

TOWN OF BUCHANAN, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

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INTRODUCTORY SECTION

TOWN OF BUCHANAN, VIRGINIA

TOWN COUNCIL

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

OTHER OFFICIALS

Jason Tyree..... Town Manager
Tina KingeryTown 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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2020 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension funding on pages 5-10, 44, and 45-47 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 December 21, 2020, 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
December 21, 2020

TOWN OF BUCHANAN, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

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, 2020. 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 \$4,906,499. This is a decrease of \$254,359. Net position of governmental activities totaled \$1,243,964 and represents a decrease of \$114,355 over the prior fiscal year.

During the year, the governmental activities of the Town had expenses of \$829,282 and program revenues of \$160,054 from charges for services and operating grants. The governmental activities of the Town generated \$554,873 in taxes and other general revenues. Total program and general revenues decreased by 10.4% from prior fiscal year.

In the Town's business-type activities, \$536,964 in revenues from charges for services were generated compared to \$515,853 in the prior year, while expenses totaled \$791,895.

The governmental activities reported a change in net position of (\$114,355) as compared to (\$79,260) during the prior year, mostly due to the decrease in local tax and event revenue as a result of the COVID-19 pandemic. The business-type activities reported a change in net position of (\$254,359) as compared to a (\$212,317) 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, 2020

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, 2020

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, 2019 and 2020.

	Table 1					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2020	2019	2020	2019	2020
Current Assets	\$ 1,239,556	\$ 1,181,938	\$ 526,325	\$ 481,027	\$ 1,765,881	\$ 1,662,965
Capital Assets	349,694	328,977	9,034,942	8,721,431	9,384,636	9,050,408
Total Assets	1,589,250	1,510,915	9,561,267	9,202,458	11,150,517	10,713,373
Deferred Outflows of Resources	-	5,447	-	-	-	5,447
Current Liabilities	59,202	85,906	146,197	41,743	205,399	127,649
Long-term Liabilities	4,837	11,147	4,254,212	4,254,216	4,259,049	4,265,363
Total Liabilities	64,039	97,053	4,400,409	4,295,959	4,464,448	4,393,012
Deferred Inflows of Resources	166,892	175,345	-	-	166,892	175,345
Net Position:						
Net Investment in Capital Assets	349,694	328,977	4,676,549	4,467,215	5,026,243	4,796,192
Unrestricted	1,008,625	914,987	484,309	439,284	1,492,934	1,354,271
Total Net Position	\$ 1,358,319	\$ 1,243,964	\$ 5,160,858	\$ 4,906,499	\$ 6,519,177	\$ 6,150,463

TOWN OF BUCHANAN, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

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	
	2019	2020	2019	2020	2019	2020
Charges for Services	\$ 82,605	\$ 91,268	\$ 515,853	\$ 536,964	\$ 598,458	\$ 628,232
Operating Grants/Contributions	41,656	68,786	-	-	41,656	68,786
Program Revenues	124,261	160,054	515,853	536,964	640,114	697,018
Taxes	385,992	342,238	-	-	385,992	342,238
Interest Income	9,128	5,752	569	572	9,697	6,324
Miscellaneous	206,539	189,626	-	-	206,539	189,626
Grants not restricted to program	17,416	17,257	-	-	17,416	17,257
General Revenues	619,075	554,873	569	572	619,644	555,445
Transfers	(26,364)	-	26,364	-	-	-
Total Revenues and Transfers	716,972	714,927	542,786	537,536	1,259,758	1,252,463
General Government	273,042	298,734	-	-	273,042	298,734
Public Safety	64,269	62,832	-	-	64,269	62,832
Public Works	256,138	237,588	-	-	256,138	237,588
Parks, Recreation, Cultural	134,640	95,119	-	-	134,640	95,119
Community Development	68,143	135,009	-	-	68,143	135,009
Water and Wastewater	-	-	755,103	791,895	755,103	791,895
Total Expenses	796,232	829,282	755,103	791,895	1,551,335	1,621,177
Change in Net Position	(79,260)	(114,355)	(212,317)	(254,359)	(291,577)	(368,714)
Beginning Net Position	1,437,579	1,358,319	5,373,175	5,160,858	6,810,754	6,519,177
Ending Net Position	\$ 1,358,319	\$ 1,243,964	\$ 5,160,858	\$ 4,906,499	\$ 6,519,177	\$ 6,150,463

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

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 \$945,264 as compared to \$978,899 last year. The net change in total General fund balance was (\$33,635) which is attributed to a decline in local taxes and event revenue as a result of COVID-19 and an expected use of fund balance. The ending fund balance is comprised of all 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 \$4,906,499 which was comprised of \$4,467,215 net investment in capital assets and unrestricted of \$439,284.

