



**FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022**

TOWN OF ALTAVISTA, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022

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TOWN OF ALTAVISTA, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2022

TOWN COUNCIL

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

APPOINTED OFFICIALS

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

INDEPENDENT AUDITORS

Robinson, Farmer, Cox Associates



Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the Town of Altavista, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Altavista, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the Town of Altavista, Virginia, as of June 30, 2022, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note 20 to the financial statements, in 2022, the Town of Altavista, Virginia adopted new accounting guidance, GASB Statement No. 87, *Leases*. 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 Altavista, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Required Supplementary Information (Continued)

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Altavista, Virginia's basic financial statements. The accompanying combining and individual fund financial statements and schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2022, on our consideration of Town of Altavista, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Altavista, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Altavista, Virginia's internal control over financial reporting and compliance.

Robinson, Farned, Cox Associates

Charlottesville, Virginia
November 21, 2022

BASIC FINANCIAL STATEMENTS

- Government-Wide Financial Statements -

Statement of Net Position
At June 30, 2022

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	Altavista Economic Development Authority
Assets:				
Current assets:				
Cash and cash equivalents	\$ 17,951,396	\$ 426,584	\$ 18,377,980	\$ 231
Cash and cash equivalents, restricted	137,890	3,035,238	3,173,128	-
Receivables, (net of allowance for uncollectibles)	1,461,822	1,261,746	2,723,568	110,801
Due from other governments	175,694	484,777	660,471	-
Due from primary government	-	-	-	11,720
Prepays	38,527	13,565	52,092	-
Inventory	92,642	-	92,642	-
Total current assets	\$ 19,857,971	\$ 5,221,910	\$ 25,079,881	\$ 122,752
Noncurrent assets:				
Net pension asset	\$ 187,127	\$ 147,319	\$ 334,446	\$ -
Capital assets:				
Land and construction in progress	\$ 2,659,156	\$ 8,382,264	\$ 11,041,420	\$ -
Buildings, infrastructure, and equipment (net of accumulated depreciation)	10,439,215	18,067,575	28,506,790	-
Total capital assets	\$ 13,098,371	\$ 26,449,839	\$ 39,548,210	\$ -
Total noncurrent assets	\$ 13,285,498	\$ 26,597,158	\$ 39,882,656	\$ -
Total assets	\$ 33,143,469	\$ 31,819,068	\$ 64,962,537	\$ 122,752
Deferred Outflows of Resources:				
Pension deferrals	\$ 310,378	\$ 223,199	\$ 533,577	\$ -
Group life OPEB deferrals	29,053	21,278	50,331	-
Total deferred outflows of resources	\$ 339,431	\$ 244,477	\$ 583,908	\$ -
Liabilities:				
Current liabilities:				
Accounts payable	\$ 286,311	\$ 549,666	\$ 835,977	\$ 110,801
Accrued liabilities	157,896	27,742	185,638	-
Due to Component Unit EDA	11,720	-	11,720	-
Accrued interest payable	2,417	112,361	114,778	-
Unearned revenue	1,306,891	-	1,306,891	-
Customer deposits	-	53,306	53,306	-
Environmental remediation	-	750,000	750,000	-
Current portion of long-term obligations	110,034	538,558	648,592	-
Total current liabilities	\$ 1,875,269	\$ 2,031,633	\$ 3,906,902	\$ 110,801
Noncurrent liabilities:				
Net group life OPEB liability	\$ 81,409	\$ 63,892	\$ 145,301	\$ -
Noncurrent portion of long-term obligations	279,011	13,004,556	13,283,567	-
Total noncurrent liabilities	\$ 360,420	\$ 13,068,448	\$ 13,428,868	\$ -
Total liabilities	\$ 2,235,689	\$ 15,100,081	\$ 17,335,770	\$ 110,801
Deferred Inflows of Resources:				
Pension deferrals	\$ 809,146	\$ 636,701	\$ 1,445,847	\$ -
Lease deferrals	1,107,899	-	1,107,899	-
Group life OPEB deferrals	31,997	25,114	57,111	-
Total deferred inflows of resources	\$ 1,949,042	\$ 661,815	\$ 2,610,857	\$ -
Net Position:				
Net investment in capital assets	\$ 12,833,371	\$ 14,670,607	\$ 27,503,978	\$ -
Restricted	1,397,139	147,319	1,544,458	-
Unrestricted	15,067,659	1,483,723	16,551,382	11,951
Total net position	\$ 29,298,169	\$ 16,301,649	\$ 45,599,818	\$ 11,951

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

Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government administration	\$ 1,154,919	\$ -	\$ -	-
Public safety	1,243,014	28,083	135,105	-
Public works	2,527,399	5,943	975,803	-
Parks, recreation, and cultural	375,087	-	-	-
Community development	335,281	-	691,806	-
Interest on long-term debt	5,107	-	-	-
Total governmental activities	\$ 5,640,807	\$ 34,026	\$ 1,802,714	\$ -
Business - type activities				
Water and sewer	\$ 3,873,293	\$ 5,157,540	\$ 484,777	\$ -
Total business-type activities	\$ 3,873,293	\$ 5,157,540	\$ 484,777	\$ -
Total primary government	\$ 9,514,100	\$ 5,191,566	\$ 2,287,491	\$ -
Component Unit:				
Altavista Economic Development Authority	\$ 184,209	\$ -	\$ -	\$ -

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

Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Altavista Economic Development Authority
Primary Government				
Governmental activities				
General government administration	\$ (1,154,919)	\$ -	\$ (1,154,919)	\$ -
Public safety	(1,079,826)	-	(1,079,826)	-
Public works	(1,545,653)	-	(1,545,653)	-
Parks, recreation, and cultural	(375,087)	-	(375,087)	-
Community development	356,525	-	356,525	-
Interest on long-term debt	(5,107)	-	(5,107)	-
Total governmental activities	\$ (3,804,067)	\$ -	\$ (3,804,067)	\$ -
Business - type activities				
Water and sewer	\$ -	\$ 1,769,024	\$ 1,769,024	\$ -
Total business-type activities	\$ -	\$ 1,769,024	\$ 1,769,024	\$ -
Total primary government	\$ (3,804,067)	\$ 1,769,024	\$ (2,035,043)	\$ -
Component Unit:				
Altavista Economic Development Authority	\$ -	\$ -	\$ -	\$ (184,209)
General Revenues				
Property taxes	\$ 2,619,644	\$ -	\$ 2,619,644	\$ -
Meal taxes	1,172,635	-	1,172,635	-
Sales and use taxes	228,889	-	228,889	-
Bank stock taxes	193,590	-	193,590	-
Cigarette taxes	93,885	-	93,885	-
Other local taxes	380,845	-	380,845	-
Grants and contributions not restricted to specific programs	147,640	-	147,640	-
Revenue from use of money and property	319,599	16,243	335,842	-
Contributions from primary government	-	-	-	184,159
Miscellaneous	217,346	-	217,346	-
Transfers	(2,000,000)	2,000,000	-	-
Total general revenues	\$ 3,374,073	\$ 2,016,243	\$ 5,390,316	\$ 184,159
Change in net position	\$ (429,994)	\$ 3,785,267	\$ 3,355,273	\$ (50)
Net position, beginning of year	29,728,163	12,516,382	42,244,545	12,001
Net position, end of year	\$ 29,298,169	\$ 16,301,649	\$ 45,599,818	\$ 11,951

BASIC FINANCIAL STATEMENTS

- Fund Financial Statements -

Balance Sheet
 Governmental Fund
 At June 30, 2022

	<u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 17,951,396
Cash and cash equivalents, restricted	137,890
Receivables (net of allowance for uncollectibles):	
Taxes	49,975
Accounts	279,910
Leases	1,131,937
Due from other governments	175,694
Prepaid items	38,527
Inventory	<u>92,642</u>
 Total assets	 \$ <u><u>19,857,971</u></u>
Liabilities:	
Accounts payable	\$ 286,311
Accrued liabilities	157,896
Unearned revenue	1,306,891
Due to Component Unit EDA	<u>11,720</u>
 Total liabilities	 \$ <u><u>1,762,818</u></u>
Deferred Inflows of Resources:	
Unavailable revenue-property taxes	\$ 68,071
Lease deferrals	<u>1,107,899</u>
 Total deferred inflows of resources	 \$ <u><u>1,175,970</u></u>
Fund Balance:	
Nonspendable	\$ 155,207
Restricted	1,210,012
Committed	6,563,056
Unassigned	<u>8,990,908</u>
 Total fund balance	 \$ <u><u>16,919,183</u></u>
 Total liabilities, deferred inflows of resources and fund balance	 \$ <u><u>19,857,971</u></u>

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
At June 30, 2022

Total fund balance for governmental funds (Exhibit 3) \$ 16,919,183

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and construction in progress	\$ 2,659,156	
Depreciable capital assets, net of accumulated depreciation	<u>10,439,215</u>	
Total capital assets		13,098,371

Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable property tax revenue in the funds. 68,071

Items related to measurement of the net pension and GLI OPEB liability are considered deferred outflows or deferred inflows and will be amortized and recognized in pension and GLI expense over future years.

