

TOWN OF BUCHANAN, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

TOWN OF BUCHANAN, VIRGINIA
 FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

INTRODUCTORY SECTION

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

FINANCIAL SECTION

	<u>Page</u>
Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-10

	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	11
Statement of Activities	2	12
Fund Financial Statements:		
Balance Sheet - Governmental Fund	3	13
Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Position	4	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund	5	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund to the Statement of Activities	6	16
Statement of Net Position - Proprietary Funds	7	17
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	8	18
Statement of Cash Flows - Proprietary Funds	9	19
Notes to the Financial Statements		20-44

	<u>Exhibit</u>	<u>Page</u>
Required Supplementary Information:		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:		
General Fund	10	45
Pension Schedules:		
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	11	46
Schedule of Employer Contributions	12	47
Notes to Required Supplementary Information	13	48

	<u>Schedule</u>	<u>Page</u>
Other Supplementary Information:		
Supporting Schedules:		
Schedule of Revenues - Budget and Actual - Governmental Funds	1	49-50
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	51-53

COMPLIANCE SECTION

	<u>Page</u>
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54-55
Schedule of Findings and Responses	56

INTRODUCTORY SECTION

TOWN OF BUCHANAN, VIRGINIA

TOWN COUNCIL

Craig Bryant, Mayor
James Manspile
Marty Rickman
John Mays
Chris Witt

OTHER OFFICIALS

Susan McColloch Town Manager
Tina Kingery Town Treasurer/Clerk
Jonathan Puvak Town Attorney

FINANCIAL SECTION



Independent Auditors' Report

**To the Town Council of
Town of Buchanan, Virginia
Buchanan, Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Buchanan, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Town of Buchanan, Virginia, as of June 30, 2021 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension funding on pages 5-10, 45, and 46-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2022, on our consideration of Town of Buchanan, 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 Buchanan, 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 Buchanan, Virginia's internal control over financial reporting and compliance.

Robinson, Famer, Cox Associates

Blacksburg, Virginia
January 18, 2022

TOWN OF BUCHANAN, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021

Our discussion and analysis of Town of Buchanan's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the Town's financial statements.

Financial Highlights

The Town's net position at year-end for business-type activities totaled \$4,703,635. This is a decrease of \$202,864. Net position of governmental activities totaled \$1,177,727 and represents a decrease of \$66,237 over the prior fiscal year.

During the year, the governmental activities of the Town had expenses of \$737,108 and program revenues of \$180,639 from charges for services and operating grants. The governmental activities of the Town generated \$450,232 in taxes and other general revenues. Total program and general revenues decreased by 6.5% from prior fiscal year.

In the Town's business-type activities, \$546,260 in revenues from charges for services were generated compared to \$536,964 in the prior year, while expenses totaled \$728,937.

The governmental activities reported a change in net position of (\$66,237) as compared to (\$114,355) during the prior year, mostly due to not holding the 2020 Town Carnival and limited other events as well as paying out some Town employee leave balances. The Town also transferred \$40,000 from the Water and Sewer Funds to the General Fund. The business-type activities reported a change in net position of (\$202,864) as compared to a (\$254,359) in the previous year, mostly due to depreciation expense.

Using this Annual Report

This financial report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements present the information for governmental activities. These statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include *all* assets, liabilities, deferred inflows, and outflows using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

These two statements report the Town's net position - the difference between assets and deferred outflows and liabilities and deferred inflows - as one way to measure the Town's financial health, or *financial position*. Over time, *increases or decreases* in the Town's net position are one indicator of whether its *financial health* is improving or deteriorating. You need to consider other non-financial factors, however, such as changes in the Town's property tax base and other items, to assess the *overall health* of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental activities - Most of the Town's basic services are reported here, including payments to the County Sheriff's Office, support of the Volunteer Fire Company, public works, and general administration. Property taxes, other local taxes (such as sales, severance, and utility), and state and federal grants finance most of these activities.

Business-type activities - The Town charges a fee to customers to help recover all or most of the cost of certain services it provides. The Town's water and sewer system is reported here.

Reporting the Town's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law or by bond covenants. However, the Town Council establishes many other funds to help it control and manage money for the particular purposes (like emergency services) or to show it is meeting legal responsibilities for certain taxes, grants, and other money (like the water and sewer fund). The Town has two kinds of funds - *governmental* and *proprietary* - which use different accounting approaches.

Governmental funds - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at the year-end that are available for spending. The funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other *financial* assets that can be readily converted to cash. The governmental fund statements provide a detailed *short-term* view of the Town's general government operations and the basic service it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation which follows the governmental fund statements.

Proprietary funds - When the Town charges customers for the services it provides - whether to outside customers or to other units of the Town - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

TOWN OF BUCHANAN, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

The Town as a Whole

The table below focuses on the net position of the Town's governmental and business-type activities as of the years ended June 30, 2020 and 2021.

Table 1

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2021	2020	2021	2020	2021
	Current Assets	\$ 1,181,938	\$ 1,444,358	\$ 481,027	\$ 491,407	\$ 1,662,965
Capital Assets	328,977	303,840	8,721,431	8,446,361	9,050,408	8,750,201
Total Assets	1,510,915	1,748,198	9,202,458	8,937,768	10,713,373	10,685,966
Deferred Outflows of Resources	5,447	4,966	-	-	5,447	4,966
Current Liabilities	85,906	388,104	41,743	41,001	127,649	429,105
Long-term Liabilities	11,147	13,242	4,254,216	4,193,132	4,265,363	4,206,374
Total Liabilities	97,053	401,346	4,295,959	4,234,133	4,393,012	4,635,479
Deferred Inflows of Resources	175,345	174,091	-	-	175,345	174,091
Net Position:						
Net Investment in Capital Assets	328,977	303,840	4,467,215	4,253,229	4,796,192	4,557,069
Restricted	-	3,131	-	-	-	3,131
Unrestricted	914,987	870,756	439,284	450,406	1,354,271	1,321,162
Total Net Position	\$ 1,243,964	\$ 1,177,727	\$ 4,906,499	\$ 4,703,635	\$ 6,150,463	\$ 5,881,362

TOWN OF BUCHANAN, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

The revenues and expenses for governmental activities and business-type activities are shown in Table 2.