General Fund Budgetary Highlights

The General fund exceeded its revenue projection by \$17,005 mostly due to receipt of unbudgeted grant funds of \$19,843, sales tax and bank franchise taxes that exceeded expectations, and meals tax and lodging taxes that failed to meet their budgeted amount due to COVID-19 impacts. The General fund was over its expenditure projection by \$23,390 due to unbudgeted increases to fringe benefits for retirement and health insurance and unbudgeted contributions of pass-through grants during the fiscal year. The Town's fiscal year 2020 General fund budget included support from the water and sewer funds of \$27,250.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2020 is \$328,977 (net of accumulated depreciation) which is a decrease of \$20,717. The investment in capital assets for its business-type activities is \$8,721,431, a decrease of \$313,511. 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, 2020

Long-term Obligations

At the end of the fiscal year, the Town had the following outstanding obligations for business-type activities:

	Balance July 1, 2019	Issuances	Retirements	Balance June 30, 2020
Direct Borrowings - Revenue Bonds	\$ 4,358,393	\$ -	\$ (104,177)	\$ 4,254,216
Total	<u>\$ 4,358,393</u>	<u>\$ -</u>	<u>\$ (104,177)</u>	<u>\$ 4,254,216</u>

The outstanding obligations for governmental activities at June 30, 2020 are as follows:

	Balance July 1, 2019	Issuances	Retirements	Balance June 30, 2020
Compensated absences	\$ 19,350	\$ 39,752	\$ (14,513)	\$ 44,589
Total	<u>\$ 19,350</u>	<u>\$ 39,752</u>	<u>\$ (14,513)</u>	<u>\$ 44,589</u>

Economic Factors and Next Year's Budget and Rates

Town of Buchanan has continued our strong financial management even during a national pandemic (COVID-19). As the pandemic continues the Town will adjust economic factors accordingly. We do anticipate several capital projects this fiscal year and next. We have received a grant for an engineering report for the Town's sewer system. We expect this report to transition into a larger USDA grant in late 2021. The Town has not increased town tax rates this fiscal year. Sewer and garbage collection rates were increased during fiscal year 2020. The Town continues to invest in improvements to the Town Park, Swinging Bridge Park and expects to use grant funds wherever appropriate. The 2021-2022 fiscal year budget should follow current trends.

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, 2020

	Primary Government		
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 946,787	\$ 401,102	\$ 1,347,889
Receivables (net of allowance for uncollectibles):			
Taxes receivable	183,290	-	183,290
Accounts receivable	23,393	56,444	79,837
Due from other governmental units	6,874	-	6,874
Prepaid items	20,239	-	20,239
Restricted assets:			
Cash and cash equivalents	-	23,481	23,481
Other assets:			
Net pension asset	1,355	-	1,355
Capital assets (net of accumulated depreciation):			
Land	86,900	50,737	137,637
Buildings and improvements	214,500	1,703	216,203
Machinery and equipment	24,077	276	24,353
Plants and lines in service	-	8,668,715	8,668,715
Construction in progress	3,500	-	3,500
Total assets	<u>\$ 1,510,915</u>	<u>\$ 9,202,458</u>	<u>\$ 10,713,373</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 5,447	\$ -	\$ 5,447
LIABILITIES			
Accounts payable	\$ 20,089	\$ 17,603	\$ 37,692
Accrued liabilities	5,375	255	5,630
Customers' deposits	-	23,481	23,481
Accrued interest payable	-	404	404
Unearned grant revenue	27,000	-	27,000
Long-term liabilities:			
Due within one year	33,442	106,033	139,475
Due in more than one year	11,147	4,148,183	4,159,330
Total liabilities	<u>\$ 97,053</u>	<u>\$ 4,295,959</u>	<u>\$ 4,393,012</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 175,345	\$ -	\$ 175,345
NET POSITION			
Net investment in capital assets	\$ 328,977	\$ 4,467,215	\$ 4,796,192
Unrestricted	914,987	439,284	1,354,271
Total net position	<u>\$ 1,243,964</u>	<u>\$ 4,906,499</u>	<u>\$ 6,150,463</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, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government	
			Grants and Contributions	Capital Contributions		Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 298,734	\$ -	\$ 151	\$ -	\$ (298,583)	\$ -	\$ (298,583)
Public safety	62,832	2,574	44,292	-	(15,966)	-	(15,966)
Public works	237,588	88,694	1,843	-	(147,051)	-	(147,051)
Parks, recreation, and cultural	95,119	-	4,500	-	(90,619)	-	(90,619)
Community development	135,009	-	18,000	-	(117,009)	-	(117,009)
Total governmental activities	\$ 829,282	\$ 91,268	\$ 68,786	\$ -	\$ (669,228)	\$ -	\$ (669,228)
Business-type activities:							
Water	\$ 569,978	\$ 371,582	\$ -	\$ -	\$ -	(198,396)	\$ (198,396)
Wastewater	221,917	165,382	-	-	-	(56,535)	(56,535)
Total business-type activities	\$ 791,895	\$ 536,964	\$ -	\$ -	\$ -	(254,931)	\$ (254,931)
Total primary government	\$ 1,621,177	\$ 628,232	\$ 68,786	\$ -	\$ (669,228)	\$ (254,931)	\$ (924,159)
General revenues:							
General property taxes					\$ 127,842	\$ -	\$ 127,842
Other local taxes:							
Local sales and use tax					51,019	-	51,019
Consumers' utility tax					23,649	-	23,649
Consumption tax					3,742	-	3,742
Business licenses					48,337	-	48,337
Vehicle fees					16,826	-	16,826
Bank franchise tax					40,443	-	40,443
Transient occupancy tax					1,941	-	1,941
Meals tax					28,439	-	28,439
Unrestricted revenues from use of money and property					5,752	572	6,324
Miscellaneous					189,626	-	189,626
Grants and contributions not restricted to specific programs					17,257	-	17,257
Total general revenues					\$ 554,873	\$ 572	\$ 555,445
Change in net position					\$ (114,355)	\$ (254,359)	\$ (368,714)
Net position - beginning					1,358,319	5,160,858	6,519,177
Net position - ending					\$ 1,243,964	\$ 4,906,499	\$ 6,150,463

