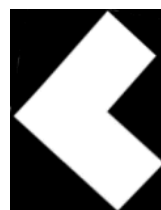


Town of Brookneal, Virginia
Annual Comprehensive Financial Report
Year Ended June 30, 2023



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

Town of Brookneal, Virginia

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Brookneal, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Brookneal, 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 Brookneal, 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 respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Brookneal, Virginia, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Brookneal, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2023, the Town adopted new accounting guidance, GASB Statement No. 96, Subscription-Based Information Technology Arrangements and No. 94, Public-Public Partnerships and Availability Payment Arrangements. Our opinion is not modified with respect to this matter.

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 Brookneal, 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.

Auditor's 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 auditor's 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 Brookneal, 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 the Town of Brookneal, 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 management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 1-7, 60-62, and 63-71 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2024, on our consideration of the Town of Brookneal, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Brookneal, 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 Brookneal, Virginia's internal control over financial reporting and compliance.

Creedle, Jones & Associates, P.C.

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

South Hill, Virginia
April 18, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Brookneal, Virginia presents the following discussion and analysis as an overview of the Town of Brookneal, Virginia's financial activities for the fiscal year ending June 30, 2023. We encourage readers to read this discussion and analysis in conjunction with the Town's basic financial statements.

Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town's governmental activities exceeded its liabilities and deferred inflows of resources by \$1,263,098. Of this amount, \$826,429 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$5,720,909 with an unrestricted balance of \$423,192.
- The Town's total net position increased by \$117,367 during the current fiscal year. Of this amount, a decrease of \$60,604 is related to governmental activities and an increase of \$177,971 is attributed to business-type activities.
- As of June 30, 2023, the Town's Governmental Funds reported combined ending fund balances of \$1,085,743, a decrease of \$47,648 in comparison with the prior year. Approximately 97.06% of this amount is available for spending at the Town's discretion (unassigned fund balance).
- At the end of fiscal year 2023, the general fund unassigned fund balance was \$1,053,798, or approximately 126.98% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The Town has two types of funds:

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

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

Notes to the Basic Financial Statements

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

Other

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2023 and 2022

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Primary Government</u> | |
|--|--------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Assets | | | | | | |
| Current and other assets | \$ 1,570,493 | \$ 1,588,734 | \$ 660,990 | \$ 546,874 | \$ 2,231,483 | \$ 2,135,608 |
| Capital assets (net) | <u>436,669</u> | <u>498,384</u> | <u>6,180,744</u> | <u>6,158,255</u> | <u>6,617,413</u> | <u>6,656,639</u> |
| Total Assets | 2,007,162 | 2,087,118 | 6,841,734 | 6,705,129 | 8,848,896 | 8,792,247 |
| Deferred Outflows of Resources | | | | | | |
| | <u>34,262</u> | <u>37,699</u> | <u>22,843</u> | <u>25,131</u> | <u>57,105</u> | <u>62,830</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 2,041,424</u> | <u>\$ 2,124,817</u> | <u>\$ 6,864,577</u> | <u>\$ 6,730,260</u> | <u>\$ 8,906,001</u> | <u>\$ 8,855,077</u> |
| Liabilities | | | | | | |
| Other liabilities | \$ 466,349 | \$ 448,441 | \$ 61,735 | \$ 61,059 | \$ 528,084 | \$ 509,500 |
| Long-term liabilities | <u>275,332</u> | <u>234,062</u> | <u>1,058,240</u> | <u>1,047,967</u> | <u>1,333,572</u> | <u>1,282,029</u> |
| Total Liabilities | 741,681 | 682,503 | 1,119,975 | 1,109,026 | 1,861,656 | 1,791,529 |
| Deferred Inflows of Resources | | | | | | |
| | 36,645 | 118,612 | 23,693 | 78,296 | 60,338 | 196,908 |
| Net Position | | | | | | |
| Net investment in capital assets | 436,669 | 498,384 | 5,297,717 | 5,257,293 | 5,734,386 | 5,755,677 |
| Unrestricted | <u>826,429</u> | <u>825,318</u> | <u>423,192</u> | <u>285,645</u> | <u>1,249,621</u> | <u>1,110,963</u> |
| Total Net Position | <u>1,263,098</u> | <u>1,323,702</u> | <u>5,720,909</u> | <u>5,542,938</u> | <u>6,984,007</u> | <u>6,866,640</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 2,041,424</u> | <u>\$ 2,124,817</u> | <u>\$ 6,864,577</u> | <u>\$ 6,730,260</u> | <u>\$ 8,906,001</u> | <u>\$ 8,855,077</u> |

Statement of Activities

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

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2023 and 2022

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Primary Government</u> | |
|---|--------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$ 31,374 | \$ 31,115 | \$ 404,362 | \$ 419,392 | \$ 435,736 | \$ 450,507 |
| Operating grants and contributions | 60,661 | 54,068 | 48,000 | 53,642 | 108,661 | 107,710 |
| General Revenues | | | | | | |
| General property taxes, real and personal | 185,589 | 177,396 | - | - | 185,589 | 177,396 |
| Other taxes | 461,268 | 406,671 | - | - | 461,268 | 406,671 |
| Grants and contributions not restricted to specific programs | 458,379 | 46,919 | - | - | 458,379 | 46,919 |
| Unrestricted revenues from use of money and property | 15,808 | 11,404 | 914 | 3,582 | 16,722 | 14,986 |
| Miscellaneous | 10,921 | 27,335 | 10,670 | 6,032 | 21,591 | 33,367 |
| Total Revenues | 1,224,000 | 754,908 | 463,946 | 482,648 | 1,687,946 | 1,237,556 |
| Expenses | | | | | | |
| General government administration | 237,073 | 237,839 | - | - | 237,073 | 237,839 |
| Public safety | 261,363 | 280,991 | - | - | 261,363 | 280,991 |
| Public works | 269,851 | 250,213 | - | - | 269,851 | 250,213 |
| Parks, recreation, and cultural | 46,195 | 58,391 | - | - | 46,195 | 58,391 |
| Community development | 40,000 | - | - | - | 40,000 | - |
| Water and sewer | - | - | 716,097 | 840,408 | 716,097 | 840,408 |
| Total Expenses | 854,482 | 827,434 | 716,097 | 840,408 | 1,570,579 | 1,667,842 |
| Change in net position before transfers | 369,518 | (72,526) | (252,151) | (357,760) | 117,367 | (430,286) |
| Transfers in (out) | (430,122) | (219,945) | 430,122 | 219,945 | - | - |
| Change in Net Position | (60,604) | (292,471) | 177,971 | (137,815) | 117,367 | (430,286) |
| Beginning Net Position | 1,323,702 | 1,616,173 | 5,542,938 | 5,680,753 | 6,866,640 | 7,296,926 |
| Ending Net Position | <u>\$ 1,263,098</u> | <u>\$ 1,323,702</u> | <u>\$ 5,720,909</u> | <u>\$ 5,542,938</u> | <u>\$ 6,984,007</u> | <u>\$ 6,866,640</u> |

Governmental activities decreased the Town's net position by \$60,604 for fiscal year 2023. Revenues from governmental activities totaled \$1,224,000. Other taxes comprise the largest source of these revenues, totaling \$461,268 or 37.69% of all governmental activities revenue. Grants and contributions not restricted to specific programs are the second largest source of revenues, totaling \$458,379 or 37.45%.

The total cost of all governmental activities for this fiscal year was \$854,482. Public works was the Town's largest program with expenses totaling \$269,851. Public safety, which totals \$261,363, represents the second largest expense.

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

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2023 and 2022

| | <u>2023</u> | | <u>2022</u> | |
|-----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> |
| General government administration | \$ 237,073 | \$ (237,073) | \$ 237,839 | \$ (237,839) |
| Public safety | 261,363 | (196,772) | 280,991 | (222,445) |
| Public works | 269,851 | (242,407) | 250,213 | (223,576) |
| Parks, recreation, and cultural | 46,195 | (46,195) | 58,391 | (58,391) |
| Community development | 40,000 | (40,000) | - | - |
| Total | <u>\$ 854,482</u> | <u>\$ (762,447)</u> | <u>\$ 827,434</u> | <u>\$ (742,251)</u> |

FINANCIAL ANALYSIS OF THE TOWN’S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of a fiscal year. The Town’s governmental funds reported combined ending fund balances of \$1,085,743. The combined governmental fund balance decreased \$60,604 from the prior year.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$1,053,798. The General Fund’s liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 126.98% of total fund expenditures.

BUDGETARY HIGHLIGHTS

General Fund

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

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2023 and 2022

| | <u>2023</u> | | | <u>2022</u> | | |
|---|----------------------------|-------------------------|--------------------|----------------------------|-------------------------|---------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> |
| Revenues | | | | | | |
| Taxes | \$ 180,300 | \$ 180,300 | \$ 173,983 | \$ 168,387 | \$ 176,207 | \$ 178,049 |
| Other | 529,683 | 530,683 | 519,328 | 422,375 | 460,516 | 472,413 |
| Intergovernmental | <u>285,913</u> | <u>288,413</u> | <u>519,040</u> | <u>100,413</u> | <u>105,878</u> | <u>100,987</u> |
| Total | 995,896 | 999,396 | 1,212,351 | 691,175 | 742,601 | 751,449 |
| Expenditures | <u>995,896</u> | <u>999,396</u> | <u>829,920</u> | <u>691,175</u> | <u>742,601</u> | <u>745,460</u> |
| Excess (Deficiency) of Revenues over Expenditures | - | - | 382,431 | - | - | 5,989 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers to other funds | <u>-</u> | <u>-</u> | <u>(430,122)</u> | <u>-</u> | <u>-</u> | <u>(219,945)</u> |
| Total | - | - | (430,122) | - | - | (219,945) |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (47,691)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (213,956)</u> |

Final budget revenues and expenditures increased \$3,500 from the original budget.