Table 2

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2021	2020	2021	2020	2021
Charges for Services	\$ 91,268	\$ 97,908	\$ 536,964	\$ 546,260	\$ 628,232	\$ 644,168
Operating Grants/Contributions	68,786	82,731	-	-	68,786	82,731
Capital Grants/Contributions	-	-	-	11,486	-	11,486
Program Revenues	160,054	180,639	536,964	557,746	697,018	738,385
Taxes	342,238	395,030	-	-	342,238	395,030
Interest Income	5,752	4,759	572	571	6,324	5,330
Miscellaneous	189,626	33,460	-	7,756	189,626	41,216
Grants not restricted to program	17,257	16,983	-	-	17,257	16,983
General Revenues	554,873	450,232	572	8,327	555,445	458,559
Transfers	-	40,000	-	(40,000)	-	-
Total Revenues and Transfers	714,927	670,871	537,536	526,073	1,252,463	1,196,944
General Government	298,734	290,631	-	-	298,734	290,631
Public Safety	62,832	42,540	-	-	62,832	42,540
Public Works	237,588	248,701	-	-	237,588	248,701
Parks, Recreation, Cultural	95,119	66,693	-	-	95,119	66,693
Community Development	135,009	88,543	-	-	135,009	88,543
Water and Wastewater	-	-	791,895	728,937	791,895	728,937
Total Expenses	829,282	737,108	791,895	728,937	1,621,177	1,466,045
Change in Net Position	(114,355)	(66,237)	(254,359)	(202,864)	(368,714)	(269,101)
Beginning Net Position	1,358,319	1,243,964	5,160,858	4,906,499	6,519,177	6,150,463
Ending Net Position	\$ 1,243,964	\$ 1,177,727	\$ 4,906,499	\$ 4,703,635	\$ 6,150,463	\$ 5,881,362

Financial Analysis of the Governmental Funds

As mentioned earlier, the Town uses fund accounting to ensure and demonstrate compliance with the finance-related legal requirements.

The focus of the Town's governmental funds is to provide information on the near-term inflows, outflows, and balances of financial resources. Such information is useful in assessing the Town's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the Town's governmental funds reported a fund balance of \$872,063 as compared to \$945,264 last year. The net change in total General fund balance was (\$73,201) which is attributed to not holding the 2020 Town Carnival and limited other events as well as paying out some Town employee leave balances. The ending fund balance is comprised of \$42,211 in nonspendable prepaid expenses and the remainder (\$829,852) unassigned fund balance to be used at the Town's discretion.

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The total net position for the water and wastewater fund were \$4,703,635 which was comprised of \$4,253,229 net investment in capital assets and unrestricted of \$450,406.

General Fund Budgetary Highlights

The General fund exceeded its revenue projection by \$32,803 mostly due to receipt of better-than-expected tax collections, additional local sales tax receipts, and more bank franchise taxes than the Town budgeted. The Town did receive reduced event fees and meals tax receipts as a result of COVID-19 impacts. The General fund was over its expenditure projection by \$106,004 due to unbudgeted increases to fringe benefits for retirement and health insurance and unbudgeted contributions of pass-through grants during the fiscal year.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2021 is \$303,840 (net of accumulated depreciation) which is a decrease of \$25,137. The investment in capital assets for its business-type activities is \$8,446,361, a decrease of \$275,070. The decreases are due mostly to normal depreciation expense. This investment in capital assets includes land, buildings and improvements, vehicles, equipment, construction in progress and distribution systems.

TOWN OF BUCHANAN, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

Capital Asset and Debt Administration (Continued)

Long-term Obligations

The Town purchased a new truck through a capital lease to be used for water and sewer operations. At the end of the fiscal year, the Town had the following outstanding obligations for business-type activities:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2021</u>
Direct Borrowings - Revenue Bonds	\$ 4,254,216	\$ -	\$ (106,034)	\$ 4,148,182
Capital lease	-	44,950	-	44,950
Total	<u>\$ 4,254,216</u>	<u>\$ 44,950</u>	<u>\$ (106,034)</u>	<u>\$ 4,193,132</u>

The outstanding obligations for governmental activities at June 30, 2021 are as follows:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2021</u>
Compensated absences	\$ 44,589	\$ 2,105	\$ (33,442)	\$ 13,252
Total	<u>\$ 44,589</u>	<u>\$ 2,105</u>	<u>\$ (33,442)</u>	<u>\$ 13,252</u>

Economic Factors and Next Year's Budget and Rates

The Town of Buchanan has adapted to economic factors due to the COVID-19 pandemic and continued to manage finances wisely. The 2021 Buchanan Community Carnival was the largest netting carnival ever, in part due to large attendance and community support. The Town has received an American Recovery Program Act (ARPA) funding allocation, which will enable the Town to purchase needed items and complete upgrades and improvements to Town-owned property, as well as launch a new Real Estate Investment Grant program to improve businesses. The Town completed many Wastewater Treatment Plant repairs on the clarifiers, motors, and aerator. The Town anticipates positive changes in 2022-2023 with the ARPA fund purchases and other federal and state funding that may present opportunities.

Requests for Information

This financial report is designed to provide the reader with a general overview of Town of Buchanan's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, 19753 Main Street, P. O. Box 205, Buchanan, Virginia 24066.

Basic Financial Statements

Town of Buchanan, Virginia
Statement of Net Position
At June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,187,643	\$ 399,341	\$ 1,586,984
Receivables (net of allowance for uncollectibles):			
Taxes receivable	180,973	-	180,973
Accounts receivable	27,002	56,699	83,701
Due from other governmental units	3,398	11,486	14,884
Prepaid items	42,211	-	42,211
Restricted assets:			
Cash and cash equivalents	-	23,881	23,881
Other assets:			
Net pension asset	3,131	-	3,131
Capital assets (net of accumulated depreciation):			
Land	86,900	50,737	137,637
Buildings and improvements	195,998	1,754	197,752
Machinery and equipment	17,442	53,593	71,035
Plants and lines in service	-	8,340,277	8,340,277
Construction in progress	3,500	-	3,500
Total assets	<u>\$ 1,748,198</u>	<u>\$ 8,937,768</u>	<u>\$ 10,685,966</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 4,966	\$ -	\$ 4,966
LIABILITIES			
Accounts payable	\$ 9,998	\$ 16,497	\$ 26,495
Accrued liabilities	28,234	217	28,451
Customers' deposits	-	23,881	23,881
Accrued interest payable	-	406	406
Unearned grant revenue	349,862	-	349,862
Long-term liabilities:			
Due within one year	9,939	116,340	126,279
Due in more than one year	3,313	4,076,792	4,080,105
Total liabilities	<u>\$ 401,346</u>	<u>\$ 4,234,133</u>	<u>\$ 4,635,479</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 174,091	\$ -	\$ 174,091
NET POSITION			
Net investment in capital assets	\$ 303,840	\$ 4,253,229	\$ 4,557,069
Restricted for:			
Pension	3,131	-	3,131
Unrestricted	870,756	450,406	1,321,162
Total net position	<u>\$ 1,177,727</u>	<u>\$ 4,703,635</u>	<u>\$ 5,881,362</u>