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

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

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 946,787
Receivables (net of allowance for uncollectibles):	
Taxes receivable	183,290
Accounts receivable	23,393
Due from other governmental units	6,874
Prepaid items	20,239
Total assets	<u>\$ 1,180,583</u>
LIABILITIES	
Accounts payable	\$ 20,089
Accrued liabilities	5,375
Unearned grant revenue	27,000
Total liabilities	<u>\$ 52,464</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	<u>\$ 182,855</u>
FUND BALANCES	
Nonspendable - prepaid items	\$ 20,239
Unassigned	925,025
Total fund balances	<u>\$ 945,264</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,180,583</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, 2020

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

Fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	\$	945,264
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	86,900	
Buildings and improvements		214,500	
Machinery and equipment		24,077	
Construction in progress		3,500	328,977

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

Net pension asset	\$	1,355	
Unavailable revenue - property taxes		7,510	8,865

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

Pension related items	5,447
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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	(44,589)
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Net position of governmental activities	\$ 1,243,964
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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, 2020

	<u>General</u>
REVENUES	
General property taxes	\$ 169,408
Other local taxes	214,396
Permits, privilege fees, and regulatory licenses	2,574
Revenue from the use of money and property	5,752
Charges for services	88,694
Miscellaneous	189,626
Intergovernmental:	
Commonwealth	66,200
Federal	19,843
Total revenues	<u>\$ 756,493</u>
EXPENDITURES	
Current:	
General government administration	\$ 298,884
Public safety	57,995
Public works	237,025
Parks, recreation, and cultural	82,353
Community development	112,259
Capital projects	1,612
Total expenditures	<u>\$ 790,128</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (33,635)</u>
Net change in fund balance	\$ (33,635)
Fund balance - beginning	978,899
Fund balance - ending	<u><u>\$ 945,264</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, 2020

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

Net change in fund balance - governmental fund	\$	(33,635)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded capital outlays in the current period.

Capital outlays	\$ 10,400	
Depreciation expense	<u>(28,772)</u>	(18,372)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(2,345)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Increase (decrease) in unavailable revenue - property taxes		(41,566)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(Increase) decrease in compensated absences	\$ (25,239)	
Change in net pension asset and related deferred items	<u>6,802</u>	(18,437)

Change in net position of governmental activities	\$	<u><u>(114,355)</u></u>
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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, 2020