Actual revenues were more than final budget amounts by \$212,955, or 21.31%, while actual expenditures were \$169,476, or 16.96% less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2023, the Town's governmental activities net capital assets total \$436,669, which represents a net decrease of \$61,715 or 12.38% over the previous fiscal year-end balance. The business-type activities net capital assets total \$6,180,744, an increase of \$22,489 or 0.37% over the previous fiscal year as summarized in the following table:

Change in Capital Assets

Governmental Activities

| | <u>Balance July 1, 2022</u> | <u>Net Additions and Deletions</u> | <u>Balance June 30, 2023</u> |
|-----------------------------------|---------------------------------|--|----------------------------------|
| Land | \$ 180,088 | \$ - | \$ 180,088 |
| Buildings and improvements | 699,139 | - | 699,139 |
| Furniture, equipment and vehicles | 717,199 | (9,868) | 707,331 |
| Infrastructure | <u>164,920</u> | <u>-</u> | <u>164,920</u> |
| Total Capital Assets | 1,761,346 | (9,868) | 1,751,478 |
| Less: Accumulated depreciation | <u>(1,262,962)</u> | <u>(51,847)</u> | <u>(1,314,809)</u> |
| Total Capital Assets, Net | <u>\$ 498,384</u> | <u>\$ (61,715)</u> | <u>\$ 436,669</u> |

Business-Type Activities

| | <u>Balance July 1, 2022</u> | <u>Net Additions and Deletions</u> | <u>Balance June 30, 2023</u> |
|--|---------------------------------|--|----------------------------------|
| Land | \$ 22,129 | \$ - | \$ 22,129 |
| Infrastructure | <u>10,371,058</u> | <u>234,469</u> | <u>10,605,527</u> |
| Total Capital Assets | 10,393,187 | 234,469 | 10,627,656 |
| Less: Accumulated depreciation and amortization | <u>(4,234,932)</u> | <u>(211,980)</u> | <u>(4,446,912)</u> |
| Total Capital Assets, Net | <u>\$ 6,158,255</u> | <u>\$ 22,489</u> | <u>\$ 6,180,744</u> |

Long-Term Debt

As of June 30, 2023, the Town's long-term obligations total \$899,315.

| | <u>Balance July 1, 2022</u> | <u>Net Additions and Deletions</u> | <u>Balance June 30, 2023</u> |
|---------------------------------|---------------------------------|--|----------------------------------|
| Governmental Activities | | | |
| Long-term debt | \$ 16,575 | \$ (1,798) | \$ 14,777 |
| Business-Type Activities | | | |
| Long-term debt | <u>902,978</u> | <u>(18,440)</u> | <u>884,538</u> |
| Total Primary Government | <u>\$ 919,553</u> | <u>\$ (20,238)</u> | <u>\$ 899,315</u> |

More detailed information on the Town's long-term obligations is presented in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2024 budget.

The average unemployment rate for the Town of Brookneal, Virginia in June 2023 which uses Campbell County's rate, was 3.0%. This compares unfavorably to the state's rate of 2.8% and favorably to the national rate of 3.8%.

According to the 2020 U.S. Census, the population in the Town of Brookneal, Virginia was 1,080.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2024, which accounts for most of the Town's operational costs. The fiscal year 2024 adopted budget anticipates General Fund revenues and expenditures to be \$867,897, a 12.85% decrease over the fiscal year 2023 original budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Bobbie Waller, Clerk/Treasurer, Town of Brookneal, Virginia, P. O. Box 450, Brookneal, Virginia 24528, telephone 434-376-3124, or visit the Town's website at www.townofbrookneal.com.

BASIC FINANCIAL STATEMENTS

Town of Brookneal, Virginia

Statement of Net Position

At June 30, 2023

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 1,517,463 | \$ 614,470 | \$ 2,131,933 |
| Receivables, net | 52,983 | 46,488 | 99,471 |
| Total Current Assets | <u>1,570,446</u> | <u>660,958</u> | <u>2,231,404</u> |
| Capital Assets | | | |
| Land and land improvements | 180,088 | 22,129 | 202,217 |
| Other capital assets, net of accumulated depreciation | 256,581 | 6,158,615 | 6,415,196 |
| Capital Assets, Net | <u>436,669</u> | <u>6,180,744</u> | <u>6,617,413</u> |
| Other Assets | | | |
| Net OPEB asset | 47 | 32 | 79 |
| Total Other Assets | <u>47</u> | <u>32</u> | <u>79</u> |
| Total Assets | 2,007,162 | 6,841,734 | 8,848,896 |
| Deferred Outflows of Resources | | | |
| Pension | 30,948 | 20,633 | 51,581 |
| Other post-employment benefits | 3,314 | 2,210 | 5,524 |
| Total Deferred Outflows of Resources | <u>34,262</u> | <u>22,843</u> | <u>57,105</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 2,041,424</u> | <u>\$ 6,864,577</u> | <u>\$ 8,906,001</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable and accrued expenses | \$ 15,488 | \$ 19,346 | \$ 34,834 |
| Customer deposits | - | 14,614 | 14,614 |
| Unearned grants | 450,861 | 27,775 | 478,636 |
| Total Current Liabilities | <u>466,349</u> | <u>61,735</u> | <u>528,084</u> |
| Long-Term Liabilities | | | |
| <i>Due within one year</i> | | | |
| Bonds, loans, and other | 1,478 | 18,795 | 20,273 |
| <i>Due in more than one year</i> | | | |
| Bonds, loans, and other | - | 864,383 | 864,383 |
| Compensated absences | 13,299 | 1,360 | 14,659 |
| Net pension liability | 251,524 | 167,682 | 419,206 |
| Other post-employment benefits | 9,031 | 6,020 | 15,051 |
| Total Long-Term Liabilities | <u>275,332</u> | <u>1,058,240</u> | <u>1,333,572</u> |
| Total Liabilities | <u>741,681</u> | <u>1,119,975</u> | <u>1,861,656</u> |
| Deferred Inflows of Resources | | | |
| Unavailable revenue - property taxes | 1,105 | - | 1,105 |
| Pension | 30,721 | 20,482 | 51,203 |
| Other post-employment benefits | 4,819 | 3,211 | 8,030 |
| Total Deferred Inflows of Resources | <u>36,645</u> | <u>23,693</u> | <u>60,338</u> |
| Net Position | | | |
| Net investment in capital assets | 436,669 | 5,297,717 | 5,734,386 |
| Unrestricted | 826,429 | 423,192 | 1,249,621 |
| Total Net Position | <u>1,263,098</u> | <u>5,720,909</u> | <u>6,984,007</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 2,041,424</u> | <u>\$ 6,864,577</u> | <u>\$ 8,906,001</u> |

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

Town of Brookneal, Virginia

Statement of Activities

For the Year Ended June 30, 2023

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|------------------|----------------------|------------------------------------|---|--------------------------|--------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Primary Governmental Activities | Business-Type Activities | Total |
| Primary Government | | | | | | |
| Governmental Activities | | | | | | |
| General government administration | \$ 237,073 | \$ - | \$ - | \$ (237,073) | | \$ (237,073) |
| Public safety | 261,363 | 6,955 | 57,636 | (196,772) | | (196,772) |
| Public works | 269,851 | 24,419 | 3,025 | (242,407) | | (242,407) |
| Parks, recreation, and cultural | 46,195 | - | - | (46,195) | | (46,195) |
| Community development | 40,000 | - | - | (40,000) | | (40,000) |
| Total Governmental Activities | 854,482 | 31,374 | 60,661 | (762,447) | | (762,447) |
| Business-Type Activities | | | | | | |
| Water Fund | 485,880 | 243,006 | 24,000 | | \$ (218,874) | (218,874) |
| Sewer Fund | 230,217 | 161,356 | 24,000 | | (44,861) | (44,861) |
| Total Business-Type Activities | 716,097 | 404,362 | 48,000 | | (263,735) | (263,735) |
| Total Primary Government | \$ 1,570,579 | \$ 435,736 | \$ 108,661 | | | (1,026,182) |
| General Revenues | | | | | | |
| Taxes | | | | | | |
| General property taxes, real and personal | | | | 185,589 | - | 185,589 |
| Other local taxes | | | | 461,268 | - | 461,268 |
| Grants and contributions not restricted to specific programs | | | | 458,379 | - | 458,379 |
| Unrestricted revenues from use of money and property | | | | 15,808 | 914 | 16,722 |
| Miscellaneous | | | | 10,921 | 10,670 | 21,591 |
| Transfers | | | | (430,122) | 430,122 | - |
| Total General Revenues and Transfers | | | | 701,843 | 441,706 | 1,143,549 |
| Change in Net Position | | | | (60,604) | 177,971 | 117,367 |
| Net Position - Beginning of Year | | | | 1,323,702 | 5,542,938 | 6,866,640 |
| Net Position - End of Year | | | | \$ 1,263,098 | \$ 5,720,909 | \$ 6,984,007 |

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

Town of Brookneal, Virginia

Balance Sheet

Governmental Funds

At June 30, 2023

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-------------------------------------|---|
| Assets | | | |
| Cash and cash equivalents | \$ 1,485,518 | \$ 31,945 | \$ 1,517,463 |
| Property taxes receivable, net | 17,249 | - | 17,249 |
| Accounts receivable | <u>35,734</u> | <u>-</u> | <u>35,734</u> |
| Total Assets | <u>\$ 1,538,501</u> | <u>\$ 31,945</u> | <u>\$ 1,570,446</u> |
| Liabilities | | | |
| Accounts payable and accrued liabilities | \$ 15,488 | \$ - | \$ 15,488 |
| Unearned grants | <u>450,861</u> | <u>-</u> | <u>450,861</u> |
| Total Liabilities | 466,349 | - | 466,349 |
| Deferred Inflows of Resources | | | |
| Property taxes | <u>18,354</u> | <u>-</u> | <u>18,354</u> |
| Total Deferred Inflows of Resources | 18,354 | - | 18,354 |
| Fund Balance | | | |
| Restricted | - | 31,945 | 31,945 |
| Unassigned | <u>1,053,798</u> | <u>-</u> | <u>1,053,798</u> |
| Total Fund Balance | <u>1,053,798</u> | <u>31,945</u> | <u>1,085,743</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | <u>\$ 1,538,501</u> | <u>\$ 31,945</u> | <u>\$ 1,570,446</u> |