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

Town of Buchanan, Virginia
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 290,631	\$ -	\$ 7,843	\$ -	\$ (282,788)	\$ -	\$ (282,788)
Public safety	42,540	4,759	47,888	-	10,107	-	10,107
Public works	248,701	93,149	-	-	(155,552)	-	(155,552)
Parks, recreation, and cultural	66,693	-	-	-	(66,693)	-	(66,693)
Community development	88,543	-	27,000	-	(61,543)	-	(61,543)
Total governmental activities	\$ 737,108	\$ 97,908	\$ 82,731	\$ -	\$ (556,469)	\$ -	\$ (556,469)
Business-type activities:							
Water	\$ 539,151	\$ 353,807	\$ -	\$ -	\$ -	\$ (185,344)	\$ (185,344)
Wastewater	189,786	192,453	-	11,486	-	14,153	14,153
Total business-type activities	\$ 728,937	\$ 546,260	\$ -	\$ 11,486	\$ -	\$ (171,191)	\$ (171,191)
Total primary government	\$ 1,466,045	\$ 644,168	\$ 82,731	\$ 11,486	\$ (556,469)	\$ (171,191)	\$ (727,660)
General revenues:							
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ 179,321	\$ -	\$ 179,321
Other local taxes:							
Local sales and use tax					53,999		53,999
Consumers' utility tax					24,110		24,110
Consumption tax					3,900		3,900
Business licenses					43,576		43,576
Vehicle fees					12,664		12,664
Bank franchise tax					52,359		52,359
Transient occupancy tax					4,214		4,214
Meals tax					20,887		20,887
Unrestricted revenues from use of money and property					4,759	571	5,330
Miscellaneous					33,460	7,756	41,216
Grants and contributions not restricted to specific programs					16,983	-	16,983
Transfers					40,000	(40,000)	-
Total general revenues and transfers	\$ -	\$ -	\$ -	\$ -	\$ 490,232	\$ (31,673)	\$ 458,559
Change in net position	\$ -	\$ -	\$ -	\$ -	\$ (66,237)	\$ (202,864)	\$ (269,101)
Net position - beginning					1,243,964	4,906,499	6,150,463
Net position - ending					\$ 1,177,727	\$ 4,703,635	\$ 5,881,362

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

Town of Buchanan, Virginia
Balance Sheet
Governmental Fund
At June 30, 2021

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 1,187,643
Receivables (net of allowance for uncollectibles):	
Taxes receivable	180,973
Accounts receivable	27,002
Due from other governmental units	3,398
Prepaid items	42,211
Total assets	<u>\$ 1,441,227</u>
 LIABILITIES	
Accounts payable	\$ 9,998
Accrued liabilities	28,234
Unearned grant revenue	349,862
Total liabilities	<u>\$ 388,094</u>
 DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	<u>\$ 181,070</u>
 FUND BALANCES	
Nonspendable - prepaid items	\$ 42,211
Unassigned	829,852
Total fund balances	<u>\$ 872,063</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,441,227</u>

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

Town of Buchanan, Virginia
 Reconciliation of the Balance Sheet of Governmental Fund
 to the Statement of Net Position
 At June 30, 2021

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

Fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	\$	872,063
--	----	---------

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

Land	\$	86,900	
Buildings and improvements		195,998	
Machinery and equipment		17,442	
Construction in progress		3,500	303,840

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

Net pension asset	\$	3,131	
Unavailable revenue - property taxes		6,979	10,110

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

Pension related items			4,966
-----------------------	--	--	-------

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

Compensated absences			(13,252)
----------------------	--	--	----------

Net position of governmental activities		\$ 1,177,727
---	--	--------------

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

Town of Buchanan, Virginia
Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Fund
For the Year Ended June 30, 2021

	<u>General</u>
REVENUES	
General property taxes	\$ 179,852
Other local taxes	215,709
Permits, privilege fees, and regulatory licenses	4,759
Revenue from the use of money and property	4,759
Charges for services	93,149
Miscellaneous	33,460
Recovered costs	5,251
Intergovernmental:	
Commonwealth	64,871
Federal	34,843
Total revenues	<u>\$ 636,653</u>
EXPENDITURES	
Current:	
General government administration	\$ 283,788
Public safety	42,954
Public works	246,339
Parks, recreation, and cultural	50,795
Community development	118,319
Capital projects	7,659
Total expenditures	<u>\$ 749,854</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (113,201)</u>
OTHER FINANCING SOURCES (USES)	
Transfers out	<u>\$ 40,000</u>
Net change in fund balance	\$ (73,201)
Fund balance - beginning	945,264
Fund balance - ending	<u><u>\$ 872,063</u></u>

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

Town of Buchanan, Virginia
 Reconciliation of Statement of Revenues,
 Expenditures, and Change in Fund Balance of Governmental Fund
 to the Statement of Activities
 For the Year Ended June 30, 2021

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

Net change in fund balance - governmental fund \$ (73,201)

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

Capital outlays	\$ 2,967	
Depreciation expense	<u>(28,104)</u>	(25,137)

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

Increase (decrease) in unavailable revenue - property taxes		(531)
---	--	-------

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.

(Increase) decrease in compensated absences	\$ 31,337	
Change in net pension asset and related deferred items	<u>1,295</u>	32,632

Change in net position of governmental activities		<u><u>\$ (66,237)</u></u>
---	--	---------------------------

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

Town of Buchanan, Virginia
Statement of Net Position
Proprietary Funds
At June 30, 2021

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 379,991	\$ 19,350	\$ 399,341
Accounts receivable, net of allowances for uncollectibles	39,398	17,301	56,699
Due from other governmental units	-	11,486	11,486
Total current assets	<u>\$ 419,389</u>	<u>\$ 48,137</u>	<u>\$ 467,526</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 23,881	\$ -	\$ 23,881
Total restricted assets	<u>\$ 23,881</u>	<u>\$ -</u>	<u>\$ 23,881</u>
Capital assets:			
Land	\$ 50,737	\$ -	\$ 50,737
Plants and lines in service	11,615,659	2,150,276	13,765,935
Buildings and improvements	115,823	-	115,823
Machinery and equipment	95,176	25,358	120,534
Less accumulated depreciation	(3,592,750)	(2,013,918)	(5,606,668)
Total capital assets	<u>\$ 8,284,645</u>	<u>\$ 161,716</u>	<u>\$ 8,446,361</u>
Total noncurrent assets	<u>\$ 8,308,526</u>	<u>\$ 161,716</u>	<u>\$ 8,470,242</u>
Total assets	<u>\$ 8,727,915</u>	<u>\$ 209,853</u>	<u>\$ 8,937,768</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 946	\$ 15,551	\$ 16,497
Customers' deposits	23,881	-	23,881
Accrued interest payable	406	-	406
Accrued liabilities	217	-	217
Revenue bonds payable - current portion	107,924	-	107,924
Capital lease - current portion	4,208	4,208	8,416
Total current liabilities	<u>\$ 137,582</u>	<u>\$ 19,759</u>	<u>\$ 157,341</u>
Noncurrent liabilities:			
Revenue bonds payable - net of current portion	\$ 4,040,258	\$ -	\$ 4,040,258
Capital lease - net of current portion	18,267	18,267	36,534
Total noncurrent liabilities	<u>\$ 4,058,525</u>	<u>\$ 18,267</u>	<u>\$ 4,076,792</u>
Total liabilities	<u>\$ 4,196,107</u>	<u>\$ 38,026</u>	<u>\$ 4,234,133</u>
NET POSITION			
Net investment in capital assets	\$ 4,113,988	\$ 139,241	\$ 4,253,229
Unrestricted	417,820	32,586	450,406
Total net position	<u>\$ 4,531,808</u>	<u>\$ 171,827</u>	<u>\$ 4,703,635</u>

