

TOWN OF BUCHANAN, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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

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INTRODUCTORY SECTION

TOWN OF BUCHANAN, VIRGINIA

TOWN COUNCIL

Craig Bryant, Mayor
James Manspile
Marty Rickman
Chris Petty
Chris Witt

OTHER OFFICIALS

Susan McColloch 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 Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension funding as listed in the table of contents 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Buchanan, Virginia's basic financial statements. The accompanying supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2023 on our consideration of the 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 the Town of Buchanan, Virginia's internal control over financial reporting and compliance.



Blacksburg, Virginia
January 12, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022. 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 \$4,620,319. This is a decrease of \$83,316. Net position of governmental activities totaled \$1,236,044 and represents an increase of \$58,317 over the prior fiscal year.

During the year, the governmental activities of the Town had expenses of \$836,733 and program revenues of \$166,263 from charges for services and operating grants. The governmental activities of the Town generated \$701,287 in taxes and other general revenues. Total program and general revenues increased by 37.5% from prior fiscal year.

In the Town's business-type activities, \$568,747 in revenues from charges for services were generated compared to \$546,260 in the prior year, while expenses totaled \$767,691.

The governmental activities reported a change in net position of \$58,317 as compared to (\$66,237) during the prior year, mostly due to not holding the 2020 Town Carnival and limited other events while they returned to fairly normal levels during 2021 (fiscal year 2022). The Town also transferred \$27,500 from the Water and Sewer Funds to the General Fund. The business-type activities reported a change in net position of (\$83,316) as compared to a (\$202,864) in the previous year, mostly due to miscellaneous grants and a reduced reimbursement transfer to the General Fund.

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, 2022

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, 2022

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, 2021 and 2022.

	Table 1					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2022	2021	2022	2021	2022
Current Assets	\$ 1,444,358	\$ 1,571,604	\$ 491,407	\$ 526,996	\$ 1,935,765	\$ 2,098,600
Capital Assets	303,840	278,141	8,446,361	8,223,436	8,750,201	8,501,577
Total Assets	1,748,198	1,849,745	8,937,768	8,750,432	10,685,966	10,600,177
Deferred Outflows of Resources	4,966	5,493	-	-	4,966	5,493
Current Liabilities	388,104	431,049	41,001	42,552	429,105	473,601
Long-term Liabilities	13,242	8,274	4,193,132	4,087,561	4,206,374	4,095,835
Total Liabilities	401,346	439,323	4,234,133	4,130,113	4,635,479	4,569,436
Deferred Inflows of Resources	174,091	179,871	-	-	174,091	179,871
Net Position:						
Net Investment in						
Capital Assets	303,840	278,141	4,253,229	4,135,875	4,557,069	4,414,016
Restricted	3,131	9,404	-	-	3,131	9,404
Unrestricted	870,756	948,499	450,406	484,444	1,321,162	1,432,943
Total Net Position	\$ 1,177,727	\$ 1,236,044	\$ 4,703,635	\$ 4,620,319	\$ 5,881,362	\$ 5,856,363

TOWN OF BUCHANAN, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2022

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2022	2021	2022	2021	2022
Charges for Services	\$ 97,908	\$ 99,824	\$ 546,260	\$ 568,747	\$ 644,168	\$ 668,571
Operating Grants/Contributions	82,731	66,439	-	-	82,731	66,439
Capital Grants/Contributions	-	-	11,486	114,046	11,486	114,046
Program Revenues	180,639	166,263	557,746	682,793	738,385	849,056
Taxes	395,030	420,537	-	-	395,030	420,537
Interest Income	4,759	5,528	571	568	5,330	6,096
Miscellaneous	33,460	258,134	7,756	28,514	41,216	286,648
Grants not restricted to program	16,983	17,088	-	-	16,983	17,088
General Revenues	450,232	701,287	8,327	29,082	458,559	730,369
Transfers	40,000	27,500	(40,000)	(27,500)	-	-
Total Revenues and Transfers	670,871	895,050	526,073	684,375	1,196,944	1,579,425
General Government	290,631	299,867	-	-	290,631	299,867
Public Safety	42,540	42,579	-	-	42,540	42,579
Public Works	248,701	239,969	-	-	248,701	239,969
Parks, Recreation, Cultural	66,693	148,832	-	-	66,693	148,832
Community Development	88,543	105,486	-	-	88,543	105,486
Water and Wastewater	-	-	728,937	767,691	728,937	767,691
Total Expenses	737,108	836,733	728,937	767,691	1,466,045	1,604,424
Change in Net Position	(66,237)	58,317	(202,864)	(83,316)	(269,101)	(24,999)
Beginning Net Position	1,243,964	1,177,727	4,906,499	4,703,635	6,150,463	5,881,362
Ending Net Position	\$ 1,177,727	\$ 1,236,044	\$ 4,703,635	\$ 4,620,319	\$ 5,881,362	\$ 5,856,363

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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

Financial Analysis of the Governmental Funds (Continued)

At the end of the fiscal year, the Town's governmental funds reported a fund balance of \$943,935 as compared to \$872,063 last year. The net change in total General fund balance was \$71,872 which is attributed to holding the 2021 Town Carnival and a reimbursement of funds from the Water/Wastewater funds. The ending fund balance is comprised of \$62,902 in nonspendable prepaid expenses and the remainder \$881,033 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 \$4,620,319 which was comprised of \$4,135,875 net investment in capital assets and unrestricted of \$484,444.