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

Town of Brookneal, Virginia

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

At June 30, 2023

| | | |
|--|----------------|---------------------|
| Total Fund Balances for Governmental Funds | | \$ 1,085,743 |
| Total net position reported for governmental activities in the Statement of Net Position is different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of: | | |
| Land | \$ 180,088 | |
| Buildings and improvements, net of accumulated depreciation | 76,005 | |
| Infrastructure, net of accumulated depreciation | - | |
| Furniture, equipment, and vehicles, net of accumulated depreciation | <u>180,576</u> | |
| Total Capital Assets | | 436,669 |
| Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds financial statements. | | |
| Unavailable revenue - taxes | | 17,249 |
| Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds. | | |
| Deferred outflows of resources related to pensions | 30,948 | |
| Deferred outflows of resources related to OPEB | 3,314 | |
| Deferred inflows of resources related to pensions | (30,721) | |
| Deferred inflows of resources related to OPEB | <u>(4,819)</u> | |
| Total Deferred Outflows and Inflows of Resources | | (1,278) |
| 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: | | |
| Compensated absences | (14,777) | |
| Net pension (liability) asset | (251,524) | |
| Net OPEB (obligation) asset | <u>(8,984)</u> | |
| | | <u>(275,285)</u> |
| Total | | <u>\$ 1,263,098</u> |

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

Town of Brookneal, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2023

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-------------------------------------|---|
| Revenues | | | |
| Property taxes | \$ 173,983 | \$ - | \$ 173,983 |
| Other local taxes | 461,268 | - | 461,268 |
| Fines and forfeitures | 6,955 | - | 6,955 |
| Use of money and property | 15,765 | 43 | 15,808 |
| Charges for services | 24,419 | - | 24,419 |
| Miscellaneous | 10,921 | - | 10,921 |
| <i>Intergovernmental</i> | | | |
| Revenue from the Commonwealth of Virginia | 109,656 | - | 109,656 |
| Revenue from the Federal Government | <u>409,384</u> | <u>-</u> | <u>409,384</u> |
| Total Revenues | 1,212,351 | 43 | 1,212,394 |
| Expenditures | | | |
| General government administration | 240,616 | - | 240,616 |
| Public safety | 246,443 | - | 246,443 |
| Public works | 256,666 | - | 256,666 |
| Parks, recreation, and cultural | 46,195 | - | 46,195 |
| Community development | <u>40,000</u> | <u>-</u> | <u>40,000</u> |
| Total Expenditures | <u>829,920</u> | <u>-</u> | <u>829,920</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 382,431 | 43 | 382,474 |
| Other Financing Sources (Uses) | | | |
| Transfers to other funds | <u>(430,122)</u> | <u>-</u> | <u>(430,122)</u> |
| Total Other Financing Sources (Uses) | <u>(430,122)</u> | <u>-</u> | <u>(430,122)</u> |
| Net Change in Fund Balance | (47,691) | 43 | (47,648) |
| Fund Balance - Beginning of Year | <u>1,101,489</u> | <u>31,902</u> | <u>1,133,391</u> |
| Fund Balance - End of Year | <u>\$ 1,053,798</u> | <u>\$ 31,945</u> | <u>\$ 1,085,743</u> |

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

Town of Brookneal, Virginia

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

Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ (47,648)

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

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

| | | |
|--|-----------------|----------|
| Net capital outlays and dispositions of assets | \$ - | |
| Depreciation | <u>(61,715)</u> | (61,715) |

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

11,606

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

| | | |
|--|--------------|--------|
| Net pension liability | (44,377) | |
| Net other-post employment benefits liability | 1,260 | |
| Deferred inflows - pension | 80,965 | |
| Deferred inflows - OPEB | 943 | |
| Deferred outflows - pension | (2,626) | |
| Deferred outflows - OPEB | <u>(810)</u> | |
| Net Adjustment | | 35,355 |

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following:

| | | |
|----------------------|--------------|--------------|
| Compensated absences | <u>1,798</u> | |
| Net Adjustment | | <u>1,798</u> |

Change in Net Position of Governmental Activities \$ (60,604)

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

Town of Brookneal, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2023

| | Business-Type Activities - Enterprise Funds | | |
|---|--|-----------------------|---------------------|
| | Water Fund | Sewer Fund | Total |
| Assets | | | |
| Current Assets | | | |
| Cash and investments | \$ 546,919 | \$ 67,551 | \$ 614,470 |
| Receivables | <u>27,893</u> | <u>18,595</u> | <u>46,488</u> |
| Total Current Assets | 574,812 | 86,146 | 660,958 |
| Noncurrent Assets | | | |
| Capital assets, net | <u>5,491,433</u> | <u>689,311</u> | <u>6,180,744</u> |
| Total Noncurrent Assets | 5,491,433 | 689,311 | 6,180,744 |
| Other Assets | | | |
| Net OPEB asset | <u>19</u> | <u>13</u> | <u>32</u> |
| Total Other Assets | <u>19</u> | <u>13</u> | <u>32</u> |
| Total Assets | 6,066,264 | 775,470 | 6,841,734 |
| Deferred Outflows of Resources | | | |
| Pension | 12,380 | 8,253 | 20,633 |
| Other post-employment benefits | <u>1,326</u> | <u>884</u> | <u>2,210</u> |
| Total Deferred Outflows of Resources | <u>13,706</u> | <u>9,137</u> | <u>22,843</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 6,079,970</u> | <u>\$ 784,607</u> | <u>\$ 6,864,577</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable and accrued expenses | \$ 11,608 | \$ 7,738 | \$ 19,346 |
| Short-term portion of debt | <u>18,644</u> | <u>-</u> | <u>18,644</u> |
| Total Current Liabilities | 30,252 | 7,738 | 37,990 |
| Noncurrent Liabilities | | | |
| Customer deposits | 14,614 | - | 14,614 |
| Unearned grants | 16,665 | 11,110 | 27,775 |
| Compensated absences | 1,301 | 210 | 1,511 |
| Net pension liability | 100,609 | 67,073 | 167,682 |
| Other post-employment benefits | 3,612 | 2,408 | 6,020 |
| Long-term debt, net current portion | <u>864,383</u> | <u>-</u> | <u>864,383</u> |
| Total Noncurrent Liabilities | <u>1,001,184</u> | <u>80,801</u> | <u>1,081,985</u> |
| Total Liabilities | 1,031,436 | 88,539 | 1,119,975 |
| Deferred Inflows of Resources | | | |
| Pension | 12,289 | 8,193 | 20,482 |
| Other post-employment benefits | <u>1,926</u> | <u>1,285</u> | <u>3,211</u> |
| Total Deferred Inflows of Resources | 14,215 | 9,478 | 23,693 |
| Net Position | | | |
| Net investment in capital assets | 4,608,406 | 689,311 | 5,297,717 |
| Unrestricted (Deficit) | <u>425,913</u> | <u>(2,721)</u> | <u>423,192</u> |
| Total Net Position | <u>5,034,319</u> | <u>686,590</u> | <u>5,720,909</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 6,079,970</u> | <u>\$ 784,607</u> | <u>\$ 6,864,577</u> |

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

Town of Brookneal, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2023

| | Business-Type Activities - Enterprise Funds | | |
|---|--|-----------------------|---------------------|
| | Water Fund | Sewer Fund | Total |
| Operating Revenues | | | |
| Charges for services | \$ 237,859 | \$ 156,209 | \$ 394,068 |
| Penalties and interest | 5,147 | 5,147 | 10,294 |
| Other | <u>5,335</u> | <u>5,335</u> | <u>10,670</u> |
| Total Operating Revenues | 248,341 | 166,691 | 415,032 |
| Operating Expenses | | | |
| Salaries | 53,124 | 44,741 | 97,865 |
| Fringe benefits | 13,598 | 12,482 | 26,080 |
| Contracted services | 76,557 | 32,810 | 109,367 |
| Testing | 6,152 | 18,495 | 24,647 |
| Professional fees | 2,500 | 2,500 | 5,000 |
| Other charges | 10,334 | 9,077 | 19,411 |
| Office | 3,390 | 2,140 | 5,530 |
| Repairs and maintenance | 38,270 | 46,871 | 85,141 |
| Supplies and chemicals | 49,999 | - | 49,999 |
| Utilities | 20,544 | 14,379 | 34,923 |
| Vehicle and equipment | 7,671 | 4,326 | 11,997 |
| Depreciation | <u>169,584</u> | <u>42,396</u> | <u>211,980</u> |
| Total Operating Expenses | <u>451,723</u> | <u>230,217</u> | <u>681,940</u> |
| Operating Loss | (203,382) | (63,526) | (266,908) |
| Nonoperating Revenues (Expenses) | | | |
| Interest expense | (34,157) | - | (34,157) |
| Interest income | 457 | 457 | 914 |
| Campbell County grant | <u>24,000</u> | <u>24,000</u> | <u>48,000</u> |
| Total Nonoperating Revenues (Expenses) | <u>(9,700)</u> | <u>24,457</u> | <u>14,757</u> |
| Income (Loss) Before Transfers | (213,082) | (39,069) | (252,151) |
| Operating Transfers In (Out) | <u>430,122</u> | <u>-</u> | <u>430,122</u> |
| Net Operating Transfers | <u>430,122</u> | <u>-</u> | <u>430,122</u> |
| Change in Net Position | <u>217,040</u> | <u>(39,069)</u> | <u>177,971</u> |
| Total Net Position - Beginning of Year | <u>4,817,279</u> | <u>725,659</u> | <u>5,542,938</u> |
| Total Net Position - End of Year | <u>\$ 5,034,319</u> | <u>\$ 686,590</u> | <u>\$ 5,720,909</u> |