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

Town of Buchanan, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Water and wastewater revenue	\$ 338,419	\$ 192,453	\$ 530,872
Penalties	13,348	-	13,348
Reconnect fees	2,040	-	2,040
Miscellaneous	5,256	2,500	7,756
Total operating revenues	<u>\$ 359,063</u>	<u>\$ 194,953</u>	<u>\$ 554,016</u>
OPERATING EXPENSES			
Salaries and wages	\$ 12,967	\$ 12,736	\$ 25,703
Utilities	16,404	23,008	39,412
Telecommunications	849	2,083	2,932
Operating contract	56,193	44,577	100,770
Repairs and maintenance	13,506	59,044	72,550
Permits	4,603	-	4,603
Operating supplies	19,354	830	20,184
Professional services	305	305	610
Sludge removal	-	4,030	4,030
Permits	-	200	200
Miscellaneous	11,320	-	11,320
Depreciation	321,924	42,890	364,814
Total operating expenses	<u>\$ 457,425</u>	<u>\$ 189,703</u>	<u>\$ 647,128</u>
Net operating income (loss)	<u>\$ (98,362)</u>	<u>\$ 5,250</u>	<u>\$ (93,112)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	\$ -	\$ 571	\$ 571
Interest expense	(81,726)	(83)	(81,809)
Total nonoperating revenues (expenses)	<u>\$ (81,726)</u>	<u>\$ 488</u>	<u>\$ (81,238)</u>
Income before transfers and capital contributions	<u>\$ (180,088)</u>	<u>\$ 5,738</u>	<u>\$ (174,350)</u>
Capital contributions	\$ -	\$ 11,486	\$ 11,486
Transfers out	(20,000)	(20,000)	(40,000)
Total transfers and capital contributions	<u>\$ (20,000)</u>	<u>\$ (8,514)</u>	<u>\$ (28,514)</u>
Change in net position	<u>\$ (200,088)</u>	<u>\$ (2,776)</u>	<u>\$ (202,864)</u>
Net position - beginning	4,731,896	174,603	4,906,499
Net position - ending	<u>\$ 4,531,808</u>	<u>\$ 171,827</u>	<u>\$ 4,703,635</u>

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

Town of Buchanan, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 357,250	\$ 196,911	\$ 554,161
Payments to suppliers	(130,616)	(127,101)	(257,717)
Payments to and for employees	(12,899)	(12,842)	(25,741)
Net cash provided by (used for) operating activities	<u>\$ 213,735</u>	<u>\$ 56,968</u>	<u>\$ 270,703</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	\$ (20,000)	\$ (20,000)	\$ (40,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	\$ (49,163)	\$ (40,581)	\$ (89,744)
Retirement of debt	(106,034)	-	(106,034)
Proceeds from indebtedness	22,475	22,475	44,950
Interest payments	(81,724)	(83)	(81,807)
Net cash provided by (used for) capital and related financing activities	<u>\$ (214,446)</u>	<u>\$ (18,189)</u>	<u>\$ (232,635)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	\$ -	\$ 571	\$ 571
Net increase (decrease) in cash and cash equivalents	\$ (20,711)	\$ 19,350	\$ (1,361)
Cash and cash equivalents - beginning (includes restricted cash of \$23,481)	424,583	-	424,583
Cash and cash equivalents - ending (includes restricted cash of \$23,881)	<u>\$ 403,872</u>	<u>\$ 19,350</u>	<u>\$ 423,222</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Net operating income (loss)	\$ (98,362)	\$ 5,250	\$ (93,112)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 321,924	\$ 42,890	\$ 364,814
(Increase) decrease in accounts receivable	(2,213)	1,958	(255)
Increase (decrease) in customer deposits	400	-	400
Increase (decrease) in operating accounts payable	(8,082)	6,976	(1,106)
Increase (decrease) in accrued liabilities	68	(106)	(38)
Total adjustments	<u>\$ 312,097</u>	<u>\$ 51,718</u>	<u>\$ 363,815</u>
Net cash provided by (used for) operating activities	<u>\$ 213,735</u>	<u>\$ 56,968</u>	<u>\$ 270,703</u>
Noncash investing, capital, and financing activities			
Prior (current) year capital contribution receivables	\$ -	\$ (11,486)	\$ (11,486)

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

TOWN OF BUCHANAN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AT JUNE 30, 2021

Note 1-Summary of Significant Accounting Policies:

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

A. Financial reporting entity:

Town of Buchanan, Virginia (the Town) is a municipal corporation governed by an elected seven-member Town Council, including the Mayor. The accompanying financial statements present the Town. Related organizations, if any, are described below.

Blended Component Units - None

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations - None

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 primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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*.

Note 1-Summary of Significant Accounting Policies: (continued)

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

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

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

The government reports the following major governmental funds:

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 other funds. All general tax revenue and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the general fund.

Note 1-Summary of Significant Accounting Policies: (continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (continued)

The government reports the following major proprietary funds:

The Town operates a sewage collection and treatment system and a water distribution system. The activities of these systems are accounted for in the water and wastewater funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's water and wastewater functions 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.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

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 operation 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. Under the current reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

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

1. Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Note 1-Summary of Significant Accounting Policies: (continued)

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

2. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes and personal property taxes are due and collectible annually on December 5th. The Town bills and collects its own property taxes.

3. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. For the year ended June 30, 2021, the allowance totaled \$18,380. This amount consisted of taxes due of \$3,828, water bills of \$6,313, sewer bills of \$6,165, and garbage bills of \$2,074.