General Fund Budgetary Highlights

The General fund exceeded its revenue projection by \$208,600 mostly due to receipt of holding the 2021 Carnival at more capacity than initially expected, better-than-expected tax collections, additional local sales tax receipts, and more bank franchise taxes than the Town budgeted. The General fund was over its expenditure projection by \$164,228 due to unbudgeted increases to fringe benefits for retirement and health insurance, unbudgeted contributions of pass-through grants during the fiscal year, and increased costs to run the 2021 Carnival.

Capital Asset and Debt Administration
Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2022 is \$278,141 (net of accumulated depreciation) which is a decrease of \$25,699. The investment in capital assets for its business-type activities is \$8,223,436, a decrease of \$222,925. 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.

Long-term Obligations

The Town purchased a new truck through a financed purchase in 2021 to be used for water and sewer operations. At the end of the fiscal year, the Town had the following outstanding obligations for business-type activities:

	Balance July 1, 2021	Issuances	Retirements	Balance June 30, 2022
Direct Borrowings - Revenue Bonds	\$ 4,148,182	\$ -	\$ (97,155)	\$ 4,051,027
Financed purchase	44,950	-	(8,416)	36,534
Total	<u>\$ 4,193,132</u>	<u>\$ -</u>	<u>\$ (105,571)</u>	<u>\$ 4,087,561</u>

TOWN OF BUCHANAN, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2022

Capital Asset and Debt Administration (Continued)

Long-term Obligations (Continued)

The outstanding obligations for governmental activities at June 30, 2022 are as follows:

	Balance July 1, 2021	Issuances	Retirements	Balance June 30, 2022
Compensated absences	\$ 13,252	\$ 4,961	\$ (9,939)	\$ 8,274
Total	\$ 13,252	\$ 4,961	\$ (9,939)	\$ 8,274

Economic Factors and Next Year's Budget and Rates

The Town of Buchanan continues to grow and make progress following the COVID-19 Pandemic. The Town continues to manage finances wisely, using grants to multiply positive benefits for the community. The Town is using the American Recovery Program Act funding allocation to make improvements to Town owned properties including the cleaning and mapping of sewage lines for future repairs. The Town is also managing a Façade Grant Program which has assisted local property owners to renovate seven properties. The Town received a Virginia Brownfields Restoration and Economic Redevelopment Assistance Grant which has provided assessment and mitigation for some of the participating properties. These efforts have contributed to the sale of three derelict properties including a turn of the century factory, an early 1900's school, and a midcentury house. The historic factory has been vacant for more than a decade is going through a four-million-dollar renovation to adaptively reuse the structure creating 22 apartments and a brewpub while the old schoolhouse which had been neglected to the point of collapse is in the final stages of being purchased for an adaptive mixed-use project while the midcentury abandoned home is also in the process of being sold to be converted to additional housing rental units. The Town also received a Recreation Economy for Rural Communities Grant. The community has done an initial asset inventory and will continue with public workshops this summer to develop a future roadmap for the community. As a testimony to the Town's progress, Travel and Leisure recently designated the Town of Buchanan as one of "The 12 Best Small Towns in Virginia to Add to Your Travel List." The Town anticipates positive changes in 2023 - 2024 with the assistance of these grants and continued growth within the community.