	Enterprise Funds		
	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 401,102	\$ -	\$ 401,102
Accounts receivable, net of allowances for uncollectibles	37,185	19,259	56,444
Total current assets	<u>\$ 438,287</u>	<u>\$ 19,259</u>	<u>\$ 457,546</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 23,481	\$ -	\$ 23,481
Total restricted assets	<u>\$ 23,481</u>	<u>\$ -</u>	<u>\$ 23,481</u>
Capital assets:			
Plants and lines in service	\$ 11,591,855	\$ 2,135,053	\$ 13,726,908
Buildings and improvements	115,823	-	115,823
Machinery and equipment	69,817	-	69,817
Less accumulated depreciation	(3,270,826)	(1,971,028)	(5,241,854)
Land	50,737	-	50,737
Total capital assets	<u>\$ 8,557,406</u>	<u>\$ 164,025</u>	<u>\$ 8,721,431</u>
Total noncurrent assets	<u>\$ 8,580,887</u>	<u>\$ 164,025</u>	<u>\$ 8,744,912</u>
Total assets	<u>\$ 9,019,174</u>	<u>\$ 183,284</u>	<u>\$ 9,202,458</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 9,028	\$ 8,575	\$ 17,603
Customers' deposits	23,481	-	23,481
Accrued interest payable	404	-	404
Accrued liabilities	149	106	255
Revenue bonds payable - current portion	106,033	-	106,033
Total current liabilities	<u>\$ 139,095</u>	<u>\$ 8,681</u>	<u>\$ 147,776</u>
Noncurrent liabilities:			
Revenue bonds payable - net of current portion	\$ 4,148,183	\$ -	\$ 4,148,183
Total noncurrent liabilities	<u>\$ 4,148,183</u>	<u>\$ -</u>	<u>\$ 4,148,183</u>
Total liabilities	<u>\$ 4,287,278</u>	<u>\$ 8,681</u>	<u>\$ 4,295,959</u>
NET POSITION			
Net investment in capital assets	\$ 4,303,190	\$ 164,025	\$ 4,467,215
Unrestricted	428,706	10,578	439,284
Total net position	<u>\$ 4,731,896</u>	<u>\$ 174,603</u>	<u>\$ 4,906,499</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, 2020

	Enterprise Funds		
	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Water and wastewater revenue	\$ 343,540	\$ 164,219	\$ 507,759
Penalties	23,819	-	23,819
Reconnect fees	3,900	-	3,900
Miscellaneous	323	1,163	1,486
Total operating revenues	<u>\$ 371,582</u>	<u>\$ 165,382</u>	<u>\$ 536,964</u>
OPERATING EXPENSES			
Salaries and wages	\$ 17,094	\$ 15,075	\$ 32,169
Utilities	17,798	23,455	41,253
Telecommunications	1,157	2,427	3,584
Operating contract	66,896	50,156	117,052
Repairs and maintenance	32,648	82,972	115,620
Permits	4,539	-	4,539
Operating supplies	17,299	3,653	20,952
Professional services	112	112	224
Sludge removal	-	7,578	7,578
Permits	-	90	90
Miscellaneous	75	164	239
Depreciation	328,870	36,235	365,105
Total operating expenses	<u>\$ 486,488</u>	<u>\$ 221,917</u>	<u>\$ 708,405</u>
Net operating income (loss)	<u>\$ (114,906)</u>	<u>\$ (56,535)</u>	<u>\$ (171,441)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	\$ -	\$ 572	\$ 572
Interest expense	(83,490)	-	(83,490)
Total nonoperating revenues (expenses)	<u>\$ (83,490)</u>	<u>\$ 572</u>	<u>\$ (82,918)</u>
Income before transfers	<u>\$ (198,396)</u>	<u>\$ (55,963)</u>	<u>\$ (254,359)</u>
Transfers in	\$ -	\$ 20,212	\$ 20,212
Transfers out	(20,212)	-	(20,212)
Total transfers	<u>\$ (20,212)</u>	<u>\$ 20,212</u>	<u>\$ -</u>
Change in net position	<u>\$ (218,608)</u>	<u>\$ (35,751)</u>	<u>\$ (254,359)</u>
Net position - beginning	4,950,504	210,354	5,160,858
Net position - ending	<u>\$ 4,731,896</u>	<u>\$ 174,603</u>	<u>\$ 4,906,499</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, 2020

	Enterprise Funds		
	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 369,059	\$ 173,846	\$ 542,905
Payments to suppliers	(140,224)	(170,411)	(310,635)
Payments to and for employees	(17,034)	(14,969)	(32,003)
Net cash provided by (used for) operating activities	<u>\$ 211,801</u>	<u>\$ (11,534)</u>	<u>\$ 200,267</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	\$ (20,212)	\$ 20,212	\$ -
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	\$ (42,344)	\$ (9,250)	\$ (51,594)
Retirement of debt	(104,177)	-	(104,177)
Interest payments	(83,499)	-	(83,499)
Net cash provided by (used for) capital and related financing activities	<u>\$ (230,020)</u>	<u>\$ (9,250)</u>	<u>\$ (239,270)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	\$ -	\$ 572	\$ 572
Net increase (decrease) in cash and cash equivalents	\$ (38,431)	\$ -	\$ (38,431)
Cash and cash equivalents - beginning (includes restricted cash of \$24,407)	463,014	-	463,014
Cash and cash equivalents - ending (includes restricted cash of \$23,481)	<u>\$ 424,583</u>	<u>\$ -</u>	<u>\$ 424,583</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Net operating income (loss)	\$ (114,906)	\$ (56,535)	\$ (171,441)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 328,870	\$ 36,235	\$ 365,105
(Increase) decrease in accounts receivable	(1,597)	8,464	6,867
Increase (decrease) in customer deposits	(926)	-	(926)
Increase (decrease) in operating accounts payable	300	196	496
Increase (decrease) in accrued liabilities	60	106	166
Total adjustments	<u>\$ 326,707</u>	<u>\$ 45,001</u>	<u>\$ 371,708</u>
Net cash provided by (used for) operating activities	<u>\$ 211,801</u>	<u>\$ (11,534)</u>	<u>\$ 200,267</u>

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, 2020

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*.

