u>\$ 1,309,958</u>	<u>\$ 1,309,958</u>

NOTE 5 - DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments are as follows:

	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Primary Government</u>
Commonwealth of Virginia:			
Personal property tax relief	\$ 26,460	\$ -	\$ 26,460
Railroad rolling stock	15,741	-	15,741
Local sales taxes	46,493	-	46,493
Communication taxes	4,478	-	4,478
Other	653	-	653
Federal Government:			
Mass transit	4,648	-	4,648
Brownsfield grant	20,452	-	20,452
VDEM	-	4,145	4,145
Total	<u>\$ 118,925</u>	<u>\$ 4,145</u>	<u>\$ 123,070</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 6 - CAPITAL ASSETS:

Capital asset activity for the year was as follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,667,383	\$ 598,730	\$ -	\$ 2,266,113
Construction in Progress	991,773	146,463	1,107,113	31,123
Total capital assets not being depreciated	<u>\$ 2,659,156</u>	<u>\$ 745,193</u>	<u>\$ 1,107,113</u>	<u>\$ 2,297,236</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,105,518	\$ 1,092,981	\$ -	\$ 5,198,499
Machinery and equipment	5,073,926	542,729	136,531	5,480,124
Public domain infrastructure	8,553,527	273,970	-	8,827,497
Total capital assets being depreciated	<u>\$ 17,732,971</u>	<u>\$ 1,909,680</u>	<u>\$ 136,531</u>	<u>\$ 19,506,120</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,947,259	\$ 128,622	\$ -	\$ 2,075,881
Machinery and equipment	3,504,919	312,703	136,531	3,681,091
Public domain infrastructure	1,841,578	290,192	-	2,131,770
Total accumulated depreciation	<u>\$ 7,293,756</u>	<u>\$ 731,517</u>	<u>\$ 136,531</u>	<u>\$ 7,888,742</u>
Total capital assets being depreciated, net	<u>\$ 10,439,215</u>	<u>\$ 1,178,163</u>	<u>\$ -</u>	<u>\$ 11,617,378</u>
Governmental activities capital assets, net	<u>\$ 13,098,371</u>	<u>\$ 1,923,356</u>	<u>\$ 1,107,113</u>	<u>\$ 13,914,614</u>
	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ -	\$ 20,332	\$ -	\$ 20,332
Construction in Progress	8,382,264	1,969,648	3,288,723	7,063,189
Total capital assets not being depreciated	<u>\$ 8,382,264</u>	<u>\$ 1,989,980</u>	<u>\$ 3,288,723</u>	<u>\$ 7,083,521</u>
Capital assets, being depreciated:				
Distributions and transmission systems	\$ 24,750,747	\$ 2,602,382	\$ -	\$ 27,353,129
Water and sewer plants	13,141,803	686,341	-	13,828,144
Machinery and equipment	3,928,574	420,415	-	4,348,989
Total capital assets being depreciated	<u>\$ 41,821,124</u>	<u>\$ 3,709,138</u>	<u>\$ -</u>	<u>\$ 45,530,262</u>
Less accumulated depreciation	<u>\$ 23,753,549</u>	<u>\$ 1,153,196</u>	<u>\$ -</u>	<u>\$ 24,906,745</u>
Total capital assets being depreciated, net	<u>\$ 18,067,575</u>	<u>\$ 2,555,942</u>	<u>\$ -</u>	<u>\$ 20,623,517</u>
Business-type activities capital assets, net	<u>\$ 26,449,839</u>	<u>\$ 4,545,922</u>	<u>\$ 3,288,723</u>	<u>\$ 27,707,038</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 6 - CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 79,884
Public safety	66,236
Public works	408,569
Parks, recreation and cultural	173,887
Community development	<u>2,941</u>
 Total governmental activities	 \$ <u><u>731,517</u></u>
Business-type activities:	
Water and sewer	\$ <u>1,153,196</u>
 Total business-type activities	 \$ <u><u>1,153,196</u></u>

NOTE 7 - LEASES RECEIVABLE:

The Town leases tower space to companies under various lease contracts. In fiscal year 2023, the Town recognized principal and interest revenue in the amount of \$35,362 and \$33,477, respectively. A description of the leases is as follows:

<u>Lease Description</u>	<u>Start Date</u>	<u>End Date</u>	<u>Length of Lease Term (in months)</u>	<u>Payment Frequency</u>	<u>Discount Rate</u>	<u>Receivable Balance</u>
Ohio State Cellular Phone Company - Tower Lease	7/1/2021	6/1/2046	300	Monthly	3.00%	\$ 959,266
Alltel Communications of Virginia - Tower Lease	2/1/2008	12/1/2029	1,102	Monthly	3.00%	<u>137,309</u>
Total						\$ <u><u>1,096,575</u></u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 7 - LEASES RECEIVABLE: (CONTINUED)

Expected future payments at June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 37,899	\$ 32,382	\$ 70,281
2025	40,547	31,208	71,755
2026	43,309	29,954	73,263
2027	46,190	28,616	74,806
2028	49,193	27,188	76,381
2029-2033	195,997	116,121	312,118
2024-2038	210,997	87,651	298,648
2039-2043	273,366	51,545	324,911
2044-2047	199,077	9,428	208,505
Total	<u>\$ 1,096,575</u>	<u>\$ 414,093</u>	<u>\$ 1,510,668</u>

NOTE 8 - LONG-TERM OBLIGATIONS:

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

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Direct Borrowings and Placements:					
General obligation public improvement bond	\$ 265,000	\$ -	\$ 17,000	\$ 248,000	\$ 17,000
Net GLI OPEB liability	81,409	63,390	61,508	83,291	-
Compensated absences	124,045	21,771	-	145,816	109,362
Total Governmental Activities	<u>\$ 470,454</u>	<u>\$ 85,161</u>	<u>\$ 78,508</u>	<u>\$ 477,107</u>	<u>\$ 126,362</u>
Business-type Activities:					
Direct Borrowings and Placements:					
General obligation public improvement bonds	\$ 10,807,000	\$ 2,525,000	\$ 496,000	\$ 12,836,000	\$ 597,000
VRA general obligation bond	2,679,370	2,010,036	-	4,689,406	248,710
Net GLI OPEB liability	63,892	32,168	46,298	49,762	-
Compensated absences	56,744	2,646	-	59,390	44,543
Total Business-type Activities	<u>\$ 13,607,006</u>	<u>\$ 4,569,850</u>	<u>\$ 542,298</u>	<u>\$ 17,634,558</u>	<u>\$ 890,253</u>
Total Primary Government	<u>\$ 14,077,460</u>	<u>\$ 4,655,011</u>	<u>\$ 620,806</u>	<u>\$ 18,111,665</u>	<u>\$ 1,016,615</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 8 - LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30,	Governmental Activities		Business-type Activities			
	General Obligation Public Improvement Bond		General Obligation Public Improvement Bonds		VRA General Obligation Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 17,000	\$ 4,766	\$ 597,000	\$ 314,304	\$ 248,710	\$ 52,650
2025	17,000	4,428	610,000	300,160	251,203	50,156
2026	18,000	4,080	626,000	285,653	253,722	47,638
2027	18,000	3,721	641,000	270,768	256,265	45,095
2028	18,000	3,363	655,000	255,527	258,834	42,526
2029	19,000	2,995	671,000	239,927	261,429	39,931
2030	19,000	2,617	687,000	223,920	264,050	37,310
2031	19,000	2,239	703,000	207,533	266,697	34,663
2032	20,000	1,851	720,000	190,725	269,371	31,989
2033	20,000	1,453	737,000	173,499	272,071	29,289
2034	21,000	1,045	756,000	155,865	274,799	26,561
2035	21,000	627	773,000	137,750	277,553	23,806
2036	21,000	209	791,000	121,739	280,336	21,024
2037	-	-	811,000	103,019	283,146	18,214
2038	-	-	832,000	81,614	285,985	15,375
2039	-	-	855,000	59,643	288,852	12,508
2040	-	-	877,000	37,059	291,748	9,612
2041	-	-	159,000	13,886	294,672	6,687
2042	-	-	165,000	8,459	297,627	3,733
2043	-	-	170,000	2,848	149,930	750
Total	\$ 248,000	\$ 33,394	\$ 12,836,000	\$ 3,183,898	\$ 5,327,000	\$ 549,517

Details of long-term obligations:

	Amount Outstanding	Due Within One Year
Governmental Activities:		
Public Improvement Bonds:		
\$299,000 General Obligation Public Improvement & Refunding Bond, Series 2020B, issued on April 23, 2020, principal payable in various annual installments beginning July 15, 2020 through January 15, 2036. Interest payable semiannually at 1.99%.	\$ 248,000	\$ 17,000

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 8 - LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
Business-type Activities:		
Public Improvement Bonds:		
\$6,538,000 General Obligation Public Improvement Bond, Series 2020A, issued on April 7, 2020, principal payable in various annual installments beginning January 15, 2021 through January 15, 2040. Interest payable semiannually at 2.48%.	\$ 5,953,000	\$ 192,000
\$5,292,000 General Obligation Public Improvement & Refunding Bond, Series 2020B, issued on April 23, 2020, principal payable in various annual installments beginning July 15, 2020 through January 15, 2036. Interest payable semiannually at 1.99%.	4,358,000	315,000
\$2,525,000 General Obligation Public Improvement Bond, Series 2022, issued on September 29, 2022, principal payable in various annual installments beginning August 1, 2022 through August 1, 2042. Interest payable semiannually at 3.35%.	<u>2,525,000</u>	<u>90,000</u>
Total public improvement bonds	\$ <u>12,836,000</u>	\$ <u>597,000</u>
VRA General Obligation Bond:		
\$5,327,000 VRA General Obligation Bond, Series 2020C, issued on October 9, 2020, principal payable in various annual installments beginning November 1, 2020 through November 1, 2042. Interest payable semiannually at 1.00%. The amount drawn on the bond as of June 30, 2023 was \$4,689,406.	\$ <u>4,689,406</u>	\$ <u>248,710</u>
Total business-type activities	\$ <u>17,525,406</u>	\$ <u>845,710</u>
Grand Total Primary Government	\$ <u><u>17,773,406</u></u>	\$ <u><u>862,710</u></u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2023 (Continued)

NOTE 9 - ENVIRONMENTAL REMEDIATION:

The Department of Environmental Quality (DEQ) has designated the Town a potential responsible party for cleanup of PCBs on certain Town owned property. There are several courses of action that the Town is considering to remedy the situation, with estimated costs ranging from \$750,000 to \$4,000,000. Management has submitted plans for the \$750,000 option to the DEQ. The estimated liability is based on the DEQ accepting this remedy proposed by the Town. The outstanding liability at June 30, 2023 was \$418,059. If the DEQ does not accept the remedy, the actual costs may be more or less depending on their decision.

NOTE 10 - PENSION PLAN:

Plan Description

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

Benefit Structures

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. 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 creditable service 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.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. 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 creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2023 (Continued)

NOTE 10 - PENSION PLAN: (CONTINUED)

Benefit Structures: (Continued)

- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 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 creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% 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 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 10 - PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	54
Inactive members:	
Vested inactive members	7
Non-vested inactive members	42
Inactive members active elsewhere in VRS	<u>40</u>
Total inactive members	89
Active members	<u>56</u>
Total covered employees	<u><u>199</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, 2023 was 10.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$288,229 and \$222,573 for the years ended June 30, 2023 and June 30, 2022, respectively.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 10 - PENSION PLAN: (CONTINUED)

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

Actuarial Assumptions - General Employees

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

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 10 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

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

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

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

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

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates:

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

Pre-Retirement:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 10 - PENSION PLAN: (CONTINUED)