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

Town of Brookneal, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2023

| | Business-Type Activities - Enterprise Funds | | |
|---|--|-----------------------|--------------|
| | Water Fund | Sewer Fund | Total |
| Cash Flows from Operating Activities | | | |
| Receipts from customers | \$ 256,953 | \$ 172,032 | \$ 428,985 |
| Payments to personnel and related benefits | (80,770) | (67,250) | (148,020) |
| Payments to suppliers | (215,372) | (130,568) | (345,940) |
| Net Cash Used in Operating Activities | (39,189) | (25,786) | (64,975) |
| Cash Flows from Capital and Related Financing Activities | | | |
| Purchase of fixed assets | (234,469) | - | (234,469) |
| Principal paid on capital debt | (17,935) | - | (17,935) |
| Interest paid on capital debt | (34,157) | - | (34,157) |
| Net Cash Used in Capital and Related Financing Activities | (286,561) | - | (286,561) |
| Cash Flows from Noncapital Financing Activities | | | |
| Transfers from other funds | 430,122 | - | 430,122 |
| Campbell County grant received | 24,000 | 24,000 | 48,000 |
| Net Cash Provided by Noncapital Financing Activities | 454,122 | 24,000 | 478,122 |
| Cash Flows from Investing Activities | | | |
| Interest income | 457 | 457 | 914 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 128,829 | (1,329) | 127,500 |
| Cash and Cash Equivalents - Beginning of Year | 418,090 | 68,880 | 486,970 |
| Cash and Cash Equivalents - End of Year | \$ 546,919 | \$ 67,551 | \$ 614,470 |
| Reconciliation of Operating Loss to Net Cash Used in Operating Activities | | | |
| Operating loss | \$ (203,382) | \$ (63,526) | \$ (266,908) |
| <i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities</i> | | | |
| Depreciation expense | 169,584 | 42,396 | 211,980 |
| <i>Changes in assets and liabilities</i> | | | |
| Receivables | 8,011 | 5,341 | 13,352 |
| Accounts payable and accrued expenses | 45 | 30 | 75 |
| Customer deposits | 601 | - | 601 |
| Compensated absences | 96 | (601) | (505) |
| Deferred outflows - pension | 1,050 | 700 | 1,750 |
| Deferred outflows - OPEB | 323 | 215 | 538 |
| Net pension liability | 17,751 | 11,834 | 29,585 |
| Net other post-employment benefits | (504) | (336) | (840) |
| Deferred inflows - OPEB | (378) | (249) | (627) |
| Deferred inflows - pension | (32,386) | (21,590) | (53,976) |
| Net Cash Used in Operating Activities | \$ (39,189) | \$ (25,786) | \$ (64,975) |

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

Town of Brookneal, Virginia

Notes to the Financial Statements

Year Ended June 30, 2023

1 Summary of Significant Accounting Policies

Narrative Profile

The Town of Brookneal, Virginia (the "Town"), was established in 1802. 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 and six other council members. The Town is part of Campbell County and has taxing powers subject to statewide restrictions and tax limits.

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

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

1-A. Financial Reporting Entity

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

1-B. Financial Reporting Model

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

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

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

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

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

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

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

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

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

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

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

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

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

1-C. Financial Statement Presentation

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

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

- ***General Fund*** – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
- ***Special Revenue Funds*** – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. The Town's special revenue fund accounts for financial resources related to grants requiring separate accounting.
- ***Capital Projects Funds*** – The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. The Town does not have any capital projects funds at this time.
- ***Proprietary Funds*** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has two enterprise funds, the Water Fund and Sewer Fund, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges.

- ***Fiduciary Funds (Custodial Funds)*** – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Custodial funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The Town does not have any fiduciary funds at this time.

1-D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

1-E-1 Cash and Cash Equivalents

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

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

1-E-2 Investments

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

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

1-E-3 Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$6,589 at June 30 for property tax receivables.

| | |
|-----------------------------------|------------------|
| General fund - taxes | \$ 23,838 |
| Less: Allowance for uncollectible | <u>(6,589)</u> |
| General fund - taxes, net | <u>\$ 17,249</u> |

Real and Personal Property Tax Data

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

| | <u>Real Property</u> | <u>Personal Property</u> |
|----------|----------------------|--------------------------|
| Lewy | January 1 | January 1 |
| Due Date | December 5 | December 5 |

The Town bills and collects its own property taxes. Personal property taxes do not create a lien on property; however, the Town utilizes the DMV Stop program for individuals having outstanding personal property taxes.

The annual assessment for real estate is based on 100% of the assessed fair market value. A penalty of 10% of the unpaid tax is due for late payment. Interest is accrued at 10% 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 | \$ 0.17 |
| Personal property | 1.70 |
| Machinery and tools | 1.70 |

1-E-4 Prepaid Items

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

1-E-5 Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$5,000. The Town's infrastructure consists of water distribution and wastewater collection systems. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

| <u>Asset Description</u> | <u>Estimated Lives</u> |
|------------------------------|------------------------|
| Buildings and improvements | 20 - 40 years |
| Machinery and equipment | 5 - 20 years |
| Water and sewer system | 50 years |
| Public domain infrastructure | 20 - 50 years |

1-E-6 Deferred Outflows/Inflows of Resources

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

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

Deferred Inflows of Resources in the Governmental Funds Balance Sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans, and notes receivable. The Town considers revenues available if they are collected within 45 days of the end of the fiscal year.

1-E-7 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Town will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The Town does not accrue compensated absences (annual leave benefits) since no carryover is allowed.

1-E-8 Pensions

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

1-E-9 Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established and may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-10 Political Subdivision Employee Virginia Local Disability Program

The Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee Virginia Local Disability Program OPEB, and the Political Subdivision Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Political Subdivision Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-11 Fund Equity

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

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

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

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

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

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

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

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

Net Position Flow Assumptions – 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.

Fund Balance Flow Assumptions – Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental 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 fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

1-E-12 Operating Revenues and Expenses

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

1-E-13 Interfund Activity

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

1-E-14 Long-Term Obligations

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

1-E-15 Adoption of New GASB Statements

The Town adopted the following GASB statements during the year ended June 30, 2023:

In March 2020, GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB Statement No. 94 is effective for fiscal years beginning after June 15, 2022. The requirements of this statement are effective for the fiscal year ending June 30, 2023 for the Town.

In May 2020, Statement No. 96, Subscription-Based Information Technology Arrangements. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). GASB Statement No. 96 is effective for fiscal year ending June 15, 2022. The requirements of this statement are effective for the fiscal year ending June 30, 2023 for the Town.

1-F. Estimates

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

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

Budgetary Data

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

1. Prior to May 30, the Budget committee submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budgets for the general and enterprise funds are legally enacted through passage of an Appropriations Resolution. Town Council may, from time to time, amend the budget, providing for additional expenditures and the means of financing them.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Town Council. The Budget Committee is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units.

Expenditures in Excess of Appropriations

No expenditures exceeded appropriations.

Fund Deficits

No funds had fund deficits.

3 Deposits and Investments

Deposits

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

Investments

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

Custodial Credit Risk

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

Interest Rate Risk

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

The Town's investments consist of the following:

| | <u>Fair Value</u> | <u>Investment Maturity (in Years)</u> |
|--------------------------------|---------------------|---------------------------------------|
| Certificates of deposit | \$ 991,439 | 1 to 3 |
| Fixed income - corporate bonds | <u>605,304</u> | Less than 1 year |
| | <u>\$ 1,596,743</u> | |

Credit Risk

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

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

| | <u>Rating (Moody's or S&P)</u> | <u>Fair Value</u> |
|---------------|------------------------------------|---------------------|
| AA+ or higher | \$ | 605,304 |
| Unrated | | <u>991,439</u> |
| | | <u>\$ 1,596,743</u> |

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

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---------------------------------|------------------------------------|-------------------------------------|---------------------|
| Deposits and Investments | | | |
| Cash on hand | \$ 200 | \$ - | \$ 200 |
| Demand deposits | 999,439 | 140,855 | 1,140,294 |
| Certificates of deposit | <u>517,824</u> | <u>473,615</u> | <u>991,439</u> |
| | <u>\$ 1,517,463</u> | <u>\$ 614,470</u> | <u>\$ 2,131,933</u> |

Statement of Net Position

Deposits and Investments

| | | | |
|---------------------------|---------------------|-------------------|---------------------|
| Cash and cash equivalents | <u>\$ 1,517,463</u> | <u>\$ 614,470</u> | <u>\$ 2,131,933</u> |
| | <u>\$ 1,517,463</u> | <u>\$ 614,470</u> | <u>\$ 2,131,933</u> |

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as of June 30, 2023:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|-------------------|----------------|----------------|-------------------|
| Investments by Fair Value Level | | | | |
| Fixed income - corporate bonds | <u>\$ 605,304</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 605,304</u> |
| | <u>\$ 605,304</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 605,304</u> |

4 Receivables

Receivables at June 30, 2023 consist of the following:

| | <u>Primary Government</u> | | |
|---------------------------------------|------------------------------------|-------------------------------------|------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
| Taxes | \$ 23,838 | \$ - | \$ 23,838 |
| Other | 29,160 | - | 29,160 |
| Waste collections | 6,574 | - | 6,574 |
| Water and sewer | <u>-</u> | <u>46,488</u> | <u>46,488</u> |
| Total Receivables | 59,572 | 46,488 | 106,060 |
| Less: Allowance for doubtful accounts | <u>(6,589)</u> | <u>-</u> | <u>(6,589)</u> |
| Net Receivables | <u>\$ 52,983</u> | <u>\$ 46,488</u> | <u>\$ 99,471</u> |

5 Interfund Transfers

Interfund transfers for the year ended June 30, 2023 consisted of the following:

Primary Government

| | <u>Transfer (To)</u> | <u>Transfer From</u> |
|---------------------------------------|----------------------|----------------------|
| General Fund | | |
| To Water Fund for operating costs | \$ (430,122) | \$ - |
| Total General Fund | (430,122) | - |
| Water Fund | | |
| From General Fund for operating costs | - | 430,122 |
| Total Water Fund | \$ - | \$ 430,122 |

6 Due from Other Governmental Units

There were no amounts due from other governmental units for the year ended June 30, 2023.

The remainder of this page is left blank intentionally.