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

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.

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

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.

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

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, 2020, the allowance totaled \$21,355. This amount consisted of taxes due of \$6,197, water bills of \$8,795, sewer bills of \$4,075, and garbage bills of \$2,288.

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, 2020

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.

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

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

10. 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;

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

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.

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

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. 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).
8. Appropriations lapse on June 30, for all Town units.

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

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

A. Budgetary information (continued)

9. 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, 2020, 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	\$ 6,874

TOWN OF BUCHANAN, VIRGINIA

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

Note 5-Interfund Obligations:

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Water Fund	\$ -	\$ 20,212
Wastewater Fund	20,212	-
Total	\$ 20,212	\$ 20,212

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, 2020.

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
Compensated absences	\$ 19,350	\$ 39,752	\$ (14,513)	\$ 44,589

Details of long-term obligations:

<u>Other Obligations:</u>	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Compensated absences	\$ 44,589	\$ 33,442

Business-type Activities Obligations:

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

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
Direct Borrowings - Revenue bonds	\$ 4,358,393	\$ -	\$ (104,177)	\$ 4,254,216

TOWN OF BUCHANAN, VIRGINIA

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

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
2021	\$ 106,033	\$ 81,643
2022	107,924	79,752
2023	109,853	77,823
2024	111,821	75,855
2025	113,830	73,846
2026-2030	600,739	337,641
2031-2035	657,469	280,910
2036-2040	693,393	218,139
2041-2045	671,520	149,347
2046-2050	650,256	81,564
2051-2053	431,378	14,482
Totals	<u>\$ 4,254,216</u>	<u>\$ 1,471,002</u>

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.	\$ 205,744	\$ 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.	575,574	21,127
\$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.	3,472,898	73,276
Total Direct Borrowings - Revenue Bonds	<u>\$ 4,254,216</u>	<u>\$ 106,033</u>

TOWN OF BUCHANAN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2020**Note 7-Capital Assets:**

Capital asset activity for the year ended June 30, 2020 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	208,820	10,400	(25,985)	193,235
Total capital assets being depreciated	<u>\$ 709,636</u>	<u>\$ 10,400</u>	<u>\$ (25,985)</u>	<u>\$ 694,051</u>
Accumulated depreciation:				
Buildings and improvements	\$ (267,245)	\$ (19,071)	\$ -	\$ (286,316)
Machinery and equipment	(183,097)	(9,701)	23,640	(169,158)
Total accumulated depreciation	<u>\$ (450,342)</u>	<u>\$ (28,772)</u>	<u>\$ 23,640</u>	<u>\$ (455,474)</u>
Total capital assets being depreciated, net	<u>\$ 259,294</u>	<u>\$ (18,372)</u>	<u>\$ (2,345)</u>	<u>\$ 238,577</u>
Governmental activities capital assets, net	<u>\$ 349,694</u>	<u>\$ (18,372)</u>	<u>\$ (2,345)</u>	<u>\$ 328,977</u>

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TOWN OF BUCHANAN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2020**Note 7-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	\$ 50,737	\$ -	\$ -	\$ 50,737
Capital assets, being depreciated:				
Plants and lines in service	\$ 13,675,314	\$ 51,594	\$ -	\$ 13,726,908
Buildings and improvements	115,823	-	-	115,823
Machinery and equipment	69,817	-	-	69,817
Total capital assets being depreciated	\$ 13,860,954	\$ 51,594	\$ -	\$ 13,912,548
Accumulated depreciation:				
Plants and lines in service	\$ (4,697,737)	\$ (360,456)	\$ -	\$ (5,058,193)
Buildings and improvements	(113,955)	(165)	-	(114,120)
Machinery and equipment	(65,057)	(4,484)	-	(69,541)
Total accumulated depreciation	\$ (4,876,749)	\$ (365,105)	\$ -	\$ (5,241,854)
Total capital assets being depreciated, net	\$ 8,984,205	\$ (313,511)	\$ -	\$ 8,670,694
Business-type activities capital assets, net	\$ 9,034,942	\$ (313,511)	\$ -	\$ 8,721,431

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

Governmental activities:

General governmental administration	\$ 3,351
Public safety	4,837
Public works	5,494
Parks, recreation, and culture	14,766
Community development	324
Total depreciation expense-governmental activities	\$ 28,772

Business-type activities:

Water	\$ 328,870
Sewer	36,235
Total depreciation expense-business-type activities	\$ 365,105

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

Note 8-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 hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

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

Note 8-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, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	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>0</u>
Total covered employees	<u><u>0</u></u>

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

Note 8-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, 2020 was 3.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$5,411 for the year ended June 30, 2020.