4. Use of Estimates

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

5. Prepaid Items

Prepaid items are for payments made by the Town in the current fiscal year to provide services occurring in the subsequent fiscal year.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 AT JUNE 30, 2021

Note 1-Summary of Significant Accounting Policies: (continued)

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

6. Capital Assets (continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	15-25
Plants and lines in service	10-30
Machinery and equipment	5-10

7. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with current accounting standards, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The Town accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

8. Long-term Obligations

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

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

Note 1-Summary of Significant Accounting Policies: (continued)

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

9. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town's Retirement Plan's 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.

10. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted—consist of assets that are restricted by the Town's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

11. Net Position Flow Assumption

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

12. Fund Balance

Town of Buchanan, Virginia reports fund balance in accordance with current financial reporting standards. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Note 1-Summary of Significant Accounting Policies: (continued)

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

12. Fund Balance (continued)

- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

13. Deferred Outflows/Inflows of Resources

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

The remainder of this page left blank intentionally.

Note 1-Summary of Significant Accounting Policies: (continued)

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

13. Deferred Outflows/Inflows of Resources (continued)

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

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to May 1, the Town Treasurer submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The General fund has a legally adopted budget.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. Only the Town Council can revise the appropriation for the general fund. The Town Treasurer is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 2-Stewardship, Compliance, and Accountability: (continued)

A. Budgetary information (continued)

8. 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 applicable appropriations, is not part of the Town's accounting system.

B. Deficit fund balance

At June 30, 2021, there were no funds with deficit fund balance.

Note 3-Deposits and Investments:

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

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), 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). At year-end, the Town did not have any investments.

Note 4-Due from Other Governmental Units:

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

<u>Commonwealth of Virginia:</u>	
Noncategorical aid	\$ 3,398
Categorical aid	11,486
Total	<u>\$ 14,884</u>

TOWN OF BUCHANAN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 5-Interfund Obligations:

Interfund transfers for the year ended June 30, 2021 consisted of the following:

Fund	Transfer In	Transfer Out
General Fund	\$ 40,000	\$ -
Water Fund	-	20,000
Wastewater Fund	-	20,000
Total	\$ 40,000	\$ 40,000

Note 6-Long-term Obligations:

Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2021.

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Compensated absences	\$ 44,589	\$ 2,105	\$ (33,442)	\$ 13,252

Details of long-term obligations:

<u>Other Obligations:</u>	Total Amount	Amount Due Within One Year
Compensated absences	\$ 13,252	\$ 9,939

Business-type Activities Obligations:

The following is a summary of long-term obligation transactions of the Enterprise Funds for the year ended June 30, 2021.

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Direct Borrowings - Revenue bonds	\$ 4,254,216	\$ -	\$ (106,034)	\$ 4,148,182
Capital Lease	-	44,950	-	44,950
Total long-term obligations	\$ 4,254,216	\$ 44,950	\$ (106,034)	\$ 4,193,132

TOWN OF BUCHANAN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 6-Long-term Obligations: (continued)

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

Year Ending June 30,	Direct Borrowings - Revenue Bonds	
	Principal	Interest
2022	\$ 107,924	\$ 79,752
2023	109,853	77,823
2024	111,821	75,855
2025	113,830	73,846
2026	115,879	71,797
2027-2031	611,631	326,749
2032-2036	669,520	268,859
2037-2041	695,099	204,804
2042-2046	655,581	135,604
2047-2051	664,209	67,611
2052-2053	292,835	6,660
Totals	\$ 4,148,182	\$ 1,389,360

Events of Default:

The locality's revenue bonds are subject to the state aid intercept program. Under terms of the program, the Town's State aid is redirected to bond holders to cure any event(s) of default.

Details of long-term obligations:

<u>Direct Borrowings - Revenue Bonds</u>	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
\$348,875 revenue bond issued on August 1, 2010. The bond is non-interest bearing with principal payments of \$5,814.78 due on September 1st and March 1st of each year with a final payment due September 2037.	\$ 194,115	\$ 11,630
\$722,810 revenue bond issued on November 1, 2012. The bond bears interest at 1.50% with principal and interest payments of \$15,205.95 due on January 1st and July 1st of each year through July 2043.	554,446	21,446
\$3,811,300 revenue bond issued on July 29, 2013. The bond bears interest at 2.125% with interest only payments due annually for the first 2 years. After which principal and interest payments of \$12,197 due monthly through 2053.	3,399,621	74,848
Total Direct Borrowings - Revenue Bonds	\$ 4,148,182	\$ 107,924
Other Obligations:		
Capital Lease (Note 7)	\$ 44,950	\$ 8,416
Total long-term obligations	\$ 4,193,132	\$ 116,340

TOWN OF BUCHANAN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 AT JUNE 30, 2021

Note 7-Capital Lease:

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

The asset acquired through capital lease is as follows:

	Business-type Activities
Assets:	
Machinery and Equipment	\$ 44,785
Less: Accumulated depreciation	<u>(221)</u>
Total	<u>\$ 44,564</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2021, were as follows:

Year Ending June 30,	Business-type Activities
<u>2022</u>	\$ 9,752
2023	9,753
2024	9,753
2025	9,752
2026	<u>9,752</u>
Total minimum lease payments	\$ 48,762
Less: Amount representing interest	<u>(3,812)</u>
Present value of minimum lease payments	<u>\$ 44,950</u>

TOWN OF BUCHANAN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 AT JUNE 30, 2021

Note 8-Capital Assets:

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 86,900	\$ -	\$ -	\$ 86,900
Construction in progress	3,500	-	-	3,500
Total capital assets not being depreciated	<u>\$ 90,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,400</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 500,816	\$ -	\$ -	\$ 500,816
Machinery and equipment	193,235	2,967	-	196,202
Total capital assets being depreciated	<u>\$ 694,051</u>	<u>\$ 2,967</u>	<u>\$ -</u>	<u>\$ 697,018</u>
Accumulated depreciation:				
Buildings and improvements	\$ (286,316)	\$ (18,502)	\$ -	\$ (304,818)
Machinery and equipment	(169,158)	(9,602)	-	(178,760)
Total accumulated depreciation	<u>\$ (455,474)</u>	<u>\$ (28,104)</u>	<u>\$ -</u>	<u>\$ (483,578)</u>
Total capital assets being depreciated, net	<u>\$ 238,577</u>	<u>\$ (25,137)</u>	<u>\$ -</u>	<u>\$ 213,440</u>
Governmental activities capital assets, net	<u>\$ 328,977</u>	<u>\$ (25,137)</u>	<u>\$ -</u>	<u>\$ 303,840</u>

The remainder of this page is left blank intentionally.