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, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,267,379	\$ 444,833	\$ 1,712,212
Receivables (net of allowance for uncollectibles):			
Taxes receivable	188,070	-	188,070
Accounts receivable	40,287	59,182	99,469
Due from other governmental units	3,562	-	3,562
Prepaid items	62,902	-	62,902
Restricted assets:			
Cash and cash equivalents	-	22,981	22,981
Other assets:			
Net pension asset	9,404	-	9,404
Capital assets (net of accumulated depreciation):			
Land	86,900	50,737	137,637
Buildings and improvements	174,196	1,589	175,785
Machinery and equipment	13,545	110,952	124,497
Plants and lines in service	-	8,060,158	8,060,158
Construction in progress	3,500	-	3,500
Total assets	<u>\$ 1,849,745</u>	<u>\$ 8,750,432</u>	<u>\$ 10,600,177</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 5,493	\$ -	\$ 5,493
LIABILITIES			
Accounts payable	\$ 25,541	\$ 14,700	\$ 40,241
Accrued liabilities	16,203	406	16,609
Customers' deposits	2,000	22,981	24,981
Accrued interest payable	-	4,465	4,465
Unearned grant revenue	387,305	-	387,305
Long-term liabilities:			
Due within one year	6,206	129,310	135,516
Due in more than one year	2,068	3,958,251	3,960,319
Total liabilities	<u>\$ 439,323</u>	<u>\$ 4,130,113</u>	<u>\$ 4,569,436</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 5,008	\$ -	\$ 5,008
Deferred revenue - property taxes	174,863	-	174,863
Total deferred inflows of resources	<u>\$ 179,871</u>	<u>\$ -</u>	<u>\$ 179,871</u>
NET POSITION			
Net investment in capital assets	\$ 278,141	\$ 4,135,875	\$ 4,414,016
Restricted for:			
Pension	9,404	-	9,404
Unrestricted	948,499	484,444	1,432,943
Total net position	<u>\$ 1,236,044</u>	<u>\$ 4,620,319</u>	<u>\$ 5,856,363</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, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government		
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 299,867	\$ -	\$ 4,021	\$ -	\$ (295,846)	\$ -	\$ (295,846)
Public safety	42,579	2,081	49,308	-	8,810	-	8,810
Public works	239,969	97,743	4,954	-	(137,272)	-	(137,272)
Parks, recreation, and cultural	148,832	-	2,000	-	(146,832)	-	(146,832)
Community development	105,486	-	6,156	-	(99,330)	-	(99,330)
Total governmental activities	\$ 836,733	\$ 99,824	\$ 66,439	\$ -	\$ (670,470)	\$ -	\$ (670,470)
Business-type activities:							
Water	\$ 539,660	\$ 366,448	\$ -	\$ 2,950	\$ -	\$ (170,262)	\$ (170,262)
Wastewater	228,031	202,299	-	111,096	-	85,364	85,364
Total business-type activities	\$ 767,691	\$ 568,747	\$ -	\$ 114,046	\$ (84,898)	\$ (84,898)	\$ (84,898)
Total primary government	\$ 1,604,424	\$ 668,571	\$ 66,439	\$ 114,046	\$ (670,470)	\$ (84,898)	\$ (755,368)
General revenues:							
General property taxes					\$ 179,313	\$ -	\$ 179,313
Other local taxes:							
Local sales and use tax					62,643	-	62,643
Consumers' utility tax					23,860	-	23,860
Consumption tax					3,863	-	3,863
Business licenses					44,904	-	44,904
Vehicle fees					16,787	-	16,787
Bank franchise tax					59,130	-	59,130
Transient occupancy tax					4,357	-	4,357
Meals tax					25,680	-	25,680
Unrestricted revenues from use of money and property					5,528	568	6,096
Miscellaneous					258,134	28,514	286,648
Grants and contributions not restricted to specific programs					17,088	-	17,088
Transfers					27,500	(27,500)	-
Total general revenues and transfers					\$ 728,787	\$ 1,582	\$ 730,369
Change in net position					\$ 58,317	\$ (83,316)	\$ (24,999)
Net position - beginning					1,177,727	4,703,635	5,881,362
Net position - ending					\$ 1,236,044	\$ 4,620,319	\$ 5,856,363

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

Town of Buchanan, Virginia
Balance Sheet
Governmental Fund
At June 30, 2022

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 1,267,379
Receivables (net of allowance for uncollectibles):	
Taxes receivable	188,070
Accounts receivable	40,287
Due from other governmental units	3,562
Prepaid items	62,902
Total assets	<u>\$ 1,562,200</u>
LIABILITIES	
Accounts payable	\$ 25,541
Accrued liabilities	16,203
Customer deposits payable	2,000
Unearned grant revenue	387,305
Total liabilities	<u>\$ 431,049</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	<u>\$ 187,216</u>
FUND BALANCES	
Nonspendable - prepaid items	\$ 62,902
Unassigned	881,033
Total fund balances	<u>\$ 943,935</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,562,200</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, 2022

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

Fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	\$	943,935
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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		174,196	
Machinery and equipment		13,545	
Construction in progress		3,500	278,141

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

Net pension asset	\$	9,404	
Unavailable revenue - property taxes		12,353	21,757

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

Pension related items	5,493
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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	(8,274)
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Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	(5,008)
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Net position of governmental activities	\$ 1,236,044
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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, 2022

	<u>General</u>
REVENUES	
General property taxes	\$ 173,939
Other local taxes	241,224
Permits, privilege fees, and regulatory licenses	2,081
Revenue from the use of money and property	5,528
Charges for services	97,743
Miscellaneous	258,134
Intergovernmental:	
Commonwealth	68,396
Federal	15,131
Total revenues	<u>\$ 862,176</u>
EXPENDITURES	
Current:	
General government administration	\$ 301,229
Public safety	37,742
Public works	229,064
Parks, recreation, and cultural	134,828
Community development	103,367
Capital projects	11,574
Total expenditures	<u>\$ 817,804</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 44,372</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	<u>\$ 27,500</u>
Net change in fund balance	\$ 71,872
Fund balance - beginning	872,063
Fund balance - ending	<u><u>\$ 943,935</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, 2022

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

Net change in fund balance - governmental fund	\$	71,872
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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	\$ 5,433	
Depreciation expense	<u>(27,260)</u>	(21,827)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(3,872)
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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		5,374
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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	\$ 4,978	
Change in pension related items	<u>1,792</u>	6,770

Change in net position of governmental activities	\$	<u><u>58,317</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, 2022