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, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to the measurement date of June 30, 2019.

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, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

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

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

Note 8-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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

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

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

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

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

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

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

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

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

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ -	\$ -	\$ -
Changes for the year:			
Service cost	\$ -	\$ -	\$ -
Interest	-	-	-
Benefit changes	-	-	-
Differences between expected and actual experience	-	-	-
Assumption changes	-	-	-
Contributions - employer	-	522	(522)
Contributions - employee	-	829	(829)
Net investment income	-	2	(2)
Benefit payments, including refunds	-	-	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	2	(2)
Other changes	-	-	-
Net changes	\$ -	\$ 1,355	\$ (1,355)
Balances at June 30, 2019	\$ -	\$ 1,355	\$ (1,355)

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

Note 8-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)	\$ (1,355)	\$ (1,355)	\$ (1,355)

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

For the year ended June 30, 2020, the Town of Buchanan recognized pension expense of \$(869). At June 30, 2020, 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	\$ 36	\$ -
Employer contributions subsequent to the measurement date	5,411	-
Total	\$ 5,447	\$ -

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

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

\$5,411 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, 2021. 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>		
2021	\$	9
2022		9
2023		9
2024		9
2025		-
Thereafter		-

Pension Plan Data

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

Note 9-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, 2020

Note 10-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 11-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	\$ -	\$ 7,510
Assessments due in December 2020	175,345	175,345
Total deferred/unavailable revenue	\$ 175,345	\$ 182,855

Note 12-Litigation:

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

Note 13-Upcoming Pronouncements:

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

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

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

Note 13-Upcoming Pronouncements: (continued)

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

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

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

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

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.

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

Note 13-Upcoming Pronouncements: (continued)

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

Note 14-Subsequent Events:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. The Town is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
General property taxes	\$ 165,725	\$ 165,725	\$ 169,408	\$ 3,683
Other local taxes	212,100	212,100	214,396	2,296
Permits, privilege fees, and regulatory licenses	4,500	4,500	2,574	(1,926)
Revenue from the use of money and property	5,600	5,600	5,752	152
Charges for services	86,600	86,600	88,694	2,094
Miscellaneous	196,950	196,950	189,626	(7,324)
Intergovernmental:				
Commonwealth	68,013	68,013	66,200	(1,813)
Federal	-	-	19,843	19,843
Total revenues	<u>\$ 739,488</u>	<u>\$ 739,488</u>	<u>\$ 756,493</u>	<u>\$ 17,005</u>
EXPENDITURES				
Current:				
General government administration	\$ 286,552	\$ 286,552	\$ 298,884	\$ (12,332)
Public safety	57,500	57,500	57,995	(495)
Public works	215,650	215,650	237,025	(21,375)
Parks, recreation, and culture	113,100	113,100	82,353	30,747
Community development	84,100	84,100	112,259	(28,159)
Capital projects	9,836	9,836	1,612	8,224
Total expenditures	<u>\$ 766,738</u>	<u>\$ 766,738</u>	<u>\$ 790,128</u>	<u>\$ (23,390)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (27,250)</u>	<u>\$ (27,250)</u>	<u>\$ (33,635)</u>	<u>\$ (6,385)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 27,250</u>	<u>\$ 27,250</u>	<u>\$ -</u>	<u>\$ (27,250)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (33,635)</u>	<u>\$ (33,635)</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>978,899</u>	<u>978,899</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 945,264</u></u>	<u><u>\$ 945,264</u></u>

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

	<u>2019</u>
Total pension liability:	
Service cost	\$ -
Interest	-
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payment	-
Net change in total pension liability	\$ -
Total pension liability - beginning	-
Total pension liability - ending (a)	\$ -
 Plan fiduciary net position:	
Contributions - employer	\$ 522
Contributions - employee	829
Net investment income	2
Benefit payments	-
Administrator charges	2
Other	-
Net change in plan fiduciary net position	\$ 1,355
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	\$ 1,355
 Town's net pension liability (asset) - ending (a) - (b)	\$ (1,355)
 Plan fiduciary net position as a percentage of the total pension liability	 N/A
 Covered payroll	 \$ 20,718
 Town's net pension liability (asset) as a percentage of covered payroll	 -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, 2020 and June 30, 2019

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
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, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on 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, 2020