7 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

| | Balance July 1, 2022 | Increases | Decreases | Balance June 30, 2023 |
|--|----------------------------|--------------------|-------------|-----------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 180,088 | \$ - | \$ - | \$ 180,088 |
| Total Capital Assets Not Being Depreciated | 180,088 | - | - | 180,088 |
| Other Capital Assets | | | | |
| Buildings and improvements | 699,139 | - | - | 699,139 |
| Infrastructure | 164,920 | - | - | 164,920 |
| Furniture, equipment and vehicles | 717,199 | - | 9,868 | 707,331 |
| Total Other Capital Assets | 1,581,258 | - | 9,868 | 1,571,390 |
| Less: Accumulated depreciation for | | | | |
| Buildings and improvements | 615,142 | 7,992 | - | 623,134 |
| Infrastructure | 164,824 | 96 | - | 164,920 |
| Furniture, equipment and vehicles | 482,996 | 53,627 | 9,868 | 526,755 |
| Total Accumulated Depreciation | 1,262,962 | 61,715 | 9,868 | 1,314,809 |
| Other Capital Assets, Net | 318,296 | (61,715) | - | 256,581 |
| Net Capital Assets | <u>\$ 498,384</u> | <u>\$ (61,715)</u> | <u>\$ -</u> | <u>\$ 436,669</u> |
| Depreciation expense was allocated as follows: | | | | |
| General government administration | \$ 12,440 | | | |
| Public safety | 25,725 | | | |
| Public works | 23,550 | | | |
| Total Depreciation Expense | <u>\$ 61,715</u> | | | |

The remainder of this page is left blank intentionally.

Business-Type Activities

| | <u>Balance July 1, 2022</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2023</u> |
|---|-------------------------------------|------------------|------------------|--------------------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 22,129 | \$ - | \$ - | \$ 22,129 |
| Total Capital Assets Not Being Depreciated | 22,129 | - | - | 22,129 |
| Other Capital Assets | | | | |
| Infrastructure | 10,371,058 | 234,469 | - | 10,605,527 |
| Total Other Capital Assets | 10,371,058 | 234,469 | - | 10,605,527 |
| Less: Accumulated depreciation for | | | | |
| Infrastructure | 4,234,932 | 211,980 | - | 4,446,912 |
| Total Accumulated Depreciation | 4,234,932 | 211,980 | - | 4,446,912 |
| Other Capital Assets, Net | 6,136,126 | 22,489 | - | 6,158,615 |
| Net Capital Assets | <u>\$ 6,158,255</u> | <u>\$ 22,489</u> | <u>\$ -</u> | <u>\$ 6,180,744</u> |

8 Compensated Absences

New full-time employees while on probationary status will accrue four (4) hours annual leave per month. After completing twelve (12) calendar months of continuous service, annual leave of seven (7) hours per month will accrue. Full-time employees receive additional annual leave/vacation time for continuous service as follows: a) five (5) years: eight (8) hours per month; b) ten (10) years: nine (9) hours per month; and c) fifteen (15) years: ten (10) hours per month. Employees may accumulate one hundred sixty (160) hours of leave on an annual basis. At the end of each calendar year (December 31), any balance over one hundred sixty (160) hours will be lost. The Town has outstanding compensated absences totaling \$14,777 in the governmental activities and \$1,511 in the business-type activities.

9 Long-Term Debt

PRIMARY GOVERNMENT

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

| <u>Year(s) Ended June 30.</u> | <u>Business-Type Activities</u> | |
|---------------------------------------|---------------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2024 | \$ 18,644 | \$ 33,448 |
| 2025 | 19,447 | 32,645 |
| 2026 | 20,188 | 31,904 |
| 2027 | 20,959 | 31,133 |
| 2028 | 21,675 | 30,417 |
| 2029-2033 | 121,880 | 138,580 |
| 2034-2038 | 147,263 | 113,197 |
| 2039-2043 | 178,148 | 82,312 |
| 2044-2048 | 215,742 | 44,718 |
| 2049-2051 | 119,081 | 5,742 |
| Total | <u>\$ 883,027</u> | <u>\$ 544,096</u> |

Changes in Long-Term Debt

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

| | <u>Balance</u> <u>July 1, 2022</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance</u> <u>June 30, 2023</u> | <u>Due Within</u> <u>One Year</u> |
|---------------------------------|---------------------------------------|-----------------|------------------|--|--------------------------------------|
| Primary Government | | | | | |
| Governmental Activities | | | | | |
| Notes payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Compensated absences | 16,575 | - | 1,798 | 14,777 | 1,478 |
| Total Governmental Activities | <u>\$ 16,575</u> | <u>\$ -</u> | <u>\$ 1,798</u> | <u>\$ 14,777</u> | <u>\$ 1,478</u> |
| Business-Type Activities | | | | | |
| General obligation bonds | \$ 900,962 | \$ - | \$ 17,935 | \$ 883,027 | \$ 18,644 |
| Compensated absences | 2,016 | - | 505 | 1,511 | 151 |
| Total Business-Type Activities | <u>902,978</u> | <u>-</u> | <u>18,440</u> | <u>884,538</u> | <u>18,795</u> |
| Total Primary Government | <u>\$ 919,553</u> | <u>\$ -</u> | <u>\$ 20,238</u> | <u>\$ 899,315</u> | <u>\$ 20,273</u> |

Details of long-term indebtedness are as follows:

| | <u>Interest</u> <u>Rate</u> | <u>Date</u> <u>Issued</u> | <u>Final</u> <u>Maturity</u> <u>Date</u> | <u>Amount of</u> <u>Original</u> <u>Issue</u> | <u>Outstanding</u> <u>Governmental</u> <u>Activities</u> | <u>Business-Type</u> <u>Activities</u> |
|-------------------------|--------------------------------|------------------------------|--|---|--|---|
| General Obligation Bond | 4.125% | 2011 | 2051 | \$ 866,000 | \$ - | \$742,502 |
| General Obligation Bond | 2.250% | 2011 | 2051 | 175,000 | - | 140,525 |

10 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2023 is determined as follows:

| | <u>Governmental</u> <u>Activities</u> | <u>Business-Type</u> <u>Activities</u> |
|---|--|---|
| Net Investment in Capital Assets | | |
| Cost of capital assets | \$ 1,751,478 | \$ 10,627,656 |
| Less: Accumulated depreciation | <u>1,314,809</u> | <u>4,446,912</u> |
| Book value | 436,669 | 6,180,744 |
| Less: Capital related debt | - | <u>883,027</u> |
| Net Investment in Capital Assets | <u>\$ 436,669</u> | <u>\$ 5,297,717</u> |

11 Deferred Inflows of Resources

Deferred inflows of resources are comprised of the following:

Primary Government - General Fund

Deferred Inflows of Resources

| | |
|---|------------------|
| Delinquent taxes not collected within 60 days | \$ 17,249 |
| Prepaid taxes | <u>1,105</u> |
| Total Deferred Inflows of Resources - Governmental Funds | <u>\$ 18,354</u> |

12 Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town joined together with other local governments in Virginia to form the Virginia Risk Sharing Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Town pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

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

13 Commitments and Contingencies

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

14 Litigation

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

15 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed 10% of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

Computation of Legal Debt Margin

| | |
|--|---------------------|
| Total Assessed Value of Taxed Real Property | \$ 60,119,001 |
| Debt Limits per Constitution of Virginia - 10% of Assessed Value | 6,011,900 |
| <i>Amount of Debt Applicable to Debt Limit</i> | |
| Gross debt | <u>883,027</u> |
| Legal Debt Margin June 30, 2023 | <u>\$ 5,128,873</u> |

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

16 Pension Plan

Plan Description

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

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

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

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

PLAN 2

About Plan 2

Same as Plan 1

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

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

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

Eligible Members

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

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

**Non-Eligible Members*

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

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

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

PLAN 1

Retirement Contributions

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

Service Credit

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

Vesting

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

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

PLAN 2

Retirement Contributions

Same as Plan 1.

Service Credit

Same as Plan 1.

Vesting

Same as Plan 1.

**HYBRID
RETIREMENT PLAN**

Retirement Contributions

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

Service Credit

Defined Benefit Component:

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

Defined Contributions Component:

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

Vesting

Defined Benefit Component:

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

Defined Contributions Component:

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

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

PLAN 1

Calculating the Benefit

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

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

Average Final Compensation

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

Service Retirement Multiplier

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

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

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

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

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

Service Retirement Multiplier

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

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

**HYBRID
RETIREMENT PLAN**

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

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

Distribution not required, except as governed by law .

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

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

Average Final Compensation

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

Service Retirement Multiplier

Defined Benefit Component:

VRS: The retirement multiplier for the defined benefit component is 1.00%.

For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1

Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

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

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

Earliest Reduced Retirement Eligibility

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

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

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

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

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

PLAN 2

Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

Same as Plan 1

**HYBRID
RETIREMENT PLAN**
Normal Retirement Age

Defined Benefit Component:

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

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

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

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

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

Disability Coverage

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

Purchase of Prior Service

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

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

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

Purchase of Prior Service

Same as Plan 1

**HYBRID
RETIREMENT PLAN**

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

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

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

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

As of the June 30, 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 | 17 |
| Inactive members: | |
| Vested inactive members | 2 |
| Non-vested inactive members | 5 |
| LTD | 0 |
| Inactive members active elsewhere in VRS | <u>11</u> |
| Total inactive members | 18 |
| Active members | <u>6</u> |
| Total covered employees | <u>41</u> |

Contributions

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

If the employer used the certified rate: The Town of Brookneal, Virginia's contractually required contribution rate for the year ended June 30, 2023 was 13.13% 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 employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town of Brookneal, Virginia were \$51,581 and \$37,002 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Liability

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

Actuarial Assumptions – General Employees

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

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

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

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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

Rates projected generationally with a 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 PUB2010 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 |