	Enterprise Funds		
	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 409,176	\$ 35,657	\$ 444,833
Accounts receivable, net of allowances for uncollectibles	37,964	21,218	59,182
Total current assets	<u>\$ 447,140</u>	<u>\$ 56,875</u>	<u>\$ 504,015</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 22,981	\$ -	\$ 22,981
Total restricted assets	<u>\$ 22,981</u>	<u>\$ -</u>	<u>\$ 22,981</u>
Capital assets:			
Land	\$ 50,737	\$ -	\$ 50,737
Plants and lines in service	11,617,699	2,191,408	13,809,107
Buildings and improvements	115,823	-	115,823
Machinery and equipment	100,859	98,055	198,914
Less accumulated depreciation	(3,904,181)	(2,046,964)	(5,951,145)
Total capital assets	<u>\$ 7,980,937</u>	<u>\$ 242,499</u>	<u>\$ 8,223,436</u>
Total noncurrent assets	<u>\$ 8,003,918</u>	<u>\$ 242,499</u>	<u>\$ 8,246,417</u>
Total assets	<u>\$ 8,451,058</u>	<u>\$ 299,374</u>	<u>\$ 8,750,432</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 6,116	\$ 8,584	\$ 14,700
Customers' deposits	22,981	-	22,981
Accrued interest payable	4,465	-	4,465
Accrued liabilities	406	-	406
Revenue bonds payable - current portion	120,616	-	120,616
Financed purchase - current portion	4,347	4,347	8,694
Total current liabilities	<u>\$ 158,931</u>	<u>\$ 12,931</u>	<u>\$ 171,862</u>
Noncurrent liabilities:			
Revenue bonds payable - net of current portion	\$ 3,930,411	\$ -	\$ 3,930,411
Financed purchase - net of current portion	13,920	13,920	27,840
Total noncurrent liabilities	<u>\$ 3,944,331</u>	<u>\$ 13,920</u>	<u>\$ 3,958,251</u>
Total liabilities	<u>\$ 4,103,262</u>	<u>\$ 26,851</u>	<u>\$ 4,130,113</u>
NET POSITION			
Net investment in capital assets	\$ 3,911,643	\$ 224,232	\$ 4,135,875
Unrestricted	436,153	48,291	484,444
Total net position	<u>\$ 4,347,796</u>	<u>\$ 272,523</u>	<u>\$ 4,620,319</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, 2022

	Enterprise Funds		
	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Water and wastewater revenue	\$ 345,216	\$ 202,299	\$ 547,515
Penalties	18,472	-	18,472
Reconnect fees	2,760	-	2,760
Miscellaneous	-	28,514	28,514
Total operating revenues	<u>\$ 366,448</u>	<u>\$ 230,813</u>	<u>\$ 597,261</u>
OPERATING EXPENSES			
Salaries and wages	\$ 12,641	\$ 13,446	\$ 26,087
Utilities	23,225	19,443	42,668
Telecommunications	869	850	1,719
Operating contract	76,440	81,532	157,972
Repairs and maintenance	17,485	28,548	46,033
Printing and binding	97	-	97
Permits	4,691	-	4,691
Dues and memberships	350	-	350
Operating supplies	4,434	18,060	22,494
Professional services	201	30,232	30,433
Sludge removal	-	976	976
Permits	-	720	720
Miscellaneous	7,389	510	7,899
Depreciation	311,431	33,046	344,477
Total operating expenses	<u>\$ 459,253</u>	<u>\$ 227,363</u>	<u>\$ 686,616</u>
Net operating income (loss)	<u>\$ (92,805)</u>	<u>\$ 3,450</u>	<u>\$ (89,355)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	\$ -	\$ 568	\$ 568
Interest expense	(80,407)	(668)	(81,075)
Total nonoperating revenues (expenses)	<u>\$ (80,407)</u>	<u>\$ (100)</u>	<u>\$ (80,507)</u>
Income before transfers and capital contributions	<u>\$ (173,212)</u>	<u>\$ 3,350</u>	<u>\$ (169,862)</u>
Capital contributions	\$ 2,950	\$ 111,096	\$ 114,046
Transfers out	(13,750)	(13,750)	(27,500)
Total transfers and capital contributions	<u>\$ (10,800)</u>	<u>\$ 97,346</u>	<u>\$ 86,546</u>
Change in net position	<u>\$ (184,012)</u>	<u>\$ 100,696</u>	<u>\$ (83,316)</u>
Net position - beginning	4,531,808	171,827	4,703,635
Net position - ending	<u><u>\$ 4,347,796</u></u>	<u><u>\$ 272,523</u></u>	<u><u>\$ 4,620,319</u></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, 2022

	Enterprise Funds		
	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 366,982	\$ 226,896	\$ 593,878
Payments to suppliers	(130,011)	(187,838)	(317,849)
Payments to and for employees	(12,452)	(13,446)	(25,898)
Net cash provided by (used for) operating activities	<u>\$ 224,519</u>	<u>\$ 25,612</u>	<u>\$ 250,131</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	\$ (13,750)	\$ (13,750)	\$ (27,500)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	\$ (7,723)	\$ (113,829)	\$ (121,552)
Retirement of debt	(101,363)	(4,208)	(105,571)
Capital contributions	2,950	122,582	125,532
Interest payments	(76,348)	(668)	(77,016)
Net cash provided by (used for) capital and related financing activities	<u>\$ (182,484)</u>	<u>\$ 3,877</u>	<u>\$ (178,607)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	\$ -	\$ 568	\$ 568
Net increase (decrease) in cash and cash equivalents	\$ 28,285	\$ 16,307	\$ 44,592
Cash and cash equivalents - beginning (includes restricted cash of \$23,881)	403,872	19,350	423,222
Cash and cash equivalents - ending (includes restricted cash of \$22,981)	<u>\$ 432,157</u>	<u>\$ 35,657</u>	<u>\$ 467,814</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Net operating income (loss)	\$ (92,805)	\$ 3,450	\$ (89,355)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 311,431	\$ 33,046	\$ 344,477
(Increase) decrease in accounts receivable	1,434	(3,917)	(2,483)
Increase (decrease) in customer deposits	(900)	-	(900)
Increase (decrease) in operating accounts payable	5,170	(6,967)	(1,797)
Increase (decrease) in accrued liabilities	189	-	189
Total adjustments	<u>\$ 317,324</u>	<u>\$ 22,162</u>	<u>\$ 339,486</u>
Net cash provided by (used for) operating activities	<u>\$ 224,519</u>	<u>\$ 25,612</u>	<u>\$ 250,131</u>
Noncash investing, capital, and financing activities			
Prior (current) year capital contribution receivables	\$ -	\$ 11,486	\$ 11,486