Pension deferrals - deferred outflows		310,378
GLI OPEB deferrals - deferred outflows		29,053
Pension deferrals - deferred inflows		(809,146)
GLI OPEB deferrals - deferred inflows		(31,997)

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:

Net pension liability/asset	\$ 187,127	
Net group life OPEB liability	(81,409)	
General obligation public improvement bond	(265,000)	
Accrued interest payable	(2,417)	
Compensated absences	<u>(124,045)</u>	
Total long-term liabilities		<u>(285,744)</u>
Total net position of governmental activities (Exhibits 1 and 2)		\$ <u>29,298,169</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Governmental Fund
 For the Year Ended June 30, 2022

	<u>General Fund</u>
Revenues:	
General property taxes	\$ 2,599,834
Other local taxes	2,069,844
Permits, privilege fees and regulatory licenses	15,107
Fines and forfeitures	12,976
Revenue from use of money and property	319,599
Charges for services	5,943
Miscellaneous	217,346
Intergovernmental	<u>1,950,354</u>
Total revenues	<u>\$ 7,191,003</u>
Expenditures:	
Current:	
General government administration	\$ 1,119,531
Public safety	1,206,349
Public works	3,058,015
Parks, recreation and cultural	357,050
Community development	1,200,984
Debt service:	
Principal retirement	16,000
Interest and other fiscal charges	<u>5,253</u>
Total expenditures	<u>\$ 6,963,182</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 227,821</u>
Other financing sources (uses):	
Transfers out	<u>\$ (2,000,000)</u>
Total other financing sources (uses)	<u>\$ (2,000,000)</u>
Net changes in fund balance	\$ (1,772,179)
Fund balance at beginning of year	<u>18,691,362</u>
Fund balance at end of year	<u><u>\$ 16,919,183</u></u>

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2022

Net change in fund balance - total governmental funds (Exhibit 5) \$ (1,772,179)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 1,943,798	
Loss on disposal of assets	(13,126)	
Depreciation expense	<u>(663,682)</u>	1,266,990

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

Unavailable revenue - taxes	\$ 19,810	
Change in deferred inflows related to the measurement of the net GLI OPEB liability	(27,630)	
Change in deferred inflows related to the measurement of the net pension liability	<u>(805,831)</u>	(813,651)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Details of this adjustment are as follows:

Principal retired on bonds payable	\$ <u>16,000</u>	16,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:

Change in compensated absences	\$ (1,161)	
Change in accrued interest payable	146	
Change in deferred outflows related to pensions	(43,242)	
Change in deferred outflows related to GLI OPEB	884	
Change in net GLI OPEB liability	30,918	
Change in net pension liability/asset	<u>885,301</u>	
Net adjustment		<u>872,846</u>

Change in net position of governmental activities (Exhibit 2)	\$ <u><u>(429,994)</u></u>	
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Fund
At June 30, 2022

	Business-type Activities
	Enterprise Fund
	Water and Sewer
Assets:	
Current assets:	
Cash and cash equivalents	\$ 426,584
Cash and cash equivalents - restricted	3,035,238
Receivables (net of allowance for uncollectibles):	
Accounts	1,261,746
Due from other governments	484,777
Prepays	13,565
Total current assets	<u>\$ 5,221,910</u>
Noncurrent assets:	
Net pension asset	\$ 147,319
Capital assets:	
Construction in progress	\$ 8,382,264
Buildings, infrastructure, and equipment, net of accumulated depreciation	18,067,575
Total capital assets	<u>\$ 26,449,839</u>
Total noncurrent assets	<u>\$ 26,597,158</u>
Total assets	<u>\$ 31,819,068</u>
Deferred Outflows of Resources:	
Pension deferrals	\$ 223,199
Group life OPEB deferrals	21,278
Total deferred outflows of resources	<u>\$ 244,477</u>
Liabilities:	
Current liabilities:	
Accounts payable	\$ 549,666
Accrued liabilities	27,742
Accrued interest payable	112,361
Customers' deposits	53,306
Environmental remediation	750,000
Bonds payable - current portion	496,000
Compensated absences - current portion	42,558
Total current liabilities	<u>\$ 2,031,633</u>
Noncurrent liabilities:	
Bonds payable - noncurrent portion	\$ 12,990,370
Net group life OPEB liability	63,892
Compensated absences - noncurrent portion	14,186
Total noncurrent liabilities	<u>\$ 13,068,448</u>
Total liabilities	<u>\$ 15,100,081</u>
Deferred Inflows of Resources:	
Pension deferrals	\$ 636,701
Group life OPEB deferrals	25,114
Total deferred inflows of resources	<u>\$ 661,815</u>
Net Position:	
Net investment in capital assets	\$ 14,670,607
Restricted	147,319
Unrestricted	1,483,723
Total net position	<u>\$ 16,301,649</u>

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2022

	Business-type Activities Enterprise Fund Water and Sewer
Operating revenues:	
Charges for services	\$ 4,470,173
Other	687,367
Total operating revenues	\$ 5,157,540
Operating expenses:	
Salaries	\$ 937,944
Fringe benefits	309,320
Insurance	28,620
Maintenance	106,842
Utilities	538,080
Materials and supplies	532,153
Sample testing	17,948
Purchase of water	28,431
Other	46,542
Depreciation	1,077,224
Total operating expenses	\$ 3,623,104
Operating income (loss)	\$ 1,534,436
Nonoperating revenues (expenses):	
Interest revenue	\$ 16,243
Interest expense	(250,189)
Grants	484,777
Total nonoperating revenues (expenses)	\$ 250,831
Income (loss) before transfers	\$ 1,785,267
Capital contributions	\$ -
Transfers:	
Transfers in	\$ 2,000,000
Net transfers	\$ 2,000,000
Change in net position	\$ 3,785,267
Net position, beginning of year	12,516,382
Net position, end of year	\$ 16,301,649