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 | <u>3.00%</u> | 6.55% | <u>0.20%</u> |
| Total | <u>100.00%</u> | | 5.33% |
| | | 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, 2020, the VRS Board elected a long-term rate 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 Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2022, 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 continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

| | Total Pension Liability (a) | Increase (Decrease) Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|---|--|--|--|
| Balances at June 30, 2021 | \$ 2,066,100 | \$ 1,720,856 | \$ 345,244 |
| Changes for the Year | | | |
| Service cost | 20,308 | - | 20,308 |
| Interest | 136,422 | - | 136,422 |
| Assumption changes | - | - | - |
| Differences between expected and actual experience | (33,698) | - | (33,698) |
| Contributions - employer | - | 37,002 | (37,002) |
| Contributions - employee | - | 13,934 | (13,934) |
| Net investment income | - | (817) | 817 |
| Benefit payments, including refunds of employee contributions | (130,690) | (130,690) | - |
| Administrative expenses | - | (1,088) | 1,088 |
| Other changes | - | 39 | (39) |
| Net Changes | (7,658) | (81,620) | 73,962 |
| Balances at June 30, 2022 | <u>\$ 2,058,442</u> | <u>\$ 1,639,236</u> | <u>\$ 419,206</u> |

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

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

| | 1.00% Decrease (5.75%) | Current Discount Rate (6.75%) | 1.00% Increase (7.75%) |
|---|-----------------------------------|--|-----------------------------------|
| Political subdivision's Net Pension Liability | \$ 652,859 | \$ 419,206 | \$ 225,269 |

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

For the year ended June 30, 2023, the Town of Brookneal, Virginia recognized pension expense of \$(5,022). At June 30, 2023, the Town of Brookneal, Virginia reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ - |
| Change in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 51,203 |
| Employer contributions subsequent to the measurement date | <u>51,581</u> | <u>-</u> |
| Total | <u>\$ 51,581</u> | <u>\$ 51,203</u> |

\$51,581 reported as deferred outflows of resources related to pensions resulting from the Town of Brookneal, Virginia's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended
June 30,**

| | |
|------------|-------------|
| 2024 | \$ (19,567) |
| 2025 | (20,518) |
| 2026 | (33,966) |
| 2027 | 22,848 |
| 2028 | - |
| Thereafter | - |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at 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.

Payables to the Pension Plan

The political subdivision recognizes \$4,336 of payables to a pension plan outstanding at the end of the reporting period. This amount represents the June 2023 legally required contributions to VRS due by July 10 per VRS reporting requirements.

17 Other Post-Employment Benefits - Group Life Insurance Program

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

| GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS |
|---|
| <p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p> |
| <p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • <i>Natural Death Benefit:</i> The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <i>Accidental Death Benefit:</i> The accidental death benefit is double the natural death benefit. • <i>Other Benefit Provisions:</i> In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> Accidental dismemberment benefit Safety belt benefit Repatriation benefit Felonious assault benefit Accelerated death benefit option |
| <p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p> |
| <p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.</p> |

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 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. Contribution to the Group Life Insurance Program from the entity were \$1,486 and \$1,473 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.

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

At June 30, 2023, the participating employer reported a liability of \$15,051 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 as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program 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 .00125% as compared to .00148% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$(129). 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 | \$ 1,192 | \$ 604 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 940 |
| Change in assumptions | 561 | 1,466 |
| Changes in proportionate share | 1,380 | 4,778 |
| Employer contributions subsequent to the measurement date | <u>1,486</u> | <u>-</u> |
| Total | <u>\$ 4,619</u> | <u>\$ 7,788</u> |

\$1,486 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:

| Year Ended | |
|------------------------|----------|
| <u>June 30,</u> | |
| 2024 | \$ (874) |
| 2025 | (867) |
| 2026 | (1,413) |
| 2027 | (857) |
| 2028 | (644) |
| Thereafter | - |

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.

| | |
|---|---|
| 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

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 PUB2010 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

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 PUB2010 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 Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

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

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

Long-Term Expected Rate of Return

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

| <u>Asset Class (Strategy)</u> | <u>Long-Term Target Asset Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return*</u> |
|--------------------------------------|--|---|--|
| Public Equity | 34.00% | 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 | <u>3.00%</u> | 6.55% | <u>0.20%</u> |
| Total | <u>100.00%</u> | | 5.33% |
| | | 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, 2020, the VRS Board elected a long-term rate 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 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 ending 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:

| | 1.00% Decrease (5.75%) | Current Discount Rate (6.75%) | 1.00% Increase (7.75%) |
|---|-----------------------------------|--|-----------------------------------|
| State Agency’s Proportionate Share of the Group Life Insurance Plan | | | |
| Net OPEB Liability | \$ 21,901 | \$ 15,051 | \$ 9,515 |

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at 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.

Payables to the VRS Group Life Insurance OPEB Plan

The political subdivision recognizes \$251 of payables to a group life insurance OPEB plan outstanding at the end of the reporting period. This amount represents the June 2023 legally required contributions to VRS due by July 10 per VRS reporting requirements.

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

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

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

| POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS |
|--|
| <p>Eligible Employees</p> <p>The Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits</p> <p>Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:</p> <ul style="list-style-type: none"> • Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS. |
| <p>Benefit Amounts</p> <p>The Political Subdivision Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:</p> <p><i>Short-Term Disability:</i></p> <ul style="list-style-type: none"> • The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. • During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability. • Once the eligibility period is satisfied, employees are eligible for higher income replacement levels <p><i>Long-Term Disability:</i></p> <ul style="list-style-type: none"> • The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. • Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit. |
| <p>Virginia Local Disability Program Notes:</p> <ul style="list-style-type: none"> • Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. • VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services. |

Contributions

The contribution requirement for active hybrid plan employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2023 was 0.85% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the political subdivision to the VRS Political Subdivision Employee Virginia Local Disability Program were \$755 and \$524 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

At June 30, 2023, the political subdivision reported a liability (asset) of \$(79) for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2022 and the total VRS Political Subdivision Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The political subdivision's proportion of the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was based on the political subdivision's actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the political subdivision's proportion of the VRS Political Subdivision Employee Virginia Local Disability Program was .01348% as compared to .01587% at June 30, 2021.

For the year ended June 30, 2023, the political subdivision recognized VRS Political Subdivision Employee Virginia Local Disability Program OPEB expense of \$428. Since there was a change in proportionate share between measurement dates a portion of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 111 | \$ 170 |
| Net difference between projected and actual earnings on Political Subdivision VLDP OPEB program investments | - | - |
| Change in assumptions | 3 | 28 |
| Changes in proportion | 36 | 44 |
| Employer contributions subsequent to the measurement date | <u>755</u> | <u>-</u> |
| Total | <u>\$ 905</u> | <u>\$ 242</u> |

\$755 reported as deferred outflows of resources related to the Political Subdivision Employee VLDP OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Political Subdivision Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee VLDP OPEB will be recognized in the Political Subdivision Employee VLDP OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

| | | |
|------------|----|------|
| 2024 | \$ | (11) |
| 2025 | | (13) |
| 2026 | | (45) |
| 2027 | | 3 |
| 2028 | | (5) |
| Thereafter | | (21) |

Actuarial Assumptions

The total Political Subdivision Employee VLDP OPEB liability for the VRS Political Subdivision Employee Virginia Local Disability Program was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

| | |
|--|----------------------------|
| Inflation | 2.50% |
| Salary increases, including inflation - Political subdivision employees | 3.50% - 5.35% |
| Investment rate of return | 6.75%, including inflation |

Mortality rates – Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

Pub-2010 Amount Weighted General 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 General 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

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) | Updated to PUB2010 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 |

Net Political Subdivision Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision Employee Virginia Local Disability Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the VRS Political Subdivision Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

**Political Subdivision
Employee
VLDP OPEB Plan**

| | | |
|--|----|---------|
| Total Political Subdivision Employee VLDP OPEB Liability | \$ | 7,360 |
| Plan Fiduciary Net Position | | 7,948 |
| Political Subdivision Employee VLDP Net OPEB Liability (Asset) | \$ | (588) |
| Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision Employee VLDP OPEB Liability | | 107.99% |

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

Long-Term Expected Rate of Return

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

| <u>Asset Class (Strategy)</u> | <u>Target Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return*</u> |
|--------------------------------------|------------------------------|---|--|
| Public Equity | 34.00% | 5.71% | 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 | <u>3.00%</u> | 6.55% | <u>0.20%</u> |
| Total | <u>100.00%</u> | | 5.33% |
| | | 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 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 Political Subdivision Employee VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the political subdivision for the VRS Political Subdivision Employee Virginia Local Disability Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Political Subdivision Employee VLDP OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Political Subdivision Employee VLDP OPEB liability.

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

The following presents the political subdivision’s proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 6.75%, as well as what the political subdivision’s proportionate share of the net VLDP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | 1.00% Decrease (5.75%) | Current Discount Rate (6.75%) | 1.00% Increase (7.75%) |
|--|-----------------------------------|--|-----------------------------------|
| Covered Employers Proportionate Share of the VRS Political Subdivision Employee VLDP OPEB Plan | | | |
| Net OPEB Liability (Asset) | \$ <u>8</u> | \$ <u>(79)</u> | \$ <u>(155)</u> |

Political Subdivision Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision Employee Virginia Local Disability Program’s Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at 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.

Payables to the VRS VLDP OPEB Plan

The political subdivision recognizes \$63 of payables to a Virginia Local Disability Program OPEB plan outstanding at the end of the reporting period. This amount represents the June 2023 legally required contributions to VRS due by July 10 per VRS reporting requirements.

19 Aggregate OPEB Information

| | Primary Government | | | | |
|--|--------------------|------------------|--------------------|------------------|---------------|
| | Deferred Outflows | Deferred Inflows | Net OPEB Liability | Net OPEB (Asset) | OPEB Expense |
| VRS OPEB Plans | | | | | |
| <i>Group Life Insurance</i> | | | | | |
| Primary Government | \$ 4,619 | \$ 7,788 | \$ 15,051 | \$ - | \$ (129) |
| <i>Virginia Local Disability Program</i> | | | | | |
| Primary Government | 905 | 242 | - | (79) | 428 |
| Totals | <u>\$ 5,524</u> | <u>\$ 8,030</u> | <u>\$ 15,051</u> | <u>\$ (79)</u> | <u>\$ 299</u> |

20 Fund Balances – Governmental Funds

As of June 30, 2023, fund balances are composed of the following:

| | Special Revenue Fund |
|--------------------------------------|----------------------|
| Restricted for community development | <u>\$ 31,945</u> |

21 Upcoming Pronouncements

GASB Statement No. 99, *Omnibus 2022*. This Statement will enhance comparability in accounting and financial reporting and to improve 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 requirements in paragraphs 11–25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements in paragraphs 4–10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections*. An Amendment of GASB Statement No. 62 – will be effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences* - requires recording compensation due to employees as a liability if not paid at the date of the financial statements. The amount due should be calculated at the employee's pay rate as of the date of financials. The Statement reduces the note disclosure and excludes certain compensated absences such as parental leave, military leave, and jury duty from the calculated liability. This Statement is effective for fiscal years beginning after December 15, 2023.