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

TOWN OF BUCHANAN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AT JUNE 30, 2022

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, 2022

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

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

The government-wide and proprietary financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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, 2022

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:

Proprietary funds, consisting of enterprise 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 funds 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.

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.

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, 2022

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, 2022, the allowance totaled \$10,667. This amount consisted of taxes due of \$526, water bills of \$5,395, sewer bills of \$3,016, and garbage bills of \$1,730.

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 are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and 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, 2022

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, 2022

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

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

9. Pensions

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

10. Net Position

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

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

11. Net Position Flow Assumption

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

12. Fund Balance

The Town 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 either not in spendable form (such as inventory and prepaids) or are legally or contractually 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, 2022

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 the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2022

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

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2022

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

A. Budgetary information (continued)

8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the Town's accounting system.

B. Deficit fund balance

At June 30, 2022, several departments in the general fund exceeded appropriations, including the following: Legislative Department, General and Financial Administration, Maintenance of General Buildings and Grounds, Parks and Recreation, and Community Revitalization.

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 & Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). At year-end, the Town did not have any investments.

Note 4-Due from Other Governmental Units:

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

<u>Commonwealth of Virginia:</u>	
Noncategorical aid	\$ 3,562
Total	<u>\$ 3,562</u>

TOWN OF BUCHANAN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2022

Note 5-Interfund Obligations:

Interfund transfers for the year ended June 30, 2022 consisted of the following:

Fund	Transfer In	Transfer Out
General Fund	\$ 27,500	\$ -
Water Fund	-	13,750
Wastewater Fund	-	13,750
Total	\$ 27,500	\$ 27,500

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, 2022.

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Compensated absences	\$ 13,252	\$ 4,961	\$ (9,939)	\$ 8,274

Details of long-term obligations:

<u>Other Obligations:</u>	Total Amount	Amount Due Within One Year
Compensated absences	\$ 8,274	\$ 6,206

Business-type Activities Obligations:

The following is a summary of long-term obligation transactions of the Enterprise Funds for the year ended June 30, 2022.

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Direct Borrowings - Revenue bonds	\$ 4,148,182	\$ -	\$ (97,155)	\$ 4,051,027
Financed purchases	44,950	-	(8,416)	36,534
Total long-term obligations	\$ 4,193,132	\$ -	\$ (105,571)	\$ 4,087,561

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2022

Note 6-Long-term Obligations: (continued)Business-type Activities Obligations: (Continued)

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

Year Ending June 30,	Direct Borrowings - Revenue Bonds		Financed Purchase	
	Principal	Interest	Principal	Interest
2023	\$ 120,616	\$ 81,901	\$ 8,694	\$ 1,059
2024	111,821	75,855	8,981	772
2025	113,830	73,846	9,277	476
2026	115,879	71,797	9,582	170
2027	117,970	69,706	-	-
2028-2032	622,745	315,634	-	-
2033-2037	681,818	256,561	-	-
2038-2042	697,078	191,196	-	-
2043-2047	639,482	122,021	-	-
2048-2052	678,462	53,358	-	-
2053	151,326	1,810	-	-
Totals	<u>\$ 4,051,027</u>	<u>\$ 1,313,685</u>	<u>\$ 36,534</u>	<u>\$ 2,477</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.

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TOWN OF BUCHANAN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2022

Note 6-Long-term Obligations: (continued)

Business-type Activities Obligations: (Continued)

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<u>Direct Borrowings - Revenue Bonds</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.	\$ 182,485	\$ 11,630
\$722,810 revenue bond issued on November 1, 2012. The bond bears interest at 1.50% with principal and interest payments of \$15,206 due on January 1st and July 1st of each year through July 2043.	543,764	32,531
\$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.	3,324,778	76,455
Total Direct Borrowings - Revenue Bonds	\$ 4,051,027	\$ 120,616
<u>Financed Purchases:</u>		
\$44,950 financed purchase of a truck issued on June 21, 2021. The loan bears interest at 3.25% with monthly principal and interest payments of \$813 beginning July 21, 2021 and continuing through June 21, 2026.	\$ 36,534	\$ 8,694
Total long-term obligations	\$ 4,087,561	\$ 129,310

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TOWN OF BUCHANAN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2022**Note 7-Capital Assets:**