Schedule 1
Page 1 of 2

<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	\$ 154,147	\$ 3,047
Personal property taxes	13,025	13,025	12,454	(571)
Penalties and interest	1,600	1,600	2,807	1,207
Total general property taxes	<u>\$ 165,725</u>	<u>\$ 165,725</u>	<u>\$ 169,408</u>	<u>\$ 3,683</u>
Other local taxes:				
Local sales and use tax	\$ 45,000	\$ 45,000	\$ 51,019	\$ 6,019
Consumers' utility tax	23,700	23,700	23,649	(51)
Consumption tax	3,700	3,700	3,742	42
Business licenses	45,500	45,500	48,337	2,837
Vehicle fees	16,200	16,200	16,826	626
Bank franchise tax	35,000	35,000	40,443	5,443
Transient occupancy tax	3,000	3,000	1,941	(1,059)
Meals tax	40,000	40,000	28,439	(11,561)
Total other local taxes	<u>\$ 212,100</u>	<u>\$ 212,100</u>	<u>\$ 214,396</u>	<u>\$ 2,296</u>
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ -	\$ -	\$ 200	\$ 200
Zoning permits	800	800	475	(325)
Other Permits	700	700	-	(700)
Zoning Fees	500	500	-	(500)
Property Liens	2,500	2,500	1,899	(601)
Total permits, privilege fees, and regulatory licenses	<u>\$ 4,500</u>	<u>\$ 4,500</u>	<u>\$ 2,574</u>	<u>\$ (1,926)</u>
Revenue from use of money and property:				
Revenue from the use of money	\$ 4,800	\$ 4,800	\$ 4,907	\$ 107
Revenue from the use of property	800	800	845	45
Total revenue from use of money and property	<u>\$ 5,600</u>	<u>\$ 5,600</u>	<u>\$ 5,752</u>	<u>\$ 152</u>
Charges for services:				
Garbage collection fees	\$ 86,600	\$ 86,600	\$ 88,694	\$ 2,094
Total charges for services	<u>\$ 86,600</u>	<u>\$ 86,600</u>	<u>\$ 88,694</u>	<u>\$ 2,094</u>
Miscellaneous:				
Gifts and donations	\$ 9,300	\$ 9,300	\$ 6,696	\$ (2,604)
Carnival proceeds	140,000	140,000	137,474	(2,526)
Other event fees	47,650	47,650	45,456	(2,194)
Total miscellaneous	<u>\$ 196,950</u>	<u>\$ 196,950</u>	<u>\$ 189,626</u>	<u>\$ (7,324)</u>
Total revenue from local sources	<u>\$ 671,475</u>	<u>\$ 671,475</u>	<u>\$ 670,450</u>	<u>\$ (1,025)</u>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 4,100	\$ 4,100	\$ 3,283	\$ (817)
Personal property tax relief payments	11,608	11,608	11,609	1
Communications tax	2,650	2,650	2,365	(285)
Total noncategorical aid	<u>\$ 18,358</u>	<u>\$ 18,358</u>	<u>\$ 17,257</u>	<u>\$ (1,101)</u>
Categorical aid:				
Fire Program Funds	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Dept of Forestry Grant	3,000	3,000	1,404	(1,596)
VA Commission Arts Grant	5,000	5,000	4,500	(500)
VDOT Revenue	-	-	151	151
Aid to local police	31,655	31,655	32,888	1,233
Total categorical aid	<u>\$ 49,655</u>	<u>\$ 49,655</u>	<u>\$ 48,943</u>	<u>\$ (712)</u>
Total revenue from the Commonwealth	<u>\$ 68,013</u>	<u>\$ 68,013</u>	<u>\$ 66,200</u>	<u>\$ (1,813)</u>
Revenue from the federal government:				
Categorical aid:				
DHCD Revenue	\$ -	\$ -	\$ 18,000	\$ 18,000
COVID-19 Coronavirus Relief Funds	-	-	1,843	1,843
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,843</u>	<u>\$ 19,843</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,843</u>	<u>\$ 19,843</u>
Total General Fund	<u>\$ 739,488</u>	<u>\$ 739,488</u>	<u>\$ 756,493</u>	<u>\$ 17,005</u>