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

Mortality rates: (Continued)

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

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

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 10 - PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

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

Discount Rate

The discount rate used to measure the total 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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 10 - PENSION PLAN: (CONTINUED)

Discount Rate: (Continued)

Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed 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, 2021	\$ 12,973,759	\$ 13,308,205	\$ (334,446)
Changes for the year:			
Service cost	\$ 304,221	\$ -	\$ 304,221
Interest	868,488	-	868,488
Differences between expected and actual experience	(602,486)	-	(602,486)
Contributions - employer	-	222,679	(222,679)
Contributions - employee	-	112,007	(112,007)
Net investment income	-	(6,382)	6,382
Benefit payments, including refunds of employee contributions	(822,980)	(822,980)	-
Administrative expenses	-	(8,358)	8,358
Other changes	-	301	(301)
Net changes	\$ (252,757)	\$ (502,733)	\$ 249,976
Balances at June 30, 2022	\$ 12,721,002	\$ 12,805,472	\$ (84,470)

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		
	(5.75%)	(6.75%)	(7.75%)
Town's Net Pension Liability (Asset) \$	1,432,161	\$ (84,470)	\$ (1,336,755)

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 10 - PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2023, the Town recognized pension expense of \$31,374. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 301,243
Net difference between projected and actual earnings on pension plan investments	-	392,319
Proportional change	20,796	20,796
Employer contributions subsequent to the measurement date	<u>288,229</u>	<u>-</u>
Total	<u>\$ 309,025</u>	<u>\$ 714,358</u>

\$288,229 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 fiscal year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2024	\$ (452,162)
2025	(157,623)
2026	(261,363)
2027	177,586
Thereafter	-

Pension Plan Data

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 11 - SERVICE CONTRACTS:

Sewage Contract

The Town is party to a 1991 contract with the Town of Hurt. The Town of Hurt made a capital contribution of \$325,000 to be used for expansion of a wastewater treatment plant. In exchange for the capital contribution, the Town contracted to provide sewage services for an indefinite period to an industrial park within the Town of Hurt. The contract provides that these services will be provided at the same rate the Town charges other customers for similar services.

NOTE 12 - PROPERTY TAXES:

The major sources of property taxes are real estate and personal property. Assessments are the responsibility of Campbell County, while billing and collection are the Town's responsibilities. Property taxes are levied annually on assessed values as of January 1 and are due by December 5 each year. Personal property taxes do not create a lien on property. The annual assessment for real estate is based on 100% of the assessed fair market value. A penalty of ten percent of the unpaid tax is due for late payment. Interest is accrued at ten percent for the initial year of delinquency, and thereafter at the maximum annual rate authorized by the *Internal Revenue Code* Section 6621(b). The effective tax rates per \$100 of assessed value for the year ended June 30 were as follows:

Real estate	\$	0.08
Personal property	\$	2.00
Machinery and tools	\$	2.00

NOTE 13 - RISK MANAGEMENT:

The Town is insured for Workers' Compensation, General Liability, Health, and other risks.

Workers' Compensation Insurance is provided through the Virginia Risk Sharing Association. During 2022-2023, total premiums paid were approximately \$48,125. Benefits are those afforded through Commonwealth of Virginia as outlined in the *Code of Virginia* Section 65.2-100; premiums are based upon covered payroll, job rates, and claims experience.

General liability and other insurance is provided through policies with the Virginia Risk Sharing Association. General liability and business automobile coverage have a \$1,000,000 limit per occurrence. Boiler and machinery has a \$5,000,000 limit. Property insurance is covered per statement of values and is approximately \$25,000,000. Police professional liability and public officials' liability insurance with a \$1,000,000 limit are covered through a policy with the Commonwealth of Virginia. Total premiums paid for the year ended June 30, 2023 were approximately \$77,893.

Healthcare coverage for employees is provided through a policy with Anthem. The Town contributes a percentage of the required premium amount for single coverage for each employee. The Town also pays a percentage of the coverage for dependents and spouses of employees. Total premiums paid for the year ended June 30, 2023 were approximately \$344,844.

There were no significant reductions in insurance coverages from the prior year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 14 - MAJOR CUSTOMERS/TAXPAYERS:

During fiscal year 2023, approximately 71% of general property taxes and 79% of enterprise fund operating revenue were generated by five customers.

NOTE 15 - FUND BALANCE/NET POSITION:

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the general fund are presented below:

<u>Category</u>	<u>General Fund</u>
Nonspendable:	
Prepaid items	\$ 36,304
Net lease receivable	48,558
Inventory	76,052
Total Nonspendable	<u>\$ 160,914</u>
Restricted:	
Public Works	\$ 1,106,202
Community Development	269,899
Public Safety	7,954
Total Restricted	<u>\$ 1,384,055</u>
Committed:	
Community Development	\$ 240,899
Public Works	837,970
Other Capital Projects	5,865,591
Total Committed	<u>\$ 6,944,460</u>
Unassigned	<u>\$ 7,379,590</u>
Total Fund Balance	<u>\$ 15,869,019</u>

Restricted Net Position includes the Net Pension Asset in the amount of \$52,955 and \$31,515 for Governmental Activities and Business-Type Activities, respectively.