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

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2022

	Business-type Activities Enterprise Fund Water and Sewer
Cash flows from operating activities:	
Receipts from customers and users	\$ 4,525,142
Payments to suppliers	(1,831,599)
Payments for employees	(1,240,568)
Net cash provided by (used for) operating activities	<u>\$ 1,452,975</u>
Cash flows from capital and related financing activities:	
Interest paid	\$ (252,943)
Purchase of capital assets	(6,203,124)
Proceeds from bond	783,480
Principal retired on debt	(485,000)
Net cash provided by (used for) capital and related financing activities	<u>\$ (6,157,587)</u>
Cash flows from noncapital financing activities:	
Transfer from other funds	\$ 2,000,000
Net cash provided by (used for) noncapital financing activities	<u>\$ 2,000,000</u>
Cash flows from investing activities:	
Interest revenue	\$ 16,243
Net cash provided by (used for) investing activities	<u>\$ 16,243</u>
Increase (decrease) in cash and cash equivalents	\$ (2,688,369)
Cash and cash equivalents at beginning of year (includes restricted cash)	<u>6,150,191</u>
Cash and cash equivalents at end of year (includes restricted cash)	<u><u>\$ 3,461,822</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 1,534,436
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	1,077,224
Changes in operating assets, deferred outflows, deferred inflows and liabilities:	
(Increase)/Decrease in accounts receivable	(640,172)
(Increase)/Decrease in prepaids	3,939
(Increase)/Decrease in deferred outflows of resources	57,548
Increase/(Decrease) in accounts payable	(536,922)
Increase/(Decrease) in accrued liabilities	191
Increase/(Decrease) in net pension liability	(680,436)
Increase/(Decrease) in net GLI OPEB liability	(21,871)
Increase/(Decrease) in deferred inflows of resources	657,797
Increase/(Decrease) in compensated absences	(6,533)
Increase/(Decrease) in customer deposits	7,774
Net cash provided by (used for) operating activities	<u><u>\$ 1,452,975</u></u>

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

Statement of Fiduciary Net Position
 Fiduciary Fund
 At June 30, 2022

	Custodial Fund <u>War Memorial Donation Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>914</u>
Total assets	\$ <u><u>914</u></u>
NET POSITION	
Restricted for:	
War Memorial	\$ <u>914</u>
Total net position	\$ <u><u>914</u></u>

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

Statement of Changes in Fiduciary Net Position
 Fiduciary Fund
 For the Year Ended June 30, 2022

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

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. The Financial Reporting Entity

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

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

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

Altavista Economic Development Authority

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

The Town has no related or jointly governed organizations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary* government is reported separately from its legally separated *component unit* for which the primary government is financially accountable.

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

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

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

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

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

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary fund:

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

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

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

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

D. Net Position Flow Assumption

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

E. Budgets and Budgetary Accounting

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

- 1) Prior to June 30, the Town Manager submits to Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. This budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain citizen comments.
- 3) Prior to June 30, the budget is legally enacted through passage of an Appropriations Ordinance. Town Council may, from time to time, amend the budget, providing for additional expenditures and the means for financing them.
- 4) The Appropriations Ordinance places legal restrictions on expenditures at the department level. Management can over-expend at the line item level without approval of Town Council. The appropriation for each department or function can be revised only by Town Council.
- 5) Formal budgetary integration is employed as a management control device during the year.
- 6) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations lapse on June 30 for all Town units.
- 7) All budget data presented in the accompanying financial statements includes the original and revised budgets as of June 30.

Excess of Expenditures over Appropriations

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

F. Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term highly liquid investments with an original maturity of three months or less when purchased.

G. Inventory

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

H. Prepaid Items

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

I. Allowance for Uncollectible Accounts

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

Real estate	\$	462
Personal property		16,763
Total	\$	<u>17,225</u>

J. Capital Assets

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

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

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

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

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

K. Unavailable Revenue

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue totaling \$68,071 is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$68,071 at June 30, 2022.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2022 (Continued)

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

L. Compensated Absences

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

M. Net Position

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

N. Fund Balance

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

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

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

Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established by Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

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

O. Restricted Resources-Fund Balance

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

P. Minimum Fund Balance Policy

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

Q. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. There are no significant encumbrances as of June 30, 2022.

R. Uses of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

S. Performance Grants Payable

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

T. Deferred Outflows/Inflows of Resources

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

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

T. Deferred Outflows/Inflows of Resources (Continued)

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

U. Pensions

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

V. Other Post-Employment Benefits (OPEB)

Group Life Insurance

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

W. Leases

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2022 (Continued)

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

W. Leases (Continued)

Lessor

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

Key Estimates and Judgments

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

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

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

Credit Risk:

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

Concentration of Credit Risk:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments: (Continued)

Concentration of Credit Risk: (Continued)

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

	<u>Fair Value</u>
Deposits and Investments:	
LGIP	\$ 9,549,166
SNAP	3,066,806
Deposits	<u>8,935,067</u>
Total deposits and investments	<u>\$ 21,551,039</u>
Reconciliation to Statement of Net Position - Exhibit 1:	
Primary government:	
Cash and cash equivalents, excluding \$300 cash on hand	\$ 18,377,680
Cash and cash equivalents, restricted	3,173,128
Discretely presented component unit:	
Cash and cash equivalents	<u>231</u>
Total deposits and investments	<u>\$ 21,551,039</u>

External Investment Pools:

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

Interest Rate Risk:

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

Custodial Credit Risk:

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

Restricted Amounts:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 3 - RECEIVABLES:

Receivables are as follows:

	Primary Government		
	General	Water and Sewer	Total
Receivables			
Taxes	\$ 67,200	\$ -	\$ 67,200
Leases	1,131,937	-	1,131,937
Accounts	279,910	1,261,746	1,541,656
Gross receivables	\$ 1,479,047	\$ 1,261,746	\$ 2,740,793
Less: allowance for uncollectibles	(17,225)	-	(17,225)
Net receivables	\$ 1,461,822	\$ 1,261,746	\$ 2,723,568

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

The composition of interfund receivables and payables is as follows:

Entity	Due from Primary Government	Due to Component Unit
General Fund	\$ -	\$ 11,720
EDA	11,720	-
Total	\$ 11,720	\$ 11,720

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

The following interfund transfers were made during the year.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 2,000,000
Water and Sewer Fund	<u>2,000,000</u>	<u>-</u>
Total	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

NOTE 5 - DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments are as follows:

	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Primary Government</u>
Commonwealth of Virginia:			
Personal property tax relief	\$ 25,581	\$ -	\$ 25,581
Railroad rolling stock	15,712	-	15,712
Local sales taxes	38,492	-	38,492
Communication taxes	4,645	-	4,645
Federal Government:			
Mass transit	15,721	-	15,721
Brownsfield grant	75,543	-	75,543
VDEM	<u>-</u>	<u>484,777</u>	<u>484,777</u>
Total	<u>\$ 175,694</u>	<u>\$ 484,777</u>	<u>\$ 660,471</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 6 - CAPITAL ASSETS:

Capital asset activity for the year was as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,667,383	\$ -	\$ -	\$ 1,667,383
Construction in Progress	599,100	1,053,089	660,416	991,773
Total capital assets not being depreciated	<u>\$ 2,266,483</u>	<u>\$ 1,053,089</u>	<u>\$ 660,416</u>	<u>\$ 2,659,156</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,100,468	\$ 5,050	\$ -	\$ 4,105,518
Machinery and equipment	4,612,606	698,501	237,181	5,073,926
Public domain infrastructure	7,705,953	847,574	-	8,553,527
Total capital assets being depreciated	<u>\$ 16,419,027</u>	<u>\$ 1,551,125</u>	<u>\$ 237,181</u>	<u>\$ 17,732,971</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,843,174	\$ 104,085	\$ -	\$ 1,947,259
Machinery and equipment	3,442,191	286,783	224,055	3,504,919
Public domain infrastructure	1,568,764	272,814	-	1,841,578
Total accumulated depreciation	<u>\$ 6,854,129</u>	<u>\$ 663,682</u>	<u>\$ 224,055</u>	<u>\$ 7,293,756</u>
Total capital assets being depreciated, net	<u>\$ 9,564,898</u>	<u>\$ 887,443</u>	<u>\$ 13,126</u>	<u>\$ 10,439,215</u>
Governmental activities capital assets, net	<u>\$ 11,831,381</u>	<u>\$ 1,940,532</u>	<u>\$ 673,542</u>	<u>\$ 13,098,371</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Construction in Progress	\$ 4,652,292	\$ 6,065,926	\$ 2,335,954	\$ 8,382,264
Total capital assets not being depreciated	<u>\$ 4,652,292</u>	<u>\$ 6,065,926</u>	<u>\$ 2,335,954</u>	<u>\$ 8,382,264</u>
Capital assets, being depreciated:				
Distributions and transmission systems	\$ 22,446,058	\$ 2,304,689	\$ -	\$ 24,750,747
Water and sewer plants	13,141,803	-	-	13,141,803
Machinery and equipment	3,760,111	168,463	-	3,928,574
Total capital assets being depreciated	<u>\$ 39,347,972</u>	<u>\$ 2,473,152</u>	<u>\$ -</u>	<u>\$ 41,821,124</u>
Less accumulated depreciation	<u>\$ 22,676,325</u>	<u>\$ 1,077,224</u>	<u>\$ -</u>	<u>\$ 23,753,549</u>
Total capital assets being depreciated, net	<u>\$ 16,671,647</u>	<u>\$ 1,395,928</u>	<u>\$ -</u>	<u>\$ 18,067,575</u>
Business-type activities capital assets, net	<u>\$ 21,323,939</u>	<u>\$ 7,461,854</u>	<u>\$ 2,335,954</u>	<u>\$ 26,449,839</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 6 - CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 56,226
Public safety	92,244
Public works	355,302
Parks, recreation and cultural	<u>159,910</u>
Total governmental activities	<u>\$ 663,682</u>
Business-type activities:	
Water and sewer	<u>\$ 1,077,224</u>
Total business-type activities	<u>\$ 1,077,224</u>