TOWN OF BUCHANAN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 AT JUNE 30, 2021

Note 8-Capital Assets: (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 50,737	\$ -	\$ -	\$ 50,737
Total capital assets not being depreciated	<u>\$ 50,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,737</u>
Capital assets, being depreciated:				
Plants and lines in service	\$ 13,726,908	\$ 39,027	\$ -	\$ 13,765,935
Buildings and improvements	115,823	-	-	115,823
Machinery and equipment	69,817	50,717	-	120,534
Total capital assets being depreciated	<u>\$ 13,912,548</u>	<u>\$ 89,744</u>	<u>\$ -</u>	<u>\$ 14,002,292</u>
Accumulated depreciation:				
Plants and lines in service	\$ (5,066,145)	\$ (359,513)	\$ -	\$ (5,425,658)
Buildings and improvements	(113,904)	(165)	-	(114,069)
Machinery and equipment	(61,805)	(5,136)	-	(66,941)
Total accumulated depreciation	<u>\$ (5,241,854)</u>	<u>\$ (364,814)</u>	<u>\$ -</u>	<u>\$ (5,606,668)</u>
Total capital assets being depreciated, net	<u>\$ 8,670,694</u>	<u>\$ (275,070)</u>	<u>\$ -</u>	<u>\$ 8,395,624</u>
Business-type activities capital assets, net	<u>\$ 8,721,431</u>	<u>\$ (275,070)</u>	<u>\$ -</u>	<u>\$ 8,446,361</u>

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

Governmental activities:	
General governmental administration	\$ 2,222
Public safety	4,837
Public works	6,124
Parks, recreation, and cultural	14,598
Community development	323
Total depreciation expense-governmental activities	<u>\$ 28,104</u>
Business-type activities:	
Water	\$ 321,924
Sewer	42,890
Total depreciation expense-business-type activities	<u>\$ 364,814</u>

Note 9-Pension Plan:

Plan Description

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

Benefit Structures

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- 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, 2021 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 9-Pension Plan: (continued)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2019 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	0
Inactive members:	
Vested inactive members	0
Non-vested inactive members	0
Long-term disability (LTD)	0
Inactive members active elsewhere in VRS	<u>0</u>
Total inactive members	0
Active members	<u>6</u>
Total covered employees	<u>6</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 9-Pension Plan: (continued)

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2021 was 3.31% 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 of Buchanan were \$4,655 and \$5,411 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Asset

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Town of Buchanan, the net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town of Buchanan's Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 AT JUNE 30, 2021

Note 9-Pension Plan: (continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

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

Post-Disablement:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 AT JUNE 30, 2021

Note 9-Pension Plan: (continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019 the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 AT JUNE 30, 2021

Note 9-Pension Plan: (continued)**Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town of Buchanan was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, 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, 2020, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ -	\$ 1,355	\$ (1,355)
Changes for the year:			
Service cost	\$ 13,854	\$ -	\$ 13,854
Interest	-	-	-
Benefit changes	-	-	-
Differences between expected and actual experience	-	-	-
Assumption changes	-	-	-
Contributions - employer	-	5,411	(5,411)
Contributions - employee	-	9,955	(9,955)
Net investment income	-	255	(255)
Benefit payments, including refunds	-	-	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	9	(9)
Other changes	-	-	-
Net changes	\$ 13,854	\$ 15,630	\$ (1,776)
Balances at June 30, 2020	\$ 13,854	\$ 16,985	\$ (3,131)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 AT JUNE 30, 2021

Note 9-Pension Plan: (continued)

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

The following presents the net pension asset of the Town of Buchanan using the discount rate of 6.75%, as well as what the Town of Buchanan’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:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town of Buchanan's			
Net Pension Liability (Asset)	\$ (1,183)	\$ (3,131)	\$ (4,707)

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

For the year ended June 30, 2021, the Town of Buchanan recognized pension expense of \$3,360. At June 30, 2021, the Town of Buchanan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 311	\$ -
Employer contributions subsequent to the measurement date	4,655	-
Total	\$ 4,966	\$ -

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 AT JUNE 30, 2021

Note 9-Pension Plan: (continued)

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

\$4,655 reported as deferred outflows of resources related to pensions resulting from the Town of Buchanan’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. 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>		
2022	\$	80
2023		80
2024		80
2025		71
2026		-
Thereafter		-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 10-Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town participates with other localities in a public entity risk pool for their coverage of general liability, property, crime, machinery and auto insurance with the Virginia Municipal Liability Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Virginia Municipal Group contributions and assessments which are deposited into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available resources, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 AT JUNE 30, 2021

Note 11-Commitments and Contingencies:

Contingent Liabilities:

The Town entered a memorandum of understanding with Botetourt County to reimburse the County for debt service incurred to purchase a fire truck used by the local Fire Station. The County and Town have agreed to a reimbursement of \$10,000 per year. In fiscal year 2018 and going forward the Town expects to receive \$10,000 in state fire program funds and will use those grant funds to offset the \$10,000 reimbursement to the County until the fire truck debt has been fully satisfied.

Note 12-Deferred/Unavailable Revenue:

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

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 6,979
Assessments due in December 2021	174,091	174,091
Total deferred/unavailable revenue	\$ 174,091	\$ 181,070

Note 13-Litigation:

As of June 30, 2021, there were no matters of litigation involving the Town which would materially affect the Town’s financial position should a court decision on pending matters not be favorable.

Note 14-Subsequent Events and COVID-19 Pandemic:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Town, COVID-19 impacted various parts of its 2021 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.

Note 14-Subsequent Events and COVID-19 Pandemic: (Continued)

CARES Act Funding

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic, which included direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF).

Each locality received its CRF allocations based on population in two equal payments, with the second and final round of funding being received during fiscal year 2021. The Town received total CRF funding of \$12,959 from the Botetourt County, Virginia allocation during 2021.

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 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 2021 and the balance delivered approximately 12 months later.

On June 30, 2021, 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 \$349,862 from the initial allocation are reported as unearned revenue as of June 30.

Note 15-Upcoming Pronouncements:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2021

Note 15-Upcoming Pronouncements: (continued)

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

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

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

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans* - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

Required Supplementary Information

Town of Buchanan, Virginia
General Fund
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 165,877	\$ 165,877	\$ 179,852	\$ 13,975
Other local taxes	183,050	183,050	215,709	32,659
Permits, privilege fees, and regulatory licenses	3,450	3,450	4,759	1,309
Revenue from the use of money and property	5,600	5,600	4,759	(841)
Charges for services	86,600	86,600	93,149	6,549
Miscellaneous	70,000	70,000	33,460	(36,540)
Recovered costs	-	-	5,251	5,251
Intergovernmental:				
Commonwealth	59,273	59,273	64,871	5,598
Federal	30,000	30,000	34,843	4,843
Total revenues	\$ 603,850	\$ 603,850	\$ 636,653	\$ 32,803
EXPENDITURES				
Current:				
General government administration	\$ 251,620	\$ 251,620	\$ 283,788	\$ (32,168)
Public safety	50,000	50,000	42,954	7,046
Public works	228,440	228,440	246,339	(17,899)
Parks, recreation, and culture	19,960	19,960	50,795	(30,835)
Community development	63,830	63,830	118,319	(54,489)
Capital projects	30,000	30,000	7,659	22,341
Total expenditures	\$ 643,850	\$ 643,850	\$ 749,854	\$ (106,004)
Excess (deficiency) of revenues over (under) expenditures	\$ (40,000)	\$ (40,000)	\$ (113,201)	\$ (73,201)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
Total other financing sources (uses)	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
Net change in fund balance	\$ -	\$ -	\$ (73,201)	\$ (73,201)
Fund balance - beginning	-	-	945,264	945,264
Fund balance - ending	\$ -	\$ -	\$ 872,063	\$ 872,063