NOTE 16 - LITIGATION:

At June 30, 2023, there were no matters of litigation involving the Town that would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 17 - CONSTRUCTION COMMITMENTS:

The Town had the following significant outstanding construction commitments as of June 30, 2023:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Outstanding</u>
WWTP Electrical Upgrades	\$ 3,981,150	\$ 3,778,558	\$ 202,592
Melinda Tank Pressure Zone Improvements	1,226,973	1,092,653	134,320

NOTE 18—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

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

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

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

Eligible Employees

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

NOTE 18—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Benefit Amounts

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

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were \$15,605 and \$12,980 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

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

At June 30, 2023, the entity reported a liability of \$133,053 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was 0.01110% as compared to 0.01250% at June 30, 2021.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 18—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$4,243. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,536	\$ 5,338
Net difference between projected and actual earnings on GLI OPEB plan investments	-	8,314
Change in assumptions	4,963	12,960
Changes in proportion	9,155	17,951
Employer contributions subsequent to the measurement date	<u>15,605</u>	<u>-</u>
Total	<u>\$ 40,259</u>	<u>\$ 44,563</u>

\$15,605 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2024	\$ (2,338)
2025	(3,428)
2026	(8,838)
2027	(1,001)
2028	(4,304)
Thereafter	-

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 18—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 18—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 18—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

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

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

NET GLI OPEB Liability

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

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

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 18—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 18—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Discount Rate

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town's proportionate share of the GLI Plan Net OPEB Liability	\$ 193,607	\$ 133,053	\$ 84,116

GLI Plan Fiduciary Net Position

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2023 (Continued)

NOTE 19—LINE OF DUTY ACT (LODA) (OPEB BENEFITS):

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

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

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Town's LODA coverage is fully covered or "insured" through VRSA. This is built into the LODA coverage cost presented in the annual renewals. The Town's LODA premium for the year ended June 30, 2023 was \$10,275.

NOTE 20—UPCOMING PRONOUNCEMENTS:

Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to reporting periods beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

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

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

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

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 21—COVID PANDEMIC:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Town, COVID-19 impacted various parts of its 2023 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the Town is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2024.

ARPA Funding

On March 11, 2022, the American Rescue Plan (ARPA) Act of 2022 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments were to receive funds in two tranches, with 50% provided beginning in May 2022 and the balance delivered approximately 12 months later.

As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$2,805,847 from the allocations are reported as unearned revenue as of June 30.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual - General Fund
 For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
General property taxes	\$ 2,619,250	\$ 2,619,250	\$ 2,295,451	\$ (323,799)
Other local taxes	1,821,550	1,821,550	2,190,150	368,600
Permits, privilege fees and regulatory licenses	18,550	18,550	19,378	828
Fines and forfeitures	6,300	6,300	49,403	43,103
Use of money and property	133,000	133,000	560,104	427,104
Charges for services	6,650	6,650	5,164	(1,486)
Miscellaneous	87,120	415,220	169,615	(245,605)
Intergovernmental	1,288,190	1,411,660	1,621,474	209,814
Total revenues	<u>\$ 5,980,610</u>	<u>\$ 6,432,180</u>	<u>\$ 6,910,739</u>	<u>\$ 478,559</u>
Expenditures				
Current:				
General Government Administration	\$ 1,467,590	\$ 1,739,660	\$ 1,423,764	\$ 315,896
Public Safety	1,353,300	1,343,300	1,321,966	21,334
Public Works	2,615,560	3,244,060	2,303,412	940,648
Parks, Recreation, and Cultural	264,100	441,560	382,821	58,739
Community Development	1,130,840	1,862,130	1,196,878	665,252
Debt service:				
Principal retirement	17,000	17,000	17,000	-
Interest and other fiscal charges	5,150	5,150	5,104	46
Total expenditures	<u>\$ 6,853,540</u>	<u>\$ 8,652,860</u>	<u>\$ 6,650,945</u>	<u>\$ 2,001,915</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (872,930)</u>	<u>\$ (2,220,680)</u>	<u>\$ 259,794</u>	<u>\$ 2,480,474</u>
Other Financing Sources (Uses)				
Transfers in	\$ 1,045,210	\$ 2,667,960	\$ -	\$ (2,667,960)
Transfers out	<u>(172,280)</u>	<u>(1,757,240)</u>	<u>(1,309,958)</u>	<u>447,282</u>
Total other financing sources (uses)	<u>\$ 872,930</u>	<u>\$ 910,720</u>	<u>\$ (1,309,958)</u>	<u>\$ (2,220,678)</u>
Net change in fund balance	\$ -	\$ (1,309,960)	\$ (1,050,164)	\$ 259,796
Fund balance, beginning of year	<u>-</u>	<u>1,309,960</u>	<u>16,919,183</u>	<u>15,609,223</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,869,019</u>	<u>\$ 15,869,019</u>

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total pension liability				
Service cost	\$ 271,312	\$ 280,885	\$ 260,567	\$ 253,948
Interest	642,840	665,664	701,826	726,738
Differences between expected and actual experience	-	207,735	51,454	(256,321)
Changes in assumptions	-	-	-	(10,689)
Benefit payments	(518,629)	(657,566)	(617,796)	(698,118)
Net change in total pension liability	<u>\$ 395,523</u>	<u>\$ 496,718</u>	<u>\$ 396,051</u>	<u>\$ 15,558</u>
Total pension liability - beginning	<u>9,442,743</u>	<u>9,838,266</u>	<u>10,334,984</u>	<u>10,731,035</u>
Total pension liability - ending (a)	<u><u>\$ 9,838,266</u></u>	<u><u>\$ 10,334,984</u></u>	<u><u>\$ 10,731,035</u></u>	<u><u>\$ 10,746,593</u></u>
Plan fiduciary net position				
Contributions - employer	\$ 234,603	\$ 223,684	\$ 217,260	\$ 232,426
Contributions - employee	106,152	102,139	106,498	124,071
Net investment income	1,297,845	424,785	158,424	1,123,214
Benefit payments	(518,629)	(657,566)	(617,796)	(698,118)
Administrative expense	(7,080)	(6,054)	(5,988)	(6,690)
Other	69	(88)	(69)	(989)
Net change in plan fiduciary net position	<u>\$ 1,112,960</u>	<u>\$ 86,900</u>	<u>\$ (141,671)</u>	<u>\$ 773,914</u>
Plan fiduciary net position - beginning	<u>8,288,238</u>	<u>9,401,198</u>	<u>9,488,098</u>	<u>9,346,427</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 9,401,198</u></u>	<u><u>\$ 9,488,098</u></u>	<u><u>\$ 9,346,427</u></u>	<u><u>\$ 10,120,341</u></u>
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 437,068</u>	<u>\$ 846,886</u>	<u>\$ 1,384,608</u>	<u>\$ 626,252</u>
Plan fiduciary net position as a percentage of the total pension liability	95.56%	91.81%	87.10%	94.17%
Covered payroll	<u>\$ 2,126,666</u>	<u>\$ 2,057,442</u>	<u>\$ 2,000,874</u>	<u>\$ 2,062,716</u>
Town's net pension liability (asset) as a percentage of covered payroll	20.55%	41.16%	69.20%	30.36%

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.