NOTE 7 - LEASES RECEIVABLE:

The Town leases tower space to companies under various lease contracts. In fiscal year 2022, the Town recognized principal and interest revenue in the amount of \$35,844 and \$31,586, respectively. A description of the leases is as follows:

<u>Lease Description</u>	<u>Start Date</u>	<u>End Date</u>	<u>Length of Lease Term (in months)</u>	<u>Payment Frequency</u>	<u>Discount Rate</u>	<u>Receivable Balance</u>
Ohio State Cellular Phone Company - Tower Lease	7/1/2021	6/1/2046	300	Monthly	3.00%	\$ 978,142
Alltel Communications of Virginia - Tower Lease	2/1/2008	12/1/2029	1,102	Monthly	3.00%	<u>153,795</u>
Total						<u>\$ 1,131,937</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 7 - LEASES RECEIVABLE: (CONTINUED)

Expected future payments at June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 35,363	\$ 33,477	\$ 68,840
2024	37,899	32,382	70,281
2025	40,547	31,208	71,755
2026	43,309	29,954	73,263
2027	46,190	28,616	74,806
2028-2032	209,507	122,223	331,730
2023-2037	199,857	93,799	293,656
2038-2042	259,953	59,527	319,480
2043-2046	259,312	16,383	275,695
Total	<u>\$ 1,131,937</u>	<u>\$ 447,569</u>	<u>\$ 1,579,506</u>

NOTE 8 - LONG-TERM OBLIGATIONS:

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

	<u>Balance July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2022</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Direct Borrowings and Placements:					
General obligation public improvement bond	\$ 281,000	\$ -	\$ 16,000	\$ 265,000	\$ 17,000
Net pension liability	698,174	953,919	1,652,093	-	-
Net GLI OPEB liability	112,327	30,369	61,287	81,409	-
Compensated absences	122,884	1,161	-	124,045	93,034
Total Governmental Activities	<u>\$ 1,214,385</u>	<u>\$ 985,449</u>	<u>\$ 1,729,380</u>	<u>\$ 470,454</u>	<u>\$ 110,034</u>
Business-type Activities:					
Direct Borrowings and Placements:					
General obligation public improvement bonds	\$ 11,292,000	\$ -	\$ 485,000	\$ 10,807,000	\$ 496,000
VRA general obligation bond	1,895,890	783,480	-	2,679,370	-
Net pension liability	533,117	760,234	1,293,351	-	-
Net GLI OPEB liability	85,763	25,176	47,047	63,892	-
Compensated absences	63,277	-	6,533	56,744	42,558
Total Business-type Activities	<u>\$ 13,870,047</u>	<u>\$ 1,568,890</u>	<u>\$ 1,831,931</u>	<u>\$ 13,607,006</u>	<u>\$ 538,558</u>
Total Primary Government	<u>\$ 15,084,432</u>	<u>\$ 2,554,339</u>	<u>\$ 3,561,311</u>	<u>\$ 14,077,460</u>	<u>\$ 648,592</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 8 - LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30,	Governmental Activities		Business-type Activities			
	General Obligation Public Improvement Bond		General Obligation Public Improvement Bonds		VRA General Obligation Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 17,000	\$ 5,104	\$ 496,000	\$ 242,086	\$ -	\$ -
2024	17,000	4,766	507,000	231,224	248,710	52,650
2025	17,000	4,428	517,000	220,145	251,203	50,156
2026	18,000	4,080	529,000	208,821	253,722	47,638
2027	18,000	3,721	541,000	197,235	256,265	45,095
2028	18,000	3,363	552,000	185,395	258,834	42,526
2029	19,000	2,995	564,000	173,312	261,429	39,931
2030	19,000	2,617	577,000	160,940	264,050	37,310
2031	19,000	2,239	589,000	148,305	266,697	34,663
2032	20,000	1,851	602,000	135,383	269,371	31,989
2033	20,000	1,453	615,000	122,177	272,071	29,289
2034	21,000	1,045	630,000	108,697	274,799	26,561
2035	21,000	627	643,000	94,870	277,553	23,806
2036	21,000	209	656,000	83,298	280,336	21,024
2037	-	-	672,000	69,167	283,146	18,214
2038	-	-	688,000	52,502	285,985	15,375
2039	-	-	706,000	35,439	288,852	12,508
2040	-	-	723,000	17,930	291,748	9,612
2041	-	-	-	-	294,672	6,687
2042	-	-	-	-	297,627	3,733
2043	-	-	-	-	149,930	750
Total	\$ 265,000	\$ 38,498	\$ 10,807,000	\$ 2,486,926	\$ 5,327,000	\$ 549,517

Details of long-term obligation:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
Governmental Activities:		
Public Improvement Bonds:		
\$299,000 General Obligation Public Improvement & Refunding Bond, Series 2020B, issued on April 23, 2020, principal payable in various annual installments beginning July 15, 2020 through January 15, 2036. Interest payable semiannually at 1.99%.	\$ 265,000	\$ 17,000

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 8 - LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligation: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
Business-type Activities:		
Public Improvement Bonds:		
\$6,538,000 General Obligation Public Improvement Bond, Series 2020A, issued on April 7, 2020, principal payable in various annual installments beginning January 15, 2021 through January 15, 2040. Interest payable semiannually at 2.48%.	\$ 6,141,000	\$ 188,000
\$5,292,000 General Obligation Public Improvement & Refunding Bond, Series 2020B, issued on April 23, 2020, principal payable in various annual installments beginning July 15, 2020 through January 15, 2036. Interest payable semiannually at 1.99%.	<u>4,666,000</u>	<u>308,000</u>
Total public improvement bonds	<u>\$ 10,807,000</u>	<u>\$ 496,000</u>
VRA General Obligation Bond:		
\$5,327,000 VRA General Obligation Bond, Series 2020C, issued on October 9, 2020, principal payable in various annual installments beginning November 1, 2020 through November 1, 2042. Interest payable semiannually at 1.00%. The amount drawn on the bond as of June 30, 2022 was \$2,679,370.	<u>\$ 2,679,370</u>	<u>\$ -</u>
Total business-type activities	<u>\$ 13,486,370</u>	<u>\$ 496,000</u>
Grand Total Primary Government	<u><u>\$ 13,751,370</u></u>	<u><u>\$ 513,000</u></u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 9 - ENVIRONMENTAL REMEDIATION:

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

NOTE 10 - PENSION PLAN:

Plan Description

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

Benefit Structures

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

NOTE 10 - PENSION PLAN: (CONTINUED)

Benefit Structures: (Continued)

- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 10 - PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2020 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	53
Inactive members:	
Vested inactive members	7
Non-vested inactive members	36
Inactive members active elsewhere in VRS	39
Total inactive members	<u>82</u>
Active members	<u>55</u>
Total covered employees	<u><u>190</u></u>