22 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2023 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2023. Management has performed their analysis through April 18, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Brookneal, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2023

General Fund

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| Revenues | | | | |
| General Property Taxes | | | | |
| Real property taxes | \$ 87,000 | \$ 87,000 | \$ 88,118 | \$ 1,118 |
| Real property taxes - public service | 12,700 | 12,700 | 9,861 | (2,839) |
| Personal property taxes | 62,000 | 62,000 | 59,788 | (2,212) |
| Personal property taxes - public service | 600 | 600 | 432 | (168) |
| Machinery and tools | 15,000 | 15,000 | 13,004 | (1,996) |
| Penalties and interest | 3,000 | 3,000 | 2,780 | (220) |
| Total General Property Taxes | 180,300 | 180,300 | 173,983 | (6,317) |
| Other Local Taxes | | | | |
| Local sales and use taxes | 62,000 | 62,000 | 74,200 | 12,200 |
| Utility taxes | 28,000 | 28,000 | 27,382 | (618) |
| Business license taxes | 61,350 | 61,350 | 62,453 | 1,103 |
| Bank stock tax | 50,000 | 50,000 | 42,927 | (7,073) |
| Cigarette tax | 35,000 | 35,000 | 56,625 | 21,625 |
| Motor vehicle licenses | 22,625 | 22,625 | 19,241 | (3,384) |
| Meals tax | 213,808 | 213,808 | 178,440 | (35,368) |
| Total Other Local Taxes | 472,783 | 472,783 | 461,268 | (11,515) |
| Permits, Privilege Fees, and Regulatory Licenses | | | | |
| Other permits, licenses, and fees | - | - | - | - |
| Total Permits, Privilege Fees, and Regulatory Licenses | - | - | - | - |
| Fines and Forfeitures | | | | |
| | 2,000 | 2,000 | 6,955 | 4,955 |
| Revenue from Use of Money and Property | | | | |
| Use of money | 11,000 | 11,000 | 6,390 | (4,610) |
| Use of property | 4,600 | 4,600 | 9,375 | 4,775 |
| Total Revenue from Use of Money and Property | 15,600 | 15,600 | 15,765 | 165 |
| Charges for Services | | | | |
| Garbage fees | 26,000 | 26,000 | 24,419 | (1,581) |
| Total Charges for Services | 26,000 | 26,000 | 24,419 | (1,581) |
| Miscellaneous | | | | |
| Miscellaneous | 10,300 | 11,300 | 7,921 | (3,379) |
| Income in lieu of taxes - County | 3,000 | 3,000 | 3,000 | - |
| Total Miscellaneous | 13,300 | 14,300 | 10,921 | (3,379) |
| Intergovernmental | | | | |
| <i>Revenue from the Commonwealth of Virginia</i> | | | | |
| <i>Noncategorical Aid</i> | | | | |
| Personal property tax relief act | 26,913 | 26,913 | 26,913 | - |
| Mobile home titling tax | - | - | 75 | 75 |
| Auto rental tax | - | - | 8,021 | 8,021 |
| Communications tax | 16,000 | 16,000 | 13,986 | (2,014) |
| Total Noncategorical Aid | 42,913 | 42,913 | 48,995 | 6,082 |

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|--------------------|-----------------|-----------|--|
| <i>Categorical Aid</i> | | | | |
| Fire Grant | 15,000 | 15,000 | 15,000 | - |
| Litter Grant | 1,000 | 1,000 | 3,025 | 2,025 |
| Police Grant | 33,000 | 35,500 | 42,636 | 7,136 |
| Other | 194,000 | 194,000 | - | (194,000) |
| Total Categorical Aid | 243,000 | 245,500 | 60,661 | (184,839) |
| Total Revenue from the Commonwealth of Virginia | 285,913 | 288,413 | 109,656 | (178,757) |
| <i>Revenue from the Federal Government</i> | | | | |
| CARES Act | - | - | 409,384 | (409,384) |
| Total Revenue from the Federal Government | - | - | 409,384 | (409,384) |
| Total Intergovernmental Revenue | 285,913 | 288,413 | 519,040 | 230,627 |
| Total Revenues | 995,896 | 999,396 | 1,212,351 | 212,955 |
| Expenditures | | | | |
| General Government Administration | | | | |
| Mayor and council fees | 9,353 | 12,553 | 11,392 | 1,161 |
| Salaries | 113,030 | 113,470 | 115,740 | (2,270) |
| Fringe benefits | 48,244 | 51,284 | 44,007 | 7,277 |
| Insurance | 32,256 | 32,256 | 17,394 | 14,862 |
| Office | 7,800 | 9,300 | 9,300 | - |
| Advertising | 2,500 | 2,621 | 2,621 | - |
| Dues and subscriptions | 690 | 690 | 331 | 359 |
| Other administrative expenses | 41,579 | 6,969 | 4,587 | 2,382 |
| Professional and software fees | 15,750 | 30,530 | 35,244 | (4,714) |
| Total General Government Administration | 271,202 | 259,673 | 240,616 | 19,057 |
| Public Safety | | | | |
| <i>Police Department</i> | | | | |
| Salaries | 145,838 | 147,439 | 151,533 | (4,094) |
| Fringe benefits | 69,341 | 57,938 | 41,682 | 16,256 |
| Insurance | 4,250 | 4,250 | 3,833 | 417 |
| Supplies | 5,500 | 5,500 | 9,925 | (4,425) |
| Vehicle | 19,600 | 26,734 | 13,680 | 13,054 |
| Other expenses | 13,100 | 15,007 | 10,790 | 4,217 |
| Total Police Department | 257,629 | 256,868 | 231,443 | 25,425 |
| <i>Fire Department</i> | 15,000 | 15,000 | 15,000 | - |
| Total Public Safety | 272,629 | 271,868 | 246,443 | 25,425 |
| Public Works | | | | |
| <i>Maintenance of Streets</i> | | | | |
| Salaries | 33,350 | 37,951 | 34,581 | 3,370 |
| Fringe benefits | 19,746 | 19,746 | 19,343 | 403 |
| Parts and maintenance | 6,100 | 12,348 | 12,403 | (55) |
| Street lights | 26,700 | 29,391 | 29,391 | - |
| Vehicle | 4,800 | 5,800 | 5,079 | 721 |
| Total Maintenance of Streets | 90,696 | 105,236 | 100,797 | 4,439 |
| <i>Buildings and Grounds</i> | | | | |
| Salaries | 52,296 | 52,296 | 53,757 | (1,461) |
| Fringe benefits | 21,028 | 21,028 | 20,585 | 443 |
| Repairs and maintenance | 5,500 | 5,500 | 2,737 | 2,763 |
| Utilities | 7,404 | 8,050 | 9,117 | (1,067) |
| Other expenses | 2,440 | 2,970 | 3,122 | (152) |
| Total Buildings and Grounds | 88,668 | 89,844 | 89,318 | 526 |
| <i>Refuse Disposal</i> | | | | |
| Salaries | 41,837 | 41,837 | 32,780 | 9,057 |
| Fringe benefits | 22,888 | 22,888 | 4,908 | 17,980 |
| Repairs and maintenance/capital outlay | 4,000 | 18,197 | 18,197 | - |
| Vehicle | 9,700 | 11,200 | 9,947 | 1,253 |
| Other expenses | 1,100 | 1,100 | 719 | 381 |
| Total Refuse Disposal | 79,525 | 95,222 | 66,551 | 28,671 |
| Total Public Works | 258,889 | 290,302 | 256,666 | 33,636 |

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------------|---|
| Parks, Recreation, and Cultural | | | | |
| Library | 552 | 1,150 | 598 | 552 |
| Airport | 6,000 | 6,000 | 6,000 | - |
| Recreation | <u>176,624</u> | <u>115,403</u> | <u>39,597</u> | <u>75,806</u> |
| Total Parks, Recreation, and Cultural | 183,176 | 122,553 | 46,195 | 76,358 |
| Community Development | | | | |
| | <u>10,000</u> | <u>55,000</u> | <u>40,000</u> | <u>15,000</u> |
| Total Expenditures | <u>995,896</u> | <u>999,396</u> | <u>829,920</u> | <u>169,476</u> |
| Excess (Deficiency) of Revenues Over Expenditures | - | - | 382,431 | 382,431 |
| Other Financing Sources (Uses) | | | | |
| Transfers to other funds | <u>-</u> | <u>-</u> | <u>(430,122)</u> | <u>(430,122)</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>(430,122)</u> | <u>(430,122)</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | (47,691) | <u>\$ (47,691)</u> |
| Fund Balance - Beginning of Year | | | <u>1,101,489</u> | |
| Fund Balance - End of Year | | | <u>\$ 1,053,798</u> | |