Capital asset activity for the year ended June 30, 2022 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	\$ -	\$ (4,843)	\$ 495,973
Machinery and equipment	196,202	5,433	(2,346)	199,289
Total capital assets being depreciated	<u>\$ 697,018</u>	<u>\$ 5,433</u>	<u>\$ (7,189)</u>	<u>\$ 695,262</u>
Accumulated depreciation:				
Buildings and improvements	\$ (304,818)	\$ (17,930)	\$ 971	\$ (321,777)
Machinery and equipment	(178,760)	(9,330)	2,346	(185,744)
Total accumulated depreciation	<u>\$ (483,578)</u>	<u>\$ (27,260)</u>	<u>\$ 3,317</u>	<u>\$ (507,521)</u>
Total capital assets being depreciated, net	<u>\$ 213,440</u>	<u>\$ (21,827)</u>	<u>\$ (3,872)</u>	<u>\$ 187,741</u>
Governmental activities capital assets, net	<u>\$ 303,840</u>	<u>\$ (21,827)</u>	<u>\$ (3,872)</u>	<u>\$ 278,141</u>

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TOWN OF BUCHANAN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2022

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	\$ 13,765,935	\$ 43,172	\$ -	\$ 13,809,107
Buildings and improvements	115,823	-	-	115,823
Machinery and equipment	120,534	78,380	-	198,914
Total capital assets being depreciated	\$ 14,002,292	\$ 121,552	\$ -	\$ 14,123,844
Accumulated depreciation:				
Plants and lines in service	\$ (5,425,658)	\$ (323,292)	\$ -	\$ (5,748,950)
Buildings and improvements	(114,069)	(165)	-	(114,234)
Machinery and equipment	(66,941)	(21,020)	-	(87,961)
Total accumulated depreciation	\$ (5,606,668)	\$ (344,477)	\$ -	\$ (5,951,145)
Total capital assets being depreciated, net	\$ 8,395,624	\$ (222,925)	\$ -	\$ 8,172,699
Business-type activities capital assets, net	\$ 8,446,361	\$ (222,925)	\$ -	\$ 8,223,436

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

Governmental activities:

General governmental administration	\$ 2,180
Public safety	4,837
Public works	5,915
Parks, recreation, and cultural	14,004
Community development	324
Total depreciation expense-governmental activities	\$ 27,260

Business-type activities:

Water	\$ 311,431
Sewer	33,046
Total depreciation expense-business-type activities	\$ 344,477

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2022

Note 8-Pension Plan:

Plan Description

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

Benefit Structures

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2021 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2022

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, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members:	
Non-vested inactive members	1
Inactive members active elsewhere in VRS	1
Total inactive members	<u>2</u>
Active members	<u>6</u>
Total covered employees	<u><u>8</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2022

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, 2022 was 3.31% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town of Buchanan were \$5,370 and \$4,655 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Asset

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

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2022

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:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Post-Disablement:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2022

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

* The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2022

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 was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2021, on, participating employers are assumed to 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, 2020	\$ 13,854	\$ 16,985	\$ (3,131)
Changes for the year:			
Service cost	\$ 15,769	\$ -	\$ 15,769
Interest	935	-	935
Differences between expected and actual experience	(1,425)	-	(1,425)
Assumption changes	152	-	152
Contributions - employer	-	4,699	(4,699)
Contributions - employee	-	10,243	(10,243)
Net investment income	-	6,763	(6,763)
Administrative expenses	-	(2)	2
Other changes	-	1	(1)
Net changes	\$ 15,431	\$ 21,704	\$ (6,273)
Balances at June 30, 2021	\$ 29,285	\$ 38,689	\$ (9,404)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2022

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 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's			
Net Pension Liability (Asset)	\$ (5,412)	\$ (9,404)	\$ (12,606)

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

For the year ended June 30, 2022, the Town recognized pension expense of \$3,622. At June 30, 2022, 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
Differences between expected and actual experience	\$ -	\$ 1,149
Change in assumptions	123	-
Net difference between projected and actual earnings on pension plan investments	-	3,859
Employer contributions subsequent to the measurement date	5,370	-
Total	\$ 5,493	\$ 5,008

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2022

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

\$5,370 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2023	\$	(1,190)
2024		(1,190)
2025		(1,199)
2026		(1,268)
2027		(38)
Thereafter		-

Pension Plan Data

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

Note 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 Risk Sharing Association (VRSA). Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Town pays the VRSA 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, 2022

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	\$ -	\$ 12,353
Assessments due in December 2022	174,863	174,863
Total deferred/unavailable revenue	\$ 174,863	\$ 187,216

Note 12-Litigation:

As of June 30, 2022, 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- COVID-19 Pandemic Funding:**ARPA Funding**

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

On June 30, 2021, the Town received its share of the first half of the CSLFRF funds, but the town did not received the second tranche until July 2022. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$342,259 from the initial allocation are reported as unearned revenue as of June 30.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2022

Note 14-Upcoming Pronouncements:

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

Statement No. 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 fiscal years 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 fiscal years beginning after June 15, 2022.