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2022 was 9.80% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$222,573 and \$239,530 for the years ended June 30, 2022 and June 30, 2021, respectively.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 10 - PENSION PLAN: (CONTINUED)

Net Pension Asset

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Town's net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 10 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

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

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

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

Mortality rates:

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

Pre-Retirement:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 10 - PENSION PLAN: (CONTINUED)

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

Mortality rates: (Continued)

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

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

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 10 - PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.39%</u>

* The above allocation provides a one-year expected return of 7.39%. 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 6.94%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 10 - PENSION PLAN: (CONTINUED)

Discount Rate: (Continued)

Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2021 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 12,012,066	\$ 10,780,775	\$ 1,231,291
Changes for the year:			
Service cost	\$ 299,715	\$ -	\$ 299,715
Interest	785,981	-	785,981
Changes of assumptions	563,193	-	563,193
Differences between expected and actual experience	48,615	-	48,615
Contributions - employer	-	239,530	(239,530)
Contributions - employee	-	121,279	(121,279)
Net investment income	-	2,909,559	(2,909,559)
Benefit payments, including refunds of employee contributions	(735,811)	(735,811)	-
Administrative expenses	-	(7,400)	7,400
Other changes	-	273	(273)
Net changes	\$ 961,693	\$ 2,527,430	\$ (1,565,737)
Balances at June 30, 2021	\$ 12,973,759	\$ 13,308,205	\$ (334,446)

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 10 - PENSION PLAN: (CONTINUED)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	<u>Rate</u>		
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
Town's Net Pension Liability (Asset) \$	1,203,509	\$ (334,446)	\$ (1,620,367)

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

For the year ended June 30, 2022, the Town recognized pension expense of \$199,079. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 26,557	\$ -
Change in assumptions	278,752	-
Net difference between projected and actual earnings on pension plan investments	-	1,440,152
Proportional change	5,695	5,695
Employer contributions subsequent to the measurement date	<u>222,573</u>	<u>-</u>
Total	<u>\$ 533,577</u>	<u>\$ 1,445,847</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 10 - PENSION PLAN: (CONTINUED)

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

\$222,573 reported as deferred outflows of resources related to pensions resulting from the Town’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2023	\$ (32,177)
2024	(328,506)
2025	(335,210)
2026	(438,950)
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2021-annual-report.pdf> or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 11 - SERVICE CONTRACTS:

Sewage Contract

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 12 - PROPERTY TAXES:

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

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

NOTE 13 - RISK MANAGEMENT:

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

Workers' Compensation Insurance is provided through the Virginia Risk Sharing Association. During 2021-2022, total premiums paid were approximately \$47,894. Benefits are those afforded through Commonwealth of Virginia as outlined in the *Code of Virginia* Section 65.2-100; premiums are based upon covered payroll, job rates, and claims experience.

General liability and other insurance is provided through policies with the Virginia Risk Sharing Association. General liability and business automobile coverage have a \$1,000,000 limit per occurrence. Boiler and machinery has a \$5,000,000 limit. Property insurance is covered per statement of values and is approximately \$25,000,000. Police professional liability and public officials' liability insurance with a \$1,000,000 limit are covered through a policy with the Commonwealth of Virginia. Total premiums paid for the year ended June 30, 2022 were approximately \$70,400.

Healthcare coverage for employees is provided through a policy with Anthem. The Town contributes a percentage of the required premium amount for single coverage for each employee. The Town also pays a percentage of the coverage for dependents and spouses of employees. Total premiums paid for the year ended June 30, 2022 were approximately \$284,843.

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

NOTE 14 - MAJOR CUSTOMERS/TAXPAYERS:

During fiscal year 2022, approximately 71% of general property taxes and 79% of enterprise fund operating revenue were generated by five customers.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 15 - FUND BALANCE/NET POSITION:

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

<u>Category</u>	<u>General Fund</u>
Nonspendable:	
Prepaid items	\$ 38,527
Net lease receivable	24,038
Inventory	92,642
Total Nonspendable	<u>\$ 155,207</u>
Restricted:	
Public Works	\$ 1,066,112
Community Development	135,956
Public Safety	7,944
Total Restricted	<u>\$ 1,210,012</u>
Committed:	
Community Development	\$ 239,178
Public Works	796,382
Other Capital Projects	5,527,496
Total Committed	<u>\$ 6,563,056</u>
Unassigned	<u>\$ 8,990,908</u>
Total Fund Balance	<u><u>\$ 16,919,183</u></u>

Restricted Net Position includes the Net Pension Asset in the amount of \$187,127 and \$147,319 for Governmental Activities and Business-Type Activities, respectively.

NOTE 16 - LITIGATION:

At June 30, 2022, there were no matters of litigation involving the Town that would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

NOTE 17 - CONSTRUCTION COMMITMENTS:

The Town had the following significant outstanding construction commitments as of June 30, 2022:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Outstanding</u>
WWTP Electrical Upgrades	\$ 3,981,150	\$ 3,198,759	\$ 782,391
Water Filter Improvements	735,888	437,384	298,504
Spark Innovation Building	790,978	770,941	20,037
Lynch Creek Sewer Replacement	2,229,500	901,750	1,327,750
Melinda Tank Pressure Zone Improvements	1,226,973	923,990	302,983

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

Plan Description

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

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

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

Eligible Employees

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

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,722 as of June 30, 2022.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were \$12,980 and \$13,912 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the entity reported a liability of \$145,301 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.01248% as compared to 0.01190% at June 30, 2020.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

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

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$9,151. 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, 2022, 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	\$ 16,572	\$ 1,107
Net difference between projected and actual earnings on GLI OPEB program investments	-	34,680
Change in assumptions	8,010	19,880
Changes in proportion	12,769	1,444
Employer contributions subsequent to the measurement date	<u>12,980</u>	<u>-</u>
Total	<u>\$ 50,331</u>	<u>\$ 57,111</u>

\$12,980 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2023	\$ (3,960)
2024	(2,347)
2025	(3,429)
2026	(9,427)
2027	(597)
Thereafter	-

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

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

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

Actuarial Assumptions: (Continued)

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

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

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	GLI OPEB Plan
Total GLI OPEB Liability	\$ 3,577,346
Plan Fiduciary Net Position	2,413,074
Employers’ Net GLI OPEB Liability (Asset)	<u>\$ 1,164,272</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.39%</u>

* The above allocation provides a one-year return of 7.39%. 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 6.94%, including expected inflation of 2.50%.

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

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

Discount Rate (Continued)

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, 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, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town’s proportionate share of the GLI Plan Net OPEB Liability	\$ 212,290	\$ 145,301	\$ 91,204

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements
As of June 30, 2022 (Continued)

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

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

The Town has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Town to VACORP. VACORP assumes all liability for the Town’s LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Town’s LODA coverage is fully covered or “insured” through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The Town’s LODA premium for the year ended June 30, 2022 was \$10,275.