Town of Buchanan, Virginia
 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 Pension Plan
 For the Measurement Dates of June 30, 2019 and 2020

	2020	2019
Total pension liability:		
Service cost	\$ 13,854	\$ -
Net change in total pension liability	\$ 13,854	\$ -
Total pension liability - beginning	-	-
Total pension liability - ending (a)	\$ 13,854	\$ -
Plan fiduciary net position:		
Contributions - employer	\$ 5,411	\$ 522
Contributions - employee	9,955	829
Net investment income	255	2
Administrator charges	9	2
Net change in plan fiduciary net position	\$ 15,630	\$ 1,355
Plan fiduciary net position - beginning	1,355	-
Plan fiduciary net position - ending (b)	\$ 16,985	\$ 1,355
Town's net pension liability (asset) - ending (a) - (b)	\$ (3,131)	\$ (1,355)
Plan fiduciary net position as a percentage of the total pension liability	122.60%	N/A
Covered payroll	\$ 249,315	\$ 20,718
Town's net pension liability (asset) as a percentage of covered payroll	-1.26%	-6.54%

Schedule is intended to show information for 10 year. The Town joined VRS pension plan in June 2019. Additional years will be included as they become available.

Town of Buchanan, Virginia
 Schedule of Employer Contributions
 Pension Plan
 For the Years Ended June 30, 2019 through June 30, 2021

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)
2021	\$ 4,655	\$ 4,655	\$ -	\$ 251,752	1.85%
2020	5,411	5,411	-	249,315	2.17%
2019	522	522	-	20,718	2.52%

Schedule is intended to show information for 10 years. The Town joined VRS pension plan in June 2019. Additional years will be included as they become available.

Town of Buchanan, Virginia
Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2021

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

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

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

Other Supplementary Information

Town of Buchanan, Virginia
Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2021

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real estate taxes	\$ 151,100	151,100	\$ 160,352	\$ 9,252
Personal property taxes	12,777	12,777	16,571	3,794
Penalties and interest	2,000	2,000	2,929	929
Total general property taxes	<u>\$ 165,877</u>	<u>\$ 165,877</u>	<u>\$ 179,852</u>	<u>\$ 13,975</u>
Other local taxes:				
Local sales and use tax	\$ 40,000	\$ 40,000	\$ 53,999	\$ 13,999
Consumers' utility tax	19,000	19,000	24,110	5,110
Consumption tax	3,000	3,000	3,900	900
Business licenses	40,000	40,000	43,576	3,576
Vehicle fees	16,200	16,200	12,664	(3,536)
Bank franchise tax	30,300	30,300	52,359	22,059
Transient occupancy tax	2,000	2,000	4,214	2,214
Meals tax	32,550	32,550	20,887	(11,663)
Total other local taxes	<u>\$ 183,050</u>	<u>\$ 183,050</u>	<u>\$ 215,709</u>	<u>\$ 32,659</u>
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ -	\$ -	\$ 400	\$ 400
Zoning permits	250	250	100	(150)
Other Permits	200	200	-	(200)
Zoning Fees	500	500	1,850	1,350
Property Liens	2,500	2,500	2,409	(91)
Total permits, privilege fees, and regulatory licenses	<u>\$ 3,450</u>	<u>\$ 3,450</u>	<u>\$ 4,759</u>	<u>\$ 1,309</u>
Revenue from use of money and property:				
Revenue from the use of money	\$ 4,800	\$ 4,800	\$ 3,654	\$ (1,146)
Revenue from the use of property	800	800	1,105	305
Total revenue from use of money and property	<u>\$ 5,600</u>	<u>\$ 5,600</u>	<u>\$ 4,759</u>	<u>\$ (841)</u>
Charges for services:				
Garbage collection fees	\$ 86,600	\$ 86,600	\$ 93,149	\$ 6,549
Total charges for services	<u>\$ 86,600</u>	<u>\$ 86,600</u>	<u>\$ 93,149</u>	<u>\$ 6,549</u>
Miscellaneous:				
Gifts and donations	\$ -	\$ -	\$ 27,768	\$ 27,768
Carnival proceeds	70,000	70,000	5,623	(64,377)
Other event fees	-	-	69	69
Total miscellaneous	<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>\$ 33,460</u>	<u>\$ (36,540)</u>

Town of Buchanan, Virginia
Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2021

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (continued)				
Revenue from local sources: (continued)				
Recovered costs:				
County reimbursement of Carnival costs	\$ -	\$ -	\$ 5,251	\$ 5,251
Total recovered costs	\$ -	\$ -	\$ 5,251	\$ 5,251
Total revenue from local sources	\$ 514,577	\$ 514,577	\$ 536,939	\$ 22,362
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 3,350	\$ 3,350	\$ 3,225	\$ (125)
Personal property tax relief payments	11,608	11,608	11,608	-
Communications tax	2,650	2,650	2,150	(500)
Total noncategorical aid	\$ 17,608	\$ 17,608	\$ 16,983	\$ (625)
Categorical aid:				
Fire Program Funds	\$ 10,000	\$ 10,000	\$ 15,000	\$ 5,000
Aid to local police	31,665	31,665	32,888	1,223
Total categorical aid	\$ 41,665	\$ 41,665	\$ 47,888	\$ 6,223
Total revenue from the Commonwealth	\$ 59,273	\$ 59,273	\$ 64,871	\$ 5,598
Revenue from the federal government:				
Categorical aid:				
DHCD Revenue	\$ 30,000	\$ 30,000	\$ 27,000	\$ (3,000)
COVID-19 Coronavirus Relief Funds	-	-	7,843	7,843
Total categorical aid	\$ 30,000	\$ 30,000	\$ 34,843	\$ 4,843
Total revenue from the federal government	\$ 30,000	\$ 30,000	\$ 34,843	\$ 4,843
Total General Fund	\$ 603,850	\$ 603,850	\$ 636,653	\$ 32,803