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

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

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

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

Required Supplementary Information

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 166,650	\$ 166,650	\$ 173,939	\$ 7,289
Other local taxes	205,700	205,700	241,224	35,524
Permits, privilege fees, and regulatory licenses	2,450	2,450	2,081	(369)
Revenue from the use of money and property	5,000	5,000	5,528	528
Charges for services	96,000	96,000	97,743	1,743
Miscellaneous	112,350	112,350	258,134	145,784
Intergovernmental:				
Commonwealth	65,426	65,426	68,396	2,970
Federal	-	-	15,131	15,131
Total revenues	\$ 653,576	\$ 653,576	\$ 862,176	\$ 208,600
EXPENDITURES				
Current:				
General government administration	\$ 237,833	\$ 237,833	\$ 301,229	\$ (63,396)
Public safety	50,000	50,000	37,742	12,258
Public works	230,950	230,950	229,064	1,886
Parks, recreation, and culture	62,226	62,226	134,828	(72,602)
Community development	68,200	68,200	103,367	(35,167)
Capital projects	4,367	4,367	11,574	(7,207)
Total expenditures	\$ 653,576	\$ 653,576	\$ 817,804	\$ (164,228)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 44,372	\$ 44,372
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 27,500	\$ 27,500
Total other financing sources (uses)	\$ -	\$ -	\$ 27,500	\$ 27,500
Net change in fund balance	\$ -	\$ -	\$ 71,872	\$ 71,872
Fund balance - beginning	-	-	872,063	872,063
Fund balance - ending	\$ -	\$ -	\$ 943,935	\$ 943,935

Town of Buchanan, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2019 through 2021

	2021	2020	2019
Total pension liability:			
Service cost	\$ 15,769	\$ 13,854	\$ -
Interest	935	-	-
Differences between expected and actual experience	(1,425)	-	-
Changes of assumptions	152	-	-
Net change in total pension liability	\$ 15,431	\$ 13,854	\$ -
Total pension liability - beginning	13,854	-	-
Total pension liability - ending (a)	<u>\$ 29,285</u>	<u>\$ 13,854</u>	<u>\$ -</u>
Plan fiduciary net position:			
Contributions - employer	\$ 4,699	\$ 5,411	\$ 522
Contributions - employee	10,243	9,955	829
Net investment income	6,763	255	2
Administrator charges	(2)	9	2
Other	1	-	-
Net change in plan fiduciary net position	\$ 21,704	\$ 15,630	\$ 1,355
Plan fiduciary net position - beginning	16,985	1,355	-
Plan fiduciary net position - ending (b)	<u>\$ 38,689</u>	<u>\$ 16,985</u>	<u>\$ 1,355</u>
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ (9,404)</u>	<u>\$ (3,131)</u>	<u>\$ (1,355)</u>
Plan fiduciary net position as a percentage of the total pension liability	132.11%	122.60%	N/A
Covered payroll	\$ 251,752	\$ 249,315	\$ 20,718
Town's net pension liability (asset) as a percentage of covered payroll	-3.74%	-1.26%	-6.54%

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
Schedule of Employer Contributions
Pension Plan

For the Years Ended June 30, 2019 through June 30, 2022

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	\$ 5,370	\$ 5,370	\$ -	\$ 245,953	2.18%
2021	4,655	4,655	-	251,752	1.85%
2020	5,411	5,411	-	249,315	2.17%
2019	522	522	-	20,718	2.52%

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

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

Town of Buchanan, Virginia
Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2022

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

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

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

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

Other Supplementary Information

Town of Buchanan, Virginia
Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2022

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	\$ 155,014	\$ 3,914
Personal property taxes	13,550	13,550	16,053	2,503
Penalties and interest	2,000	2,000	2,872	872
Total general property taxes	<u>166,650</u>	<u>166,650</u>	<u>\$ 173,939</u>	<u>\$ 7,289</u>
Other local taxes:				
Local sales and use tax	\$ 51,000	\$ 51,000	\$ 62,643	\$ 11,643
Consumers' utility tax	20,000	20,000	23,860	3,860
Consumption tax	3,500	3,500	3,863	363
Business licenses	45,000	45,000	44,904	(96)
Vehicle fees	16,200	16,200	16,787	587
Bank franchise tax	42,000	42,000	59,130	17,130
Transient occupancy tax	3,000	3,000	4,357	1,357
Meals tax	25,000	25,000	25,680	680
Total other local taxes	<u>\$ 205,700</u>	<u>\$ 205,700</u>	<u>\$ 241,224</u>	<u>\$ 35,524</u>
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ -	\$ -	\$ 375	\$ 375
Zoning permits	250	250	350	100
Other Permits	200	200	-	(200)
Zoning Fees	500	500	850	350
Property Liens	1,500	1,500	506	(994)
Total permits, privilege fees, and regulatory licenses	<u>\$ 2,450</u>	<u>\$ 2,450</u>	<u>\$ 2,081</u>	<u>\$ (369)</u>
Revenue from use of money and property:				
Revenue from the use of money	\$ 4,200	\$ 4,200	\$ 4,068	\$ (132)
Revenue from the use of property	800	800	1,460	660
Total revenue from use of money and property	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 5,528</u>	<u>\$ 528</u>
Charges for services:				
Garbage collection fees	\$ 96,000	\$ 96,000	\$ 97,743	\$ 1,743
Total charges for services	<u>\$ 96,000</u>	<u>\$ 96,000</u>	<u>\$ 97,743</u>	<u>\$ 1,743</u>
Miscellaneous:				
Gifts and donations	\$ 3,000	\$ 3,000	\$ 17,097	\$ 14,097
Carnival proceeds	70,000	70,000	200,998	130,998
Insurance recoveries	-	-	6,673	6,673
Other event fees	39,350	39,350	33,173	(6,177)
Other miscellaneous	-	-	193	193
Total miscellaneous	<u>\$ 112,350</u>	<u>\$ 112,350</u>	<u>\$ 258,134</u>	<u>\$ 145,784</u>
Total revenue from local sources	<u>\$ 588,150</u>	<u>\$ 588,150</u>	<u>\$ 778,649</u>	<u>\$ 190,499</u>