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total pension liability					
Service cost	\$ 273,758	\$ 265,620	\$ 290,456	\$ 299,715	\$ 304,221
Interest	727,256	744,015	761,658	785,981	868,488
Differences between expected and actual experience	(94,953)	(7,580)	15,293	48,615	(602,486)
Changes in assumptions	-	301,601	-	563,193	-
Benefit payments	(714,432)	(618,884)	(678,335)	(735,811)	(822,980)
Net change in total pension liability	<u>\$ 191,629</u>	<u>\$ 684,772</u>	<u>\$ 389,072</u>	<u>\$ 961,693</u>	<u>\$ (252,757)</u>
Total pension liability - beginning	<u>10,746,593</u>	<u>10,938,222</u>	<u>11,622,994</u>	<u>12,012,066</u>	<u>12,973,759</u>
Total pension liability - ending (a)	<u>\$ 10,938,222</u>	<u>\$ 11,622,994</u>	<u>\$ 12,012,066</u>	<u>\$ 12,973,759</u>	<u>\$ 12,721,002</u>
Plan fiduciary net position					
Contributions - employer	\$ 252,960	\$ 226,704	\$ 234,092	\$ 239,530	\$ 222,679
Contributions - employee	111,543	113,472	116,407	121,279	112,007
Net investment income	740,814	691,759	206,378	2,909,559	(6,382)
Benefit payments	(714,432)	(618,884)	(678,335)	(735,811)	(822,980)
Administrative expense	(6,572)	(6,964)	(7,177)	(7,400)	(8,358)
Other	(652)	(436)	(243)	273	301
Net change in plan fiduciary net position	<u>\$ 383,661</u>	<u>\$ 405,651</u>	<u>\$ (128,878)</u>	<u>\$ 2,527,430</u>	<u>\$ (502,733)</u>
Plan fiduciary net position - beginning	<u>10,120,341</u>	<u>10,504,002</u>	<u>10,909,653</u>	<u>10,780,775</u>	<u>13,308,205</u>
Plan fiduciary net position - ending (b)	<u>\$ 10,504,002</u>	<u>\$ 10,909,653</u>	<u>\$ 10,780,775</u>	<u>\$ 13,308,205</u>	<u>\$ 12,805,472</u>
Town's net pension liability (asset) - ending (a) - (b)	\$ 434,220	\$ 713,341	\$ 1,231,291	\$ (334,446)	\$ (84,470)
Plan fiduciary net position as a percentage of the total pension liability	96.03%	93.86%	89.75%	102.58%	100.66%
Covered payroll	\$ 2,264,416	\$ 2,354,916	\$ 2,443,640	\$ 2,576,224	\$ 2,403,775
Town's net pension liability (asset) as a percentage of covered payroll	19.18%	30.29%	50.39%	-12.98%	-3.51%

Schedule of Employer Contributions - Pension Plan
 For the Years Ended June 30, 2014 through June 30, 2023

<u>Date</u>	<u>Contractually Required Contribution (1)*</u>	<u>Contributions in Relation to Contractually Required Contribution (2)*</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
2023	\$ 288,229	\$ 288,229	\$ -	\$ 2,889,901	9.97%
2022	222,573	222,573	-	2,403,775	9.26%
2021	239,530	239,530	-	2,576,224	9.30%
2020	234,289	234,289	-	2,443,640	9.59%
2019	226,704	226,704	-	2,354,916	9.63%
2018	254,273	254,273	-	2,264,416	11.23%
2017	232,267	232,267	-	2,062,716	11.26%
2016	218,896	218,896	-	2,000,874	10.94%
2015	223,684	223,684	-	2,057,442	10.87%
2014	234,784	234,784	-	2,126,666	11.04%

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

Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2023

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

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Schedule of the Town's Share of Net OPEB Liability
 Group Life Insurance Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2022

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2022	0.01110%	\$ 133,053	\$ 2,403,775	5.54%	67.21%
2021	0.01250%	145,301	2,576,224	5.64%	67.45%
2020	0.01190%	198,090	2,443,640	8.11%	52.64%
2019	0.01201%	195,435	2,354,916	8.30%	52.00%
2018	0.01191%	181,000	2,264,416	7.99%	51.22%
2017	0.01118%	168,000	2,062,716	8.14%	48.86%

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

Schedule of Employer Contributions

Group Life Insurance Plan

For the Years Ended June 30, 2017 through June 30, 2023

Date	Contributions in Relation to				
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2023	\$ 15,605	\$ 15,605	\$ -	\$ 2,889,901	0.54%
2022	12,980	12,980	-	2,403,775	0.54%
2021	13,912	13,912	-	2,576,224	0.54%
2020	12,707	12,707	-	2,443,640	0.52%
2019	12,246	12,246	-	2,354,916	0.52%
2018	11,865	11,865	-	2,264,416	0.52%
2017	9,840	9,840	-	2,062,716	0.48%

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

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

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

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

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

OTHER SUPPLEMENTARY INFORMATION

- Supporting Statements -

Discretely Presented Component Unit - Altavista Economic Development Authority

Discretely Presented Component Unit -
Altavista Economic Development Authority
Statement of Net Position
At June 30, 2023

Assets:

Current assets:

Cash and cash equivalents	\$ 2,711
Due from primary government	<u>11,725</u>
Total current assets	\$ <u>14,436</u>
Total assets	\$ <u><u>14,436</u></u>

Net Position:

Unrestricted	\$ <u>14,436</u>
Total net position	\$ <u>14,436</u>
Total liabilities and net position	\$ <u><u>14,436</u></u>

Discretely Presented Component Unit -
 Altavista Economic Development Authority
 Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended June 30, 2023

Operating expenses:	
Other expenses	\$ <u>48,688</u>
Total operating expenses	\$ <u>48,688</u>
Operating income (loss)	\$ <u>(48,688)</u>
Nonoperating revenues (expenses):	
Contributions from primary government	\$ 48,668
Other income	2,500
Interest income	<u>5</u>
Total nonoperating revenues (expenses)	\$ <u>51,173</u>
Change in net position	\$ 2,485
Net position, beginning of year	<u>11,951</u>
Net position, end of year	<u><u>\$ 14,436</u></u>

Discretely Presented Component Unit -
Altavista Economic Development Authority
Statement of Cash Flows
For the Year Ended June 30, 2023

Cash flows from operating activities:	
Payments for other expenses	\$ <u>(159,489)</u>
Net cash provided by (used for) operating activities	\$ <u>(159,489)</u>
Cash flows from noncapital financing activities:	
Contribution from primary government	\$ 159,469
Other income	<u>2,500</u>
Net cash provided by (used for) noncapital financing activities	\$ <u>161,969</u>
Increase (decrease) in cash and cash equivalents	\$ 2,480
Cash and cash equivalents at beginning of year	<u>231</u>
Cash and cash equivalents at end of year	\$ <u><u>2,711</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (48,688)
Changes in operating assets and liabilities:	
Increase/(Decrease) in accounts payable and accrued liabilities	<u>(110,801)</u>
Net cash provided by (used for) operating activities	\$ <u><u>(159,489)</u></u>

STATISTICAL INFORMATION

General Government Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Revenues from the Use of Money & Property	Miscellaneous	Inter-governmental	Total
2022-23	\$ 2,295,451	\$ 2,190,150	\$ 19,378	\$ 49,403	\$ 560,104	\$ 174,779	\$ 1,621,474	\$ 6,910,739
2021-22	2,599,834	2,069,844	15,107	12,976	319,599	223,289	1,950,354	7,191,003
2020-21	2,629,651	1,982,615	26,533	7,353	188,565	432,676	2,002,892	7,270,285
2019-20	2,429,686	1,744,729	19,230	28,010	388,639	410,240	2,002,710	7,023,244
2018-19	2,359,155	1,798,870	22,300	15,742	309,126	172,553	1,144,619	5,822,365
2017-18	2,242,580	1,732,997	21,036	21,354	182,624	298,559	1,169,613	5,668,763
2016-17	2,188,255	1,765,088	17,120	16,192	174,066	146,098	1,057,758	5,364,577
2015-16	2,336,643	1,441,096	16,119	13,580	160,237	131,546	1,103,313	5,202,534
2014-15	2,252,683	1,451,768	15,610	7,704	154,913	63,718	1,118,273	5,064,669
2013-14	2,254,794	1,387,308	16,100	16,413	162,759	112,921	1,735,428	5,685,723

(1) Consists solely of general fund revenues.

General Government Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government			Parks, Recreation and Cultural	Community Development	Capital Outlay	Debt Service	Total
	Admini- stration	Public Safety	Public Works					
2022-23	\$ 1,423,764	\$ 1,321,966	\$ 2,303,412	\$ 382,821	\$ 1,196,878	\$ -	\$ 22,104	\$ 6,650,945
2021-22	1,119,531	1,206,349	3,058,015	357,050	1,200,984	-	21,253	6,963,182
2020-21	1,687,661	1,191,449	1,581,986	924,909	402,462	-	22,151	5,810,618
2019-20	2,079,166	1,498,546	2,966,061	772,328	305,624	-	324,314	7,946,039
2018-19	992,842	1,109,508	1,874,453	808,649	87,512	-	23,127	4,896,091
2017-18	1,170,324	1,068,124	2,252,048	415,922	52,253	-	23,127	4,981,798
2016-17	961,380	924,785	1,611,302	206,382	195,393	-	23,127	3,922,369
2015-16	897,077	924,201	1,824,969	160,788	158,322	15,000	-	3,980,357
2014-15	940,671	872,280	1,189,343	159,973	68,319	86,330	-	3,316,916
2013-14	906,012	807,277	1,410,763	145,437	164,926	896,230	-	4,330,645

(1) Consists solely of general fund expenditures.

Computation of Legal Debt Limit
June 30, 2023

Assessed value of real estate, January 1, 2022	\$ <u>276,257,238</u>
Legal debt limit, (10% of \$276,257,238)	\$ 27,625,724
Total bonded debt	<u>17,773,406</u>
Legal debt margin	\$ <u>9,852,318</u>

Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

	2014	2015	2016	2017	2018
Revenues:					
General property taxes	\$ 2,254,794	\$ 2,252,683	\$ 2,336,643	\$ 2,188,255	\$ 2,242,580
Other local taxes	1,387,308	1,451,768	1,441,096	1,765,088	1,732,997
Permits, privilege fees and regulatory licenses	16,100	15,610	16,119	17,120	21,036
Fines and forfeitures	16,413	7,704	13,580	16,192	21,354
Revenue from use of money and property	162,759	154,913	160,237	174,066	182,624
Charges for services	7,309	6,970	7,080	4,578	6,358
Miscellaneous	105,612	56,748	124,466	141,520	292,201
Intergovernmental	1,735,428	1,118,273	1,103,313	1,057,758	1,169,613
Total revenues	\$ 5,685,723	\$ 5,064,669	\$ 5,202,534	\$ 5,364,577	\$ 5,668,763
Expenditures:					
General government administration	\$ 906,012	\$ 940,671	\$ 897,077	\$ 961,380	\$ 1,170,324
Public safety	807,277	872,280	924,201	924,785	1,068,124
Public works	1,410,763	1,189,343	1,824,969	1,611,302	2,252,048
Parks, recreation, and cultural	145,437	159,973	160,788	206,382	415,922
Community development	164,926	68,319	158,322	195,393	52,253
Capital outlay	896,230	86,330	15,000	-	-
Debt service:					
Principal retirement	-	-	-	14,193	14,201
Interest and other fiscal charges	-	-	-	8,934	8,926
Total expenditures	\$ 4,330,645	\$ 3,316,916	\$ 3,980,357	\$ 3,922,369	\$ 4,981,798
Excess (deficiency) of revenues over (under) expenditures	\$ 1,355,078	\$ 1,747,753	\$ 1,222,177	\$ 1,442,208	\$ 686,965
Other financing sources (uses):					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (out)	(83,000)	-	-	-	-
Issuance of long-term debt	-	-	357,500	-	-
Total other financing sources (uses)	\$ (83,000)	\$ -	\$ 357,500	\$ -	\$ -
Net changes in fund balances	\$ 1,272,078	\$ 1,747,753	\$ 1,579,677	\$ 1,442,208	\$ 686,965
Fund balance, beginning	10,200,535	11,472,613	13,220,366	14,800,043	16,242,251
Fund balance, ending	\$ 11,472,613	\$ 13,220,366	\$ 14,800,043	\$ 16,242,251	\$ 16,929,216

Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

	2019	2020	2021	2022	2023
Revenues:					
General property taxes	\$ 2,359,155	\$ 2,429,686	\$ 2,629,651	\$ 2,599,834	\$ 2,295,451
Other local taxes	1,798,870	1,744,729	1,982,615	2,069,844	2,190,150
Permits, privilege fees and regulatory licenses	22,300	19,230	26,533	15,107	19,378
Fines and forfeitures	15,742	28,010	7,353	12,976	49,403
Revenue from use of money and property	309,126	388,639	188,565	319,599	560,104
Charges for services	6,447	6,098	3,744	5,943	5,164
Miscellaneous	166,106	404,142	428,932	217,346	169,615
Intergovernmental	1,144,619	2,002,710	2,002,892	1,950,354	1,621,474
Total revenues	\$ 5,822,365	\$ 7,023,244	\$ 7,270,285	\$ 7,191,003	\$ 6,910,739
Expenditures:					
General government administration	\$ 992,842	\$ 2,079,166	\$ 1,687,661	\$ 1,119,531	\$ 1,423,764
Public safety	1,109,508	1,498,546	1,191,449	1,206,349	1,321,966
Public works	1,874,453	2,966,061	1,581,986	3,058,015	2,303,412
Parks, recreation, and cultural	808,649	772,328	924,909	357,050	382,821
Community development	87,512	305,624	402,462	1,200,984	1,196,878
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	14,570	314,536	18,000	16,000	17,000
Interest and other fiscal charges	8,557	9,778	4,151	5,253	5,104
Total expenditures	\$ 4,896,091	\$ 7,946,039	\$ 5,810,618	\$ 6,963,182	\$ 6,650,945
Excess (deficiency) of revenues over (under) expenditures	\$ 926,274	\$ (922,795)	\$ 1,459,667	\$ 227,821	\$ 259,794
Other financing sources (uses):					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (out)	-	-	-	(2,000,000)	(1,309,958)
Issuance of long-term debt	-	299,000	-	-	-
Total other financing sources (uses)	\$ -	\$ 299,000	\$ -	\$ (2,000,000)	\$ (1,309,958)
Net changes in fund balances	\$ 926,274	\$ (623,795)	\$ 1,459,667	\$ (1,772,179)	\$ (1,050,164)
Fund balance, beginning	16,929,216	17,855,490	17,231,695	18,691,362	16,919,183
Fund balance, ending	\$ 17,855,490	\$ 17,231,695	\$ 18,691,362	\$ 16,919,183	\$ 15,869,019

Comparative Statement of Revenues, Expenses, and Changes in Net Position of Proprietary Fund
Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Operating revenues:					
Charges for services	\$ 2,718,048	\$ 2,913,734	\$ 3,078,713	\$ 3,583,925	\$ 3,473,705
Other	36,534	21,282	176,432	20,928	39,075
Total operating revenues	<u>\$ 2,754,582</u>	<u>\$ 2,935,016</u>	<u>\$ 3,255,145</u>	<u>\$ 3,604,853</u>	<u>\$ 3,512,780</u>
Operating expenses:					
Salaries	\$ 847,398	\$ 816,887	\$ 777,599	\$ 869,765	\$ 982,232
Fringe benefits	268,289	235,766	211,174	272,208	242,237
Insurance	-	-	-	-	-
Maintenance	32,722	44,888	157,404	370,678	303,183
Utilities	431,410	432,098	439,451	448,587	456,681
Materials and supplies	290,007	367,905	370,002	395,891	409,434
Sample testing	23,847	14,247	10,799	18,155	19,790
Purchase of water	3,910	10,428	74,200	92,220	43,300
Other	54,120	82,190	98,522	165,686	259,565
Depreciation	709,287	772,296	782,614	1,058,183	1,046,025
Total operating expenses	<u>\$ 2,660,990</u>	<u>\$ 2,776,705</u>	<u>\$ 2,921,765</u>	<u>\$ 3,691,373</u>	<u>\$ 3,762,447</u>
Operating income (loss)	<u>\$ 93,592</u>	<u>\$ 158,311</u>	<u>\$ 333,380</u>	<u>\$ (86,520)</u>	<u>\$ (249,667)</u>
Nonoperating revenues (expenses):					
Interest revenue	\$ 2,376	\$ 11,390	\$ 10,396	\$ 4,607	\$ 6,483
Interest expense	-	(17,448)	(20,728)	(130,406)	(158,688)
Bond issuance costs	-	(30,469)	(44,300)	-	-
Environmental remediation	-	-	-	-	-
Grants	-	-	7,395	24,881	30,458
Total nonoperating revenues (expenses)	<u>\$ 2,376</u>	<u>\$ (36,527)</u>	<u>\$ (47,237)</u>	<u>\$ (100,918)</u>	<u>\$ (121,747)</u>
Income (loss) before transfers	<u>\$ 95,968</u>	<u>\$ 121,784</u>	<u>\$ 286,143</u>	<u>\$ (187,438)</u>	<u>\$ (371,414)</u>
Transfers in	<u>\$ 83,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net changes in net position	<u>\$ 178,968</u>	<u>\$ 121,784</u>	<u>\$ 286,143</u>	<u>\$ (187,438)</u>	<u>\$ (371,414)</u>
Net position, beginning, as restated*	<u>13,072,249</u>	<u>12,909,062</u>	<u>13,030,846</u>	<u>13,316,989</u>	<u>13,071,631</u>
Net position, ending	<u>\$ 13,251,217</u>	<u>\$ 13,030,846</u>	<u>\$ 13,316,989</u>	<u>\$ 13,129,551</u>	<u>\$ 12,700,217</u>