NOTE 20—ADOPTION OF ACCOUNTING PRINCIPLES:

The Town implemented provisions of Governmental Accounting Standards Board Statement Nos. 87, *Leases* and 92, *Omnibus 2020* during the fiscal year ended June 30, 2022. Statement No. 87, *Leases* requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Statement No. 92, *Omnibus 2020* addresses a variety of topics, including leases. No restatement of beginning net position was required as a result of this implementation. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2021 related to the leases:

Primary Government:

	<u>Governmental Activities</u>	<u>General Fund</u>
Lessor activity:		
Leases receivable	\$ 1,167,781	\$ 1,167,781
Deferred Inflows of Resources - leases	<u>\$ 1,167,781</u>	<u>\$ 1,167,781</u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Financial Statements As of June 30, 2022 (Continued)

NOTE 21—UPCOMING PRONOUNCEMENTS:

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

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

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

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

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

NOTE 22— COVID PANDEMIC:

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

ARPA Funding

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

On June 25, 2022, the Town received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$1,306,891 from the initial allocation are reported as unearned revenue as of June 30.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual - General Fund
 For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
General property taxes	\$ 2,545,500	\$ 2,545,500	\$ 2,599,834	\$ 54,334
Other local taxes	1,791,350	1,791,350	2,069,844	278,494
Permits, privilege fees and regulatory licenses	18,550	18,550	15,107	(3,443)
Fines and forfeitures	6,300	6,300	12,976	6,676
Use of money and property	104,800	104,800	319,599	214,799
Charges for services	6,800	6,800	5,943	(857)
Miscellaneous	70,560	155,620	217,346	61,726
Intergovernmental	1,403,830	1,482,160	1,950,354	468,194
Total revenues	<u>\$ 5,947,690</u>	<u>\$ 6,111,080</u>	<u>\$ 7,191,003</u>	<u>\$ 1,079,923</u>
Expenditures				
Current:				
General Government Administration	\$ 1,161,410	\$ 1,317,050	\$ 1,119,531	\$ 197,519
Public Safety	1,221,100	1,262,380	1,206,349	56,031
Public Works	2,820,570	3,845,960	3,058,015	787,945
Parks, Recreation, and Cultural	560,600	638,780	357,050	281,730
Community Development	1,554,120	1,556,170	1,200,984	355,186
Debt service:				
Principal retirement	16,000	16,000	16,000	-
Interest and other fiscal charges	5,430	5,430	5,253	177
Total expenditures	<u>\$ 7,339,230</u>	<u>\$ 8,641,770</u>	<u>\$ 6,963,182</u>	<u>\$ 1,678,588</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,391,540)</u>	<u>\$ (2,530,690)</u>	<u>\$ 227,821</u>	<u>\$ 2,758,511</u>
Other Financing Sources (Uses)				
Transfers in	\$ 1,512,940	\$ 2,669,000	\$ -	\$ (2,669,000)
Transfers out	(121,400)	(2,147,150)	(2,000,000)	147,150
Total other financing sources (uses)	<u>\$ 1,391,540</u>	<u>\$ 521,850</u>	<u>\$ (2,000,000)</u>	<u>\$ (2,521,850)</u>
Net change in fund balance	\$ -	\$ (2,008,840)	\$ (1,772,179)	\$ 236,661
Fund balance, beginning of year	-	2,008,840	18,691,362	16,682,522
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,919,183</u>	<u>\$ 16,919,183</u>

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

Schedule of Changes in Net Pension Liability and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2021

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

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

Schedule of Changes in Net Pension Liability and Related Ratios (Continued)

For the Measurement Dates of June 30, 2014 through June 30, 2021

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

Schedule of Employer Contributions - Pension Plan
 For the Years Ended June 30, 2013 through June 30, 2022

<u>Date</u>	<u>Contractually Required Contribution (1)*</u>	<u>Contributions in Relation to Contractually Required Contribution (2)*</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
2022	\$ 222,573	\$ 222,573	\$ -	\$ 2,403,775	9.26%
2021	239,530	239,530	-	2,576,224	9.30%
2020	234,289	234,289	-	2,443,640	9.59%
2019	226,704	226,704	-	2,354,916	9.63%
2018	254,273	254,273	-	2,264,416	11.23%
2017	232,267	232,267	-	2,062,716	11.26%
2016	218,896	218,896	-	2,000,874	10.94%
2015	223,684	223,684	-	2,057,442	10.87%
2014	234,784	234,784	-	2,126,666	11.04%
2013	245,548	245,548	-	2,224,162	11.04%

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

Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2022

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Schedule of the Town's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Measurement Dates of June 30, 2017 through June 30, 2021

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

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

Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2017 through June 30, 2022

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

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

Notes to Required Supplementary Information
 Group Life Insurance Program
 For the Year Ended June 30, 2022

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

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

OTHER SUPPLEMENTARY INFORMATION

- Supporting Statements -

Discretely Presented Component Unit - Altavista Economic Development Authority

Discretely Presented Component Unit -
 Altavista Economic Development Authority
 Statement of Net Position
 At June 30, 2022

Assets:

Current assets:

Cash and cash equivalents	\$ 231
Receivables (net of allowance for uncollectibles):	
Accounts	110,801
Due from primary government	<u>11,720</u>
Total current assets	<u>\$ 122,752</u>
Total assets	<u><u>\$ 122,752</u></u>

Liabilities:

Current liabilities:

Accounts payable and accrued liabilities	<u>\$ 110,801</u>
Total liabilities	<u>\$ 110,801</u>

Net Position:

Unrestricted	<u>\$ 11,951</u>
Total net position	<u>\$ 11,951</u>
Total liabilities and net position	<u><u>\$ 122,752</u></u>

Discretely Presented Component Unit -
Altavista Economic Development Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022

Operating expenses:	
Other expenses	\$ <u>184,209</u>
Total operating expenses	\$ <u>184,209</u>
Operating income (loss)	\$ <u>(184,209)</u>
Nonoperating revenues (expenses):	
Contributions from primary government	\$ <u>184,159</u>
Total nonoperating revenues (expenses)	\$ <u>184,159</u>
Change in net position	\$ (50)
Net position, beginning of year	<u>12,001</u>
Net position, end of year	\$ <u><u>11,951</u></u>

Discretely Presented Component Unit -
 Altavista Economic Development Authority
 Statement of Cash Flows
 For the Year Ended June 30, 2022

Cash flows from operating activities:	
Payments for other expenses	\$ <u>(73,408)</u>
Net cash provided by (used for) operating activities	\$ <u>(73,408)</u>
Cash flows from noncapital financing activities:	
Contribution from primary government	\$ <u>73,358</u>
Net cash provided by (used for) noncapital financing activities	\$ <u>73,358</u>
Increase (decrease) in cash and cash equivalents	\$ (50)
Cash and cash equivalents at beginning of year	<u>281</u>
Cash and cash equivalents at end of year	\$ <u><u>231</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (184,209)
Changes in operating assets and liabilities:	
Increase/(Decrease) in accounts payable and accrued liabilities	<u>110,801</u>
Net cash provided by (used for) operating activities	\$ <u><u>(73,408)</u></u>

STATISTICAL INFORMATION

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Revenues from the Use of Money & Property	Miscellaneous	Inter-governmental	Total
2021-22	\$ 2,599,834	\$ 2,069,844	\$ 15,107	\$ 12,976	\$ 319,599	\$ 223,289	\$ 1,950,354	\$ 7,191,003
2020-21	2,629,651	1,982,615	26,533	7,353	188,565	432,676	2,002,892	7,270,285
2019-20	2,429,686	1,744,729	19,230	28,010	388,639	410,240	2,002,710	7,023,244
2018-19	2,359,155	1,798,870	22,300	15,742	309,126	172,553	1,144,619	5,822,365
2017-18	2,242,580	1,732,997	21,036	21,354	182,624	298,559	1,169,613	5,668,763
2016-17	2,188,255	1,765,088	17,120	16,192	174,066	146,098	1,057,758	5,364,577
2015-16	2,336,643	1,441,096	16,119	13,580	160,237	131,546	1,103,313	5,202,534
2014-15	2,252,683	1,451,768	15,610	7,704	154,913	63,718	1,118,273	5,064,669
2013-14	2,254,794	1,387,308	16,100	16,413	162,759	112,921	1,735,428	5,685,723
2012-13	2,160,291	1,392,295	21,770	33,736	137,327	73,607	1,281,712	5,100,738

(1) Consists solely of general fund revenues.