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

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Salaries and benefits	\$ 2,640	\$ 2,640	\$ 4,151	\$ (1,511)
Advertising	2,500	2,500	4,160	(1,660)
Conventions and education	1,000	1,000	1,726	(726)
Dues and memberships	2,500	2,500	3,062	(562)
Travel	250	250	276	(26)
Miscellaneous	100	100	1,398	(1,298)
Total Legislative	<u>\$ 8,990</u>	<u>\$ 8,990</u>	<u>\$ 14,773</u>	<u>\$ (5,783)</u>
General and financial administration:				
Legal Services	\$ 25,000	\$ 25,000	\$ 27,508	\$ (2,508)
Auditing	12,500	12,500	12,600	(100)
Town Manager:				
Salaries and benefits	58,900	58,900	91,285	(32,385)
Dues and memberships	500	500	946	(446)
Travel	1,000	1,000	519	481
Miscellaneous	250	250	1,179	(929)
Clerk/Treasurer:				
Salaries and benefits	147,562	147,562	114,442	33,120
Accounting services	11,300	11,300	17,267	(5,967)
Printing and binding	1,250	1,250	1,080	170
Travel	500	500	104	396
Dues and memberships	500	500	310	190
Postal services	5,000	5,000	5,366	(366)
Telecommunications	5,300	5,300	3,010	2,290
Copy machine	3,000	3,000	3,095	(95)
Office supplies	5,000	5,000	4,501	499
Miscellaneous	-	-	899	(899)
Total general and financial administration	<u>\$ 277,562</u>	<u>\$ 277,562</u>	<u>\$ 284,111</u>	<u>\$ (6,549)</u>
Total general government administration	<u>\$ 286,552</u>	<u>\$ 286,552</u>	<u>\$ 298,884</u>	<u>\$ (12,332)</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	\$ 22,500	\$ 22,500	\$ 22,995	\$ (495)
Total fire and rescue services	<u>\$ 22,500</u>	<u>\$ 22,500</u>	<u>\$ 22,995</u>	<u>\$ (495)</u>
Total public safety	<u>\$ 57,500</u>	<u>\$ 57,500</u>	<u>\$ 57,995</u>	<u>\$ (495)</u>

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

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal				
Trash disposal	\$ 82,500	\$ 82,500	\$ 81,222	\$ 1,278
Total sanitation and waste removal	\$ 82,500	\$ 82,500	\$ 81,222	\$ 1,278
Maintenance of general buildings and grounds:				
Salaries and benefits	\$ 62,850	\$ 62,850	\$ 78,552	\$ (15,702)
Repairs and maintenance	10,000	10,000	10,286	(286)
Janitorial services	5,300	5,300	3,509	1,791
Heating fuel	3,500	3,500	2,456	1,044
Electricity	15,500	15,500	16,332	(832)
Telecommunications	2,500	2,500	4,175	(1,675)
Insurance	18,000	18,000	18,785	(785)
Uniforms and safety clothing	4,000	4,000	3,912	88
Repair and maintenance supplies	5,000	5,000	8,169	(3,169)
Vehicle and equipment fuel	6,500	6,500	3,477	3,023
Capital outlay	-	-	6,150	(6,150)
Total maintenance of general buildings and grounds	\$ 133,150	\$ 133,150	\$ 155,803	\$ (22,653)
Total public works	\$ 215,650	\$ 215,650	\$ 237,025	\$ (21,375)
Parks, recreation, and cultural:				
Parks and recreation:				
Operating supplies	\$ 2,500	\$ 2,500	\$ 891	\$ 1,609
Other Town events	34,150	34,150	36,173	(2,023)
Advertising	1,500	1,500	-	1,500
Carnival operations	33,340	33,340	20,835	12,505
Carnival utilities	4,000	4,000	4,428	(428)
Carnival repairs & capital	950	950	26	924
Remittance to Botetourt County	36,660	36,660	20,000	16,660
Total parks, recreation, and cultural	\$ 113,100	\$ 113,100	\$ 82,353	\$ 30,747
Community development:				
Community revitalization				
Salaries and benefits	\$ 48,400	\$ 48,400	\$ 64,732	\$ (16,332)
Advertising	5,000	5,000	5,721	(721)
Town flowers/baskets	3,000	3,000	2,962	38
Small business grants	10,000	10,000	18,000	(8,000)
Technology	7,500	7,500	5,644	1,856
Donations	10,200	10,200	15,200	(5,000)
Total community revitalization	\$ 84,100	\$ 84,100	\$ 112,259	\$ (28,159)
Total community development	\$ 84,100	\$ 84,100	\$ 112,259	\$ (28,159)

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

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Capital projects:				
General capital outlays	\$ 4,836	\$ 4,836	\$ -	\$ 4,836
Town Hall Improvements	-	-	1,278	(1,278)
Gauging lock	-	-	34	(34)
Playground	5,000	5,000	300	4,700
Total capital projects	<u>\$ 9,836</u>	<u>\$ 9,836</u>	<u>\$ 1,612</u>	<u>\$ 8,224</u>
 Total General Fund	 <u>\$ 766,738</u>	 <u>\$ 766,738</u>	 <u>\$ 790,128</u>	 <u>\$ (23,390)</u>

COMPLIANCE SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

**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, 2020, 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 December 21, 2020.

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 items 2020-001, 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.



Blacksburg, Virginia
December 21, 2020

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

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 2020-001

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 2019-001 repeated in the current year as 2020-001.