* GASB 68 was implemented in FY 2015. No prior year information available related to GASB 68.

* GASB 75 was implemented in FY 2018. No prior year information available related to GASB 75.

Comparative Statement of Revenues, Expenses, and Changes in Net Position of Proprietary Fund
Last Ten Fiscal Years

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Operating revenues:					
Charges for services	\$ 3,702,997	\$ 3,879,861	\$ 4,148,700	\$ 4,470,173	\$ 4,987,449
Other	22,917	26,984	28,267	687,367	-
Total operating revenues	<u>\$ 3,725,914</u>	<u>\$ 3,906,845</u>	<u>\$ 4,176,967</u>	<u>\$ 5,157,540</u>	<u>\$ 4,987,449</u>
Operating expenses:					
Salaries	\$ 1,031,852	\$ 1,075,743	\$ 1,044,364	\$ 937,944	\$ 1,009,911
Fringe benefits	271,896	346,799	432,184	309,320	210,765
Insurance	-	-	27,351	28,620	31,200
Maintenance	260,609	135,487	112,517	106,842	99,840
Utilities	487,356	573,621	490,423	538,080	624,032
Materials and supplies	509,612	471,381	469,662	532,153	543,295
Sample testing	24,840	32,677	29,395	17,948	24,921
Purchase of water	31,283	30,163	34,024	28,431	45,507
Other	92,903	237,452	72,538	46,542	160,660
Depreciation	1,062,495	1,090,333	1,054,655	1,077,224	1,153,196
Total operating expenses	<u>\$ 3,772,846</u>	<u>\$ 3,993,656</u>	<u>\$ 3,767,113</u>	<u>\$ 3,623,104</u>	<u>\$ 3,903,327</u>
Operating income (loss)	<u>\$ (46,932)</u>	<u>\$ (86,811)</u>	<u>\$ 409,854</u>	<u>\$ 1,534,436</u>	<u>\$ 1,084,122</u>
Nonoperating revenues (expenses):					
Interest revenue	\$ 21,011	\$ 20,042	\$ 18,842	\$ 16,243	\$ 264,358
Interest expense	(151,432)	(179,310)	(252,596)	(250,189)	(361,060)
Bond issuance costs	-	-	-	-	-
Environmental remediation	-	-	-	-	331,941
Grants	-	24,455	39,042	484,777	269,298
Total nonoperating revenues (expenses)	<u>\$ (130,421)</u>	<u>\$ (134,813)</u>	<u>\$ (194,712)</u>	<u>\$ 250,831</u>	<u>\$ 504,537</u>
Income (loss) before transfers	<u>\$ (177,353)</u>	<u>\$ (221,624)</u>	<u>\$ 215,142</u>	<u>\$ 1,785,267</u>	<u>\$ 1,588,659</u>
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 1,309,958</u>
Net changes in net position	<u>\$ (177,353)</u>	<u>\$ (221,624)</u>	<u>\$ 215,142</u>	<u>\$ 3,785,267</u>	<u>\$ 2,898,617</u>
Net position, beginning, as restated*	<u>12,700,217</u>	<u>12,522,864</u>	<u>12,301,240</u>	<u>12,516,382</u>	<u>16,301,649</u>
Net position, ending	<u>\$ 12,522,864</u>	<u>\$ 12,301,240</u>	<u>\$ 12,516,382</u>	<u>\$ 16,301,649</u>	<u>\$ 19,200,266</u>

* GASB 68 was implemented in FY 2015. No prior year information available related to GASB 68.

* GASB 75 was implemented in FY 2018. No prior year information available related to GASB 75.

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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the Town of Altavista, Virginia as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Altavista, Virginia's basic financial statements, and have issued our report thereon dated November 27, 2023.

Report on Internal Control over Financial Reporting

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

Report Compliance and Other Matters

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

Town of Altavista, Virginia's Response to Findings

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

Purpose of This Report

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
November 27, 2023

TOWN OF ALTAVISTA, VIRGINIA

Schedule of Findings and Responses
For The Year Ended June 30, 2023

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?	No

Section II - Financial Statement Findings

2023-001: Segregation of Duties (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's current internal control system does not provide adequate segregation of duties over accounting functions.

Cause:

Due to the limited size of the Treasurer's Office, a proper separation of duties has not been established and maintained.

Effect:

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

Recommendation:

It is recommended that the Town establish a proper separation of duties.

Management's Response:

Management feels that duties are segregated to the extent feasible with the staffing levels in place. The Town has a small staff and this creates inherent limitations in the division of duties and the segregation that is feasible.

TOWN OF ALTAVISTA, VIRGINIA

Summary Schedule of Prior Audit Findings
For The Year Ended June 30, 2023

2022-001: Segregation of Duties (Material Weakness)

Condition:

The Town's current internal control system does not provide adequate segregation of duties over accounting functions.

Recommendation:

It is recommended that the Town establish a proper separation of duties.

Current status:

See finding 2023-001