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation and Cultural	Community Development	Capital Outlay	Debt Service	Total
2021-22	\$ 1,119,531	\$ 1,206,349	\$ 3,058,015	\$ 357,050	\$ 1,200,984	\$ -	\$ 21,253	\$ 6,963,182
2020-21	1,687,661	1,191,449	1,581,986	924,909	402,462	-	22,151	5,810,618
2019-20	2,079,166	1,498,546	2,966,061	772,328	305,624	-	324,314	7,946,039
2018-19	992,842	1,109,508	1,874,453	808,649	87,512	-	23,127	4,896,091
2017-18	1,170,324	1,068,124	2,252,048	415,922	52,253	-	23,127	4,981,798
2016-17	961,380	924,785	1,611,302	206,382	195,393	-	23,127	3,922,369
2015-16	897,077	924,201	1,824,969	160,788	158,322	15,000	-	3,980,357
2014-15	940,671	872,280	1,189,343	159,973	68,319	86,330	-	3,316,916
2013-14	906,012	807,277	1,410,763	145,437	164,926	896,230	-	4,330,645
2012-13	913,188	908,466	1,425,426	171,119	75,732	316,366	56,571	3,866,868

(1) Consists solely of general fund expenditures.

Computation of Legal Debt Limit
June 30, 2022

Assessed value of real estate, January 1, 2021	\$ 275,897,038
Legal debt limit, (10% of \$275,897,038)	\$ 27,589,704
Total bonded debt	<u>13,751,370</u>
Legal debt margin	<u>\$ 13,838,334</u>

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues:					
General property taxes	\$ 2,160,291	\$ 2,254,794	\$ 2,252,683	\$ 2,336,643	\$ 2,188,255
Other local taxes	1,392,295	1,387,308	1,451,768	1,441,096	1,765,088
Permits, privilege fees and regulatory licenses	21,770	16,100	15,610	16,119	17,120
Fines and forfeitures	33,736	16,413	7,704	13,580	16,192
Revenue from use of money and property	137,327	162,759	154,913	160,237	174,066
Charges for services	6,652	7,309	6,970	7,080	4,578
Miscellaneous	66,955	105,612	56,748	124,466	141,520
Intergovernmental	1,281,712	1,735,428	1,118,273	1,103,313	1,057,758
Total revenues	<u>\$ 5,100,738</u>	<u>\$ 5,685,723</u>	<u>\$ 5,064,669</u>	<u>\$ 5,202,534</u>	<u>\$ 5,364,577</u>
Expenditures:					
General government administration	\$ 913,188	\$ 906,012	\$ 940,671	\$ 897,077	\$ 961,380
Public safety	908,466	807,277	872,280	924,201	924,785
Public works	1,425,426	1,410,763	1,189,343	1,824,969	1,611,302
Parks, recreation, and cultural	171,119	145,437	159,973	160,788	206,382
Community development	75,732	164,926	68,319	158,322	195,393
Capital outlay	316,366	896,230	86,330	15,000	-
Debt service:					
Principal retirement	52,870	-	-	-	14,193
Interest and other fiscal charges	3,701	-	-	-	8,934
Total expenditures	<u>\$ 3,866,868</u>	<u>\$ 4,330,645</u>	<u>\$ 3,316,916</u>	<u>\$ 3,980,357</u>	<u>\$ 3,922,369</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,233,870</u>	<u>\$ 1,355,078</u>	<u>\$ 1,747,753</u>	<u>\$ 1,222,177</u>	<u>\$ 1,442,208</u>
Other financing sources (uses):					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (out)	(551,270)	(83,000)	-	-	-
Issuance of long-term debt	-	-	-	357,500	-
Total other financing sources (uses)	<u>\$ (551,270)</u>	<u>\$ (83,000)</u>	<u>\$ -</u>	<u>\$ 357,500</u>	<u>\$ -</u>
Net changes in fund balances	\$ 682,600	\$ 1,272,078	\$ 1,747,753	\$ 1,579,677	\$ 1,442,208
Fund balance, beginning	<u>9,517,935</u>	<u>10,200,535</u>	<u>11,472,613</u>	<u>13,220,366</u>	<u>14,800,043</u>
Fund balance, ending	<u>\$ 10,200,535</u>	<u>\$ 11,472,613</u>	<u>\$ 13,220,366</u>	<u>\$ 14,800,043</u>	<u>\$ 16,242,251</u>

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Revenues:					
General property taxes	\$ 2,242,580	\$ 2,359,155	\$ 2,429,686	\$ 2,629,651	\$ 2,599,834
Other local taxes	1,732,997	1,798,870	1,744,729	1,982,615	2,069,844
Permits, privilege fees and regulatory licenses	21,036	22,300	19,230	26,533	15,107
Fines and forfeitures	21,354	15,742	28,010	7,353	12,976
Revenue from use of money and property	182,624	309,126	388,639	188,565	319,599
Charges for services	6,358	6,447	6,098	3,744	5,943
Miscellaneous	292,201	166,106	404,142	428,932	217,346
Intergovernmental	1,169,613	1,144,619	2,002,710	2,002,892	1,950,354
Total revenues	<u>\$ 5,668,763</u>	<u>\$ 5,822,365</u>	<u>\$ 7,023,244</u>	<u>\$ 7,270,285</u>	<u>\$ 7,191,003</u>
Expenditures:					
General government administration	\$ 1,170,324	\$ 992,842	\$ 2,079,166	\$ 1,687,661	\$ 1,119,531
Public safety	1,068,124	1,109,508	1,498,546	1,191,449	1,206,349
Public works	2,252,048	1,874,453	2,966,061	1,581,986	3,058,015
Parks, recreation, and cultural	415,922	808,649	772,328	924,909	357,050
Community development	52,253	87,512	305,624	402,462	1,200,984
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	14,201	14,570	314,536	18,000	16,000
Interest and other fiscal charges	8,926	8,557	9,778	4,151	5,253
Total expenditures	<u>\$ 4,981,798</u>	<u>\$ 4,896,091</u>	<u>\$ 7,946,039</u>	<u>\$ 5,810,618</u>	<u>\$ 6,963,182</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 686,965</u>	<u>\$ 926,274</u>	<u>\$ (922,795)</u>	<u>\$ 1,459,667</u>	<u>\$ 227,821</u>
Other financing sources (uses):					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (out)	-	-	-	-	(2,000,000)
Issuance of long-term debt	-	-	299,000	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 299,000</u>	<u>\$ -</u>	<u>\$ (2,000,000)</u>
Net changes in fund balances	\$ 686,965	\$ 926,274	\$ (623,795)	\$ 1,459,667	\$ (1,772,179)
Fund balance, beginning	<u>16,242,251</u>	<u>16,929,216</u>	<u>17,855,490</u>	<u>17,231,695</u>	<u>18,691,362</u>
Fund balance, ending	<u>\$ 16,929,216</u>	<u>\$ 17,855,490</u>	<u>\$ 17,231,695</u>	<u>\$ 18,691,362</u>	<u>\$ 16,919,183</u>

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Operating revenues:					
Charges for services	\$ 2,490,550	\$ 2,718,048	\$ 2,913,734	\$ 3,078,713	\$ 3,583,925
Other	34,859	36,534	21,282	176,432	20,928
Total operating revenues	<u>\$ 2,525,409</u>	<u>\$ 2,754,582</u>	<u>\$ 2,935,016</u>	<u>\$ 3,255,145</u>	<u>\$ 3,604,853</u>
Operating expenses:					
Salaries	\$ 830,583	\$ 847,398	\$ 816,887	\$ 777,599	\$ 869,765
Fringe benefits	262,470	268,289	235,766	211,174	272,208
Insurance	-	-	-	-	-
Maintenance	43,594	32,722	44,888	157,404	370,678
Utilities	413,835	431,410	432,098	439,451	448,587
Materials and supplies	294,745	290,007	367,905	370,002	395,891
Sample testing	17,242	23,847	14,247	10,799	18,155
Purchase of water	4,007	3,910	10,428	74,200	92,220
Other	51,397	54,120	82,190	98,522	165,686
Depreciation	713,319	709,287	772,296	782,614	1,058,183
Total operating expenses	<u>\$ 2,631,192</u>	<u>\$ 2,660,990</u>	<u>\$ 2,776,705</u>	<u>\$ 2,921,765</u>	<u>\$ 3,691,373</u>
Operating income (loss)	<u>\$ (105,783)</u>	<u>\$ 93,592</u>	<u>\$ 158,311</u>	<u>\$ 333,380</u>	<u>\$ (86,520)</u>
Nonoperating revenues (expenses):					
Interest revenue	\$ 3,388	\$ 2,376	\$ 11,390	\$ 10,396	\$ 4,607
Interest expense	-	-	(17,448)	(20,728)	(130,406)
Bond issuance costs	-	-	(30,469)	(44,300)	-
Grants	-	-	-	7,395	24,881
Total nonoperating revenues (expenses)	<u>\$ 3,388</u>	<u>\$ 2,376</u>	<u>\$ (36,527)</u>	<u>\$ (47,237)</u>	<u>\$ (100,918)</u>
Income (loss) before transfers	<u>\$ (102,395)</u>	<u>\$ 95,968</u>	<u>\$ 121,784</u>	<u>\$ 286,143</u>	<u>\$ (187,438)</u>
Transfers in	<u>\$ 551,270</u>	<u>\$ 83,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net changes in net position	<u>\$ 448,875</u>	<u>\$ 178,968</u>	<u>\$ 121,784</u>	<u>\$ 286,143</u>	<u>\$ (187,438)</u>
Net position, beginning, as restated*	<u>12,623,374</u>	<u>13,072,249</u>	<u>12,909,062</u>	<u>13,030,846</u>	<u>13,316,989</u>
Net position, ending	<u>\$ 13,072,249</u>	<u>\$ 13,251,217</u>	<u>\$ 13,030,846</u>	<u>\$ 13,316,989</u>	<u>\$ 13,129,551</u>