Town of Brookneal, Virginia

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

For the Plan Years Ended June 30

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Total pension liability | | | | | | | | | |
| Service cost | \$ 20,308 | \$ 26,904 | \$ 31,506 | \$ 22,513 | \$ 26,267 | \$ 22,474 | \$ 20,132 | \$ 22,591 | \$ 24,950 |
| Interest | 136,422 | 128,348 | 123,068 | 119,921 | 116,853 | 115,281 | 112,887 | 106,536 | 105,181 |
| Changes in benefit terms | - | - | - | - | - | - | - | - | - |
| Difference between expected and actual experience | (33,698) | 3,323 | 29,998 | 23,874 | 2,999 | (10,425) | (379) | 59,900 | - |
| Changes of assumptions | - | 59,715 | - | 47,797 | - | (4,739) | - | - | - |
| Benefit payments | (130,690) | (107,279) | (105,427) | (102,622) | (101,978) | (98,274) | (98,611) | (98,001) | (123,534) |
| Net change in total pension liability | (7,658) | 111,011 | 79,145 | 111,483 | 44,141 | 24,317 | 34,029 | 91,026 | 6,597 |
| Total pension liability - beginning | <u>2,066,100</u> | <u>1,955,089</u> | <u>1,875,944</u> | <u>1,764,461</u> | <u>1,720,320</u> | <u>1,696,003</u> | <u>1,661,974</u> | <u>1,570,948</u> | <u>1,564,351</u> |
| Total pension liability - ending (a) | <u>\$ 2,058,442</u> | <u>\$ 2,066,100</u> | <u>\$ 1,955,089</u> | <u>\$ 1,875,944</u> | <u>\$ 1,764,461</u> | <u>\$ 1,720,320</u> | <u>\$ 1,696,003</u> | <u>\$ 1,661,974</u> | <u>\$ 1,570,948</u> |
| Plan fiduciary net position | | | | | | | | | |
| Contributions - employer | \$ 37,002 | \$ 41,227 | \$ 44,815 | \$ 38,933 | \$ 42,067 | \$ 42,305 | \$ 35,396 | \$ 37,877 | \$ 30,438 |
| Contributions - employee | 13,934 | 14,602 | 16,683 | 14,526 | 14,066 | 14,099 | 12,411 | 13,244 | 13,384 |
| Net investment income | (817) | 376,589 | 26,739 | 89,756 | 96,760 | 146,287 | 20,533 | 55,854 | 175,213 |
| Benefit payments | (130,690) | (107,279) | (105,427) | (102,622) | (101,978) | (98,274) | (98,611) | (98,001) | (123,534) |
| Refunds of contributions | - | - | - | - | - | - | - | - | - |
| Administrator charges | (1,088) | (961) | (930) | (918) | (855) | (867) | (796) | (799) | (1,000) |
| Other | 39 | 35 | (31) | (56) | (85) | (130) | (9) | (11) | 9 |
| Net change in plan fiduciary net position | (81,620) | 324,213 | (18,151) | 39,619 | 49,975 | 103,420 | (31,076) | 8,164 | 94,510 |
| Plan fiduciary net position - beginning | <u>1,720,856</u> | <u>1,396,643</u> | <u>1,414,794</u> | <u>1,375,175</u> | <u>1,325,200</u> | <u>1,221,780</u> | <u>1,252,856</u> | <u>1,244,692</u> | <u>1,150,182</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 1,639,236</u> | <u>\$ 1,720,856</u> | <u>\$ 1,396,643</u> | <u>\$ 1,414,794</u> | <u>\$ 1,375,175</u> | <u>\$ 1,325,200</u> | <u>\$ 1,221,780</u> | <u>\$ 1,252,856</u> | <u>\$ 1,244,692</u> |
| Political subdivision's net pension liability - ending (a-b) | <u>\$ 419,206</u> | <u>\$ 345,244</u> | <u>\$ 558,446</u> | <u>\$ 461,150</u> | <u>\$ 389,286</u> | <u>\$ 395,120</u> | <u>\$ 474,223</u> | <u>\$ 409,118</u> | <u>\$ 326,256</u> |
| Plan fiduciary net position as a percentage of the total Pension liability | 79.63% | 83.29% | 71.44% | 75.42% | 77.94% | 77.03% | 72.04% | 75.38% | 79.23% |
| Covered payroll | \$ 272,790 | \$ 304,796 | \$ 348,272 | \$ 300,208 | \$ 291,922 | \$ 298,877 | \$ 264,144 | \$ 234,124 | \$ 271,762 |
| Political subdivision's net pension liability as a percentage of covered payroll | 153.67% | 113.27% | 160.35% | 153.61% | 133.35% | 132.20% | 179.53% | 174.74% | 120.05% |

Town of Brookneal, Virginia

Schedule of Employer Contributions

Political Subdivisions Retirement Plan

For the Years Ended June 30, 2014 through 2023

| Date | Contractually Required Contribution (1)* | Contribution in Relation to Contractually Required Contribution (2)* | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|------|---|---|---|---|---|
| 2023 | \$ 52,828 | \$ 52,828 | \$ - | \$ 275,146 | 19.20% |
| 2022 | 37,754 | 37,754 | - | 272,790 | 13.84% |
| 2021 | 42,184 | 42,184 | - | 304,796 | 13.84% |
| 2020 | 45,728 | 45,728 | - | 348,272 | 13.13% |
| 2019 | 39,417 | 39,417 | - | 300,208 | 13.13% |
| 2018 | 42,533 | 42,533 | - | 291,922 | 14.57% |
| 2017 | 42,305 | 42,305 | - | 298,877 | 14.15% |
| 2016 | 35,318 | 35,318 | - | 264,144 | 13.37% |
| 2015 | 38,063 | 38,063 | - | 234,124 | 16.26% |
| 2014 | N/A | N/A | N/A | N/A | N/A |

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

NOTE: Schedule should present 10 years of data; however, the information prior to fiscal year 2015 is not available.

For Reference Only:

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

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

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

Town of Brookneal, Virginia

Notes to Required Supplementary Information

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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

All Others (Non 10 Largest) – Hazardous Duty:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 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 | 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 Brookneal, Virginia

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

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------|-------------|-------------|-------------|-------------|
| Employer's Proportion of the Net GLI OPEB Liability (Asset) | 0.00125% | 0.00148% | 0.00169% | 0.00153% | 0.00151% | 0.00158% |
| Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) | \$ 15,051 | \$ 17,232 | \$ 28,204 | \$ 24,898 | \$ 23,000 | \$ 23,000 |
| Employer's Covered Payroll | \$ 272,790 | \$ 304,796 | \$ 348,272 | \$ 300,208 | \$ 288,075 | \$ 290,771 |
| Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll | 5.52% | 5.65% | 8.10% | 8.29% | 7.98% | 7.91% |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 67.21% | 67.45% | 52.64% | 52.00% | 51.22% | 48.86% |

Schedule is intended to show information for 10 years. Since 2022 was the sixth year of presentation, there are only six years available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 132 of the VRS 2022 Annual Report.

Town of Brookneal, Virginia

Schedule of Employer Contributions

Group Life Insurance OPEB Plan

For the Years Ended June 30, 2014 through 2023

| Date | Contractually Required Contribution (1) | Contribution in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|------|--|--|---|---|---|
| 2023 | \$ 1,486 | \$ 1,486 | - | \$ 275,146 | 0.54% |
| 2022 | 1,473 | 1,473 | - | 272,790 | 0.54% |
| 2021 | 1,646 | 1,646 | - | 304,796 | 0.54% |
| 2020 | 1,811 | 1,811 | - | 348,272 | 0.52% |
| 2019 | 1,561 | 1,561 | - | 300,208 | 0.52% |
| 2018 | 1,498 | 1,498 | - | 288,075 | 0.52% |
| 2017 | 1,512 | 1,512 | - | 290,771 | 0.52% |
| 2016 | 1,216 | 1,216 | - | 253,414 | 0.48% |
| 2015 | 1,304 | 1,304 | - | 271,585 | 0.48% |
| 2014 | 1,314 | 1,314 | - | 273,761 | 0.48% |

For Reference Only:

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

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

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

Town of Brookneal, Virginia

Notes to Required Supplementary Information – OPEB 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 PUB2010 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 PUB2010 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 |

Town of Brookneal, Virginia

Schedule of Employer's Share of Net OPEB Liability
Virginia Local Disability Program (VLDP) - Political Subdivisions
For the Measurement Dates of June 30, 2017 through 2022

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|------------------|-------------|-------------|-------------|-------------|-------------|
| Employer's Proportion of the Net VLDP OPEB Liability (Asset) | 0.01348% | 0.01587% | 0.01961% | 0.01569% | 0.01390% | 0.02394% |
| Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) | \$ (79) | \$ (161) | \$ 196 | \$ 318 | \$ - | \$ - |
| Employer's Covered Payroll | \$ 63,107 | \$ 63,790 | \$ 73,070 | \$ 48,485 | \$ 33,738 | \$ 43,964 |
| Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll | -0.13% | -0.25% | 0.27% | 0.66% | 0.00% | 0.00% |
| Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability | 107.99% | 119.59% | 76.84% | 49.19% | 51.22% | 38.40% |

*Schedule is intended to show information for 10 years.
Since 2022 is the sixth year for this presentation, there are only six years available. However, additional years will be included as they become available.*

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Virginia Local Disability (VLDP) for each year is presented on page 133 of the VRS 2022 Annual Report.

Town of Brookneal, Virginia

Schedule of Employer Contributions

Virginia Local Disability Program

For the Years Ended June 30, 2014 through 2023

| Date | Contractually Required Contribution (1) | Contribution in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Employee Payroll (4) | Contributions as a % of Covered Employee Payroll (5) |
|------|--|--|---|---|---|
| 2023 | \$ 755 | \$ 755 | - | \$ 88,774 | 0.85% |
| 2022 | 524 | 524 | - | 63,107 | 0.83% |
| 2021 | 529 | 529 | - | 63,790 | 0.83% |
| 2020 | 526 | 526 | - | 73,070 | 0.72% |
| 2019 | 349 | 349 | - | 48,485 | 0.72% |
| 2018 | 202 | 202 | - | 33,738 | 0.60% |
| 2017 | 264 | 264 | - | 43,964 | 0.60% |
| 2016 | 156 | 156 | - | 25,927 | 0.60% |
| 2015 | 201 | 201 | - | 33,540 | 0.60% |
| 2014 | 14 | 14 | - | 2,340 | 0.60% |

For Reference Only:

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

Column 2 - Actual employer contribution remitted to VRS.

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

Town of Brookneal, Virginia

Notes to Required Supplementary Information – OPEB VLDP

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 and Non-Hazardous Duty Employees

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 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 |

COMPLIANCE SECTION



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

To the Town Council
Town of Brookneal, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Brookneal, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Brookneal, Virginia's basic financial statements and have issued our report thereon dated April 18, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Brookneal, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Brookneal, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Brookneal, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Brookneal, 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*.

Purpose of this Report

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

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

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

South Hill, Virginia
April 18, 2024