Town of Buchanan, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2021

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Salaries and benefits	\$ 5,050	\$ 5,050	\$ 5,458	\$ (408)
Advertising	2,500	2,500	2,883	(383)
Conventions and education	1,000	1,000	143	857
Dues and memberships	2,000	2,000	3,576	(1,576)
Travel	250	250	71	179
Miscellaneous	100	100	871	(771)
Total Legislative	<u>\$ 10,900</u>	<u>\$ 10,900</u>	<u>\$ 13,002</u>	<u>\$ (2,102)</u>
General and financial administration:				
Legal Services	\$ 20,000	\$ 20,000	\$ 23,556	\$ (3,556)
Auditing	14,000	14,000	13,000	1,000
Town Manager:				
Salaries and benefits	62,590	62,590	92,845	(30,255)
Dues and memberships	750	750	100	650
Travel	850	850	230	620
Miscellaneous	500	500	-	500
Clerk/Treasurer:				
Salaries and benefits	112,680	112,680	112,612	68
Accounting services	11,000	11,000	10,065	935
Printing and binding	1,250	1,250	1,107	143
Advertising	800	800	-	800
Travel	200	200	215	(15)
Dues and memberships	300	300	1,007	(707)
Postal services	4,500	4,500	4,059	441
Telecommunications	3,100	3,100	3,589	(489)
Copy machine	3,250	3,250	3,146	104
Office supplies	4,500	4,500	4,672	(172)
Miscellaneous	450	450	583	(133)
Total general and financial administration	<u>\$ 240,720</u>	<u>\$ 240,720</u>	<u>\$ 270,786</u>	<u>\$ (30,066)</u>
Total general government administration	<u>\$ 251,620</u>	<u>\$ 251,620</u>	<u>\$ 283,788</u>	<u>\$ (32,168)</u>
Public safety:				
Law enforcement and traffic control:				
Purchase of service from County	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Total law enforcement and traffic control	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ -</u>
Fire and rescue services:				
Fire Department contributions	\$ 15,000	\$ 15,000	\$ 7,954	\$ 7,046
Total fire and rescue services	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 7,954</u>	<u>\$ 7,046</u>
Total public safety	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 42,954</u>	<u>\$ 7,046</u>

Town of Buchanan, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2021

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal				
Trash disposal	\$ 91,500	\$ 91,500	\$ 90,417	\$ 1,083
Total sanitation and waste removal	<u>\$ 91,500</u>	<u>\$ 91,500</u>	<u>\$ 90,417</u>	<u>\$ 1,083</u>
Maintenance of general buildings and grounds:				
Salaries and benefits	\$ 69,640	\$ 69,640	\$ 94,167	\$ (24,527)
Repairs and maintenance	10,000	10,000	4,326	5,674
Janitorial services	3,600	3,600	4,922	(1,322)
Heating fuel	3,000	3,000	2,033	967
Electricity	14,600	14,600	17,444	(2,844)
Telecommunications	3,500	3,500	3,567	(67)
Insurance	20,000	20,000	19,502	498
Uniforms and safety clothing	5,100	5,100	2,373	2,727
Repair and maintenance supplies	5,000	5,000	3,096	1,904
Vehicle and equipment fuel	2,500	2,500	4,492	(1,992)
Total maintenance of general buildings and grounds	<u>\$ 136,940</u>	<u>\$ 136,940</u>	<u>\$ 155,922</u>	<u>\$ (18,982)</u>
Total public works	<u>\$ 228,440</u>	<u>\$ 228,440</u>	<u>\$ 246,339</u>	<u>\$ (17,899)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Operating supplies	\$ -	\$ -	\$ 466	\$ (466)
Other Town events	-	-	11,185	(11,185)
Advertising	-	-	4,819	(4,819)
Carnival operations	19,960	19,960	8,429	11,531
Carnival utilities	-	-	1,785	(1,785)
Carnival repairs & capital	-	-	1,144	(1,144)
Remittance to Botetourt County	-	-	20,000	(20,000)
Capital outlay	-	-	2,967	(2,967)
Total parks, recreation, and cultural	<u>\$ 19,960</u>	<u>\$ 19,960</u>	<u>\$ 50,795</u>	<u>\$ (30,835)</u>
Community development:				
Community revitalization				
Salaries and benefits	\$ 60,250	\$ 60,250	\$ 87,334	\$ (27,084)
Advertising	1,580	1,580	6,379	(4,799)
Town flowers/baskets	2,000	2,000	1,750	250
Small business grants	-	-	22,856	(22,856)
Total community revitalization	<u>\$ 63,830</u>	<u>\$ 63,830</u>	<u>\$ 118,319</u>	<u>\$ (54,489)</u>
Total community development	<u>\$ 63,830</u>	<u>\$ 63,830</u>	<u>\$ 118,319</u>	<u>\$ (54,489)</u>

Town of Buchanan, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2021

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Capital projects:				
Town Hall Improvements	\$ -	\$ -	\$ 6,359	\$ (6,359)
Playground	-	-	1,300	(1,300)
Other capital projects	30,000	30,000	-	30,000
Total capital projects	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 7,659</u>	<u>\$ 22,341</u>
 Total General Fund	 <u>\$ 643,850</u>	 <u>\$ 643,850</u>	 <u>\$ 749,854</u>	 <u>\$ (106,004)</u>

COMPLIANCE SECTION



**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 Town Council of
Town of Buchanan, Virginia
Buchanan, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Buchanan, Virginia as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Town of Buchanan, Virginia's basic financial statements and have issued our report thereon dated January 18, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, as item 2021-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Buchanan, 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 Buchanan, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Famer, Cox Associates

Blacksburg, Virginia
January 18, 2022

Town of Buchanan, Virginia
Schedule of Findings and Responses
For the Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

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

Section II - Financial Statement Findings

Finding 2021-001

Condition:	The Town lacks proper segregation of duties over accounting records and related assets.
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.
Effect:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the Town's internal controls over financial reporting.
Cause of Condition:	The Town has limited staff and cannot justify the additional expense associated with hiring additional staff to alleviate the aforementioned condition.
Recommendation:	We recommend that the Town implement compensating controls to address this internal control weakness. Specifically we recommend that the Town have someone independent of the accounting function reconcile billings (water, sewer and taxes) to collections taking into account changes in receivable balances. In addition, we recommend that someone independent of the accounting process compare revenues and expenditures to documentation in support of same. We noted the Town hired a consultant to perform these reconciliations and while these compensating controls do not eliminate the condition, they do provide the Town with an ability to identify errors and omissions in the financial statements on an annual basis.
Management's Response:	Management will continue to perform the aforementioned compensating controls to address the auditors' concerns over the lack of segregation of duties. In addition, the Town will work to implement interim controls to mitigate this risk going forward.

Section III - Status of Prior Audit Findings

Finding 2020-001 is repeated in the current year as 2021-001.