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

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

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Operating revenues:					
Charges for services	\$ 3,473,705	\$ 3,702,997	\$ 3,879,861	\$ 4,148,700	\$ 4,470,173
Other	39,075	22,917	26,984	28,267	687,367
Total operating revenues	<u>\$ 3,512,780</u>	<u>\$ 3,725,914</u>	<u>\$ 3,906,845</u>	<u>\$ 4,176,967</u>	<u>\$ 5,157,540</u>
Operating expenses:					
Salaries	\$ 982,232	\$ 1,031,852	\$ 1,075,743	\$ 1,044,364	\$ 937,944
Fringe benefits	242,237	271,896	346,799	432,184	309,320
Insurance	-	-	-	27,351	28,620
Maintenance	303,183	260,609	135,487	112,517	106,842
Utilities	456,681	487,356	573,621	490,423	538,080
Materials and supplies	409,434	509,612	471,381	469,662	532,153
Sample testing	19,790	24,840	32,677	29,395	17,948
Purchase of water	43,300	31,283	30,163	34,024	28,431
Other	259,565	92,903	237,452	72,538	46,542
Depreciation	1,046,025	1,062,495	1,090,333	1,054,655	1,077,224
Total operating expenses	<u>\$ 3,762,447</u>	<u>\$ 3,772,846</u>	<u>\$ 3,993,656</u>	<u>\$ 3,767,113</u>	<u>\$ 3,623,104</u>
Operating income (loss)	<u>\$ (249,667)</u>	<u>\$ (46,932)</u>	<u>\$ (86,811)</u>	<u>\$ 409,854</u>	<u>\$ 1,534,436</u>
Nonoperating revenues (expenses):					
Interest revenue	\$ 6,483	\$ 21,011	\$ 20,042	\$ 18,842	\$ 16,243
Interest expense	(158,688)	(151,432)	(179,310)	(252,596)	(250,189)
Bond issuance costs	-	-	-	-	-
Grants	30,458	-	24,455	39,042	484,777
Total nonoperating revenues (expenses)	<u>\$ (121,747)</u>	<u>\$ (130,421)</u>	<u>\$ (134,813)</u>	<u>\$ (194,712)</u>	<u>\$ 250,831</u>
Income (loss) before transfers	<u>\$ (371,414)</u>	<u>\$ (177,353)</u>	<u>\$ (221,624)</u>	<u>\$ 215,142</u>	<u>\$ 1,785,267</u>
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>
Net changes in net position	<u>\$ (371,414)</u>	<u>\$ (177,353)</u>	<u>\$ (221,624)</u>	<u>\$ 215,142</u>	<u>\$ 3,785,267</u>
Net position, beginning, as restated*	<u>13,071,631</u>	<u>12,700,217</u>	<u>12,522,864</u>	<u>12,301,240</u>	<u>12,516,382</u>
Net position, ending	<u>\$ 12,700,217</u>	<u>\$ 12,522,864</u>	<u>\$ 12,301,240</u>	<u>\$ 12,516,382</u>	<u>\$ 16,301,649</u>

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

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

COMPLIANCE



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the Town of Altavista, Virginia as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Altavista, Virginia's basic financial statements, and have issued our report thereon dated November 21, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report Compliance and Other Matters

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

Town of Altavista, Virginia's Response to Findings

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

Purpose of This Report

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

November 21, 2022



**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

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

Opinion on Each Major Federal Program

We have audited the Town of Altavista, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Town of Altavista, Virginia's major federal programs for the year ended June 30, 2022. The Town of Altavista, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Altavista, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Altavista, Virginia's and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of about Town of Altavista, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town of Altavista, Virginia's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Altavista, Virginia's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Altavista, Virginia's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Town of Altavista, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town of Altavista, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Altavista, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farnell, Cox Associates
Charlottesville, Virginia
November 21, 2022

TOWN OF ALTAVISTA, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Primary Government:			
Department of Treasury:			
Direct Payments:			
COVID-19-Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ <u>460,000</u>
Department of Transportation:			
Pass-Through Payments:			
Virginia Department of Motor Vehicles:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	N/A	\$ 4,865
Alcohol Open Container Requirements	20.607	N/A	630
Highway Planning and Construction Cluster:			
Virginia Department of Rail and Public Transportation:			
Formula Grants for Rural Areas	20.509	N/A	\$ <u>43,959</u>
Total Department of Transportation			\$ <u>49,454</u>
Department of Agriculture:			
Direct Payments:			
Community Facilities Loans and Grants Cluster:			
Community Facilities Loans and Grants	10.766	N/A	\$ 2,050
Rural Business Enterprise Grants	10.769	N/A	<u>47,500</u>
Total Department of Agriculture			\$ <u>49,550</u>
Environmental Protection Agency:			
Pass-Through Payments:			
Virginia Department of Environmental Quality:			
Brownfields Multipurpose Assessment Revolving Loan Fund and Cleanup Cooperative Agreements	66.818	N/A	\$ <u>58,002</u>
Department of Homeland Security:			
Pass-Through Payments:			
Virginia Department of Emergency Management:			
Hazard Mitigation Grant Program	97.039	N/A	\$ <u>385,157</u>
Total Expenditures of Federal Awards-Reporting Entity			\$ <u><u>1,002,163</u></u>

TOWN OF ALTAVISTA, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Altavista, Virginia under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented 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. Because the Schedule presents only a selected portion of the operations of the Town of Altavista, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Altavista, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - De Minimis Cost Rate

The Town did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - Loan Balances

The Town has no loans or loan guarantees which are subject to reporting requirements for the current year.

Note 6 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the Town's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 1,950,354
Less nonfederal revenues included in intergovernmental revenue	<u>(948,191)</u>

Total primary government	<u>\$ 1,002,163</u>
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Total federal expenditures per the Schedule of Expenditures
of Federal Awards

	<u>\$ 1,002,163</u>
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TOWN OF ALTAVISTA, VIRGINIA

Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Identification of major programs:

<u>Assistance Listing</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19-Coronavirus State and Local Fiscal Recovery Funds
97.039	Hazard Mitigation Grant Program

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

2022-001: Segregation of Duties (Material Weakness)

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Recommendation:

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

Management's Response:

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

Section III - Federal Award Findings and Questioned Costs

TOWN OF ALTAVISTA, VIRGINIA

Summary Schedule of Prior Audit Findings
For The Year Ended June 30, 2022

2021-001: Segregation of Duties (Material Weakness)

Condition:

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

Recommendation:

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

Current status:

See finding 2022-001