Town of Buchanan, Virginia
Schedule of Revenues - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2022

Schedule 1
Page 2 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: (continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 3,250	\$ 3,250	\$ 3,260	\$ 10
Personal property tax relief payments	11,609	11,609	11,608	(1)
Communications tax	2,275	2,275	2,045	(230)
Motor vehicle rental tax	-	-	175	175
Total noncategorical aid	<u>\$ 17,134</u>	<u>\$ 17,134</u>	<u>\$ 17,088</u>	<u>\$ (46)</u>
Categorical aid:				
Fire Program Funds	\$ 10,000	\$ 10,000	\$ 15,000	\$ 5,000
Dept of Forestry Grant	1,404	1,404	1,415	11
VA Commission Arts Grant	4,000	4,000	2,000	(2,000)
Aid to local police	32,888	32,888	32,893	5
Total categorical aid	<u>\$ 48,292</u>	<u>\$ 48,292</u>	<u>\$ 51,308</u>	<u>\$ 3,016</u>
Total revenue from the Commonwealth	<u>\$ 65,426</u>	<u>\$ 65,426</u>	<u>\$ 68,396</u>	<u>\$ 2,970</u>
Revenue from the federal government:				
Categorical aid:				
American Rescue Plan Act (ARPA) Funds	\$ -	\$ -	\$ 10,177	\$ 10,177
Brownfield grant	-	-	4,954	4,954
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,131</u>	<u>\$ 15,131</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,131</u>	<u>\$ 15,131</u>
Total General Fund	<u><u>\$ 653,576</u></u>	<u><u>\$ 653,576</u></u>	<u><u>\$ 862,176</u></u>	<u><u>\$ 208,600</u></u>

Town of Buchanan, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2022

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Salaries and benefits	\$ 5,050	\$ 5,050	\$ 5,477	\$ (427)
Advertising	2,250	2,250	2,504	(254)
Conventions and education	250	250	2,400	(2,150)
Dues and memberships	1,500	1,500	1,012	488
Travel	250	250	105	145
Miscellaneous	250	250	341	(91)
Total Legislative	\$ 9,550	\$ 9,550	\$ 11,839	\$ (2,289)
General and financial administration:				
Legal Services	\$ 15,000	\$ 15,000	\$ 37,234	\$ (22,234)
Auditing	14,000	14,000	13,350	650
Town Manager:				
Salaries and benefits	69,636	69,636	81,937	(12,301)
Dues and memberships	750	750	1,630	(880)
Travel	450	450	724	(274)
Miscellaneous	500	500	-	500
Clerk/Treasurer:				
Salaries and benefits	100,447	100,447	119,350	(18,903)
Accounting services	11,000	11,000	11,655	(655)
Printing and binding	1,250	1,250	1,592	(342)
Advertising	500	500	270	230
Travel	200	200	154	46
Dues and memberships	300	300	650	(350)
Postal services	3,250	3,250	4,857	(1,607)
Telecommunications	3,100	3,100	2,057	1,043
Copy machine	3,000	3,000	2,562	438
Office supplies	4,500	4,500	5,055	(555)
Miscellaneous	400	400	6,313	(5,913)
Total general and financial administration	\$ 228,283	\$ 228,283	\$ 289,390	\$ (61,107)
Total general government administration	\$ 237,833	\$ 237,833	\$ 301,229	\$ (63,396)
Public safety:				
Law enforcement and traffic control:				
Purchase of service from County	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Total law enforcement and traffic control	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Fire and rescue services:				
Fire Department contributions	\$ 15,000	\$ 15,000	\$ 2,742	\$ 12,258
Total fire and rescue services	\$ 15,000	\$ 15,000	\$ 2,742	\$ 12,258
Total public safety	\$ 50,000	\$ 50,000	\$ 37,742	\$ 12,258

Town of Buchanan, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2022

<u>Fund, Function and Department Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal				
Trash disposal	\$ 91,000	\$ 91,000	\$ 80,321	\$ 10,679
Total sanitation and waste removal	\$ 91,000	\$ 91,000	\$ 80,321	\$ 10,679
Maintenance of general buildings and grounds:				
Salaries and benefits	\$ 75,600	\$ 75,600	\$ 82,219	\$ (6,619)
Repairs and maintenance	10,000	10,000	7,103	2,897
Janitorial services	3,600	3,600	3,989	(389)
Heating fuel	2,500	2,500	3,970	(1,470)
Electricity	13,750	13,750	13,910	(160)
Telecommunications	3,500	3,500	4,529	(1,029)
Insurance	20,000	20,000	19,410	590
Uniforms and safety clothing	3,000	3,000	2,264	736
Repair and maintenance supplies	5,000	5,000	6,133	(1,133)
Vehicle and equipment fuel	3,000	3,000	5,216	(2,216)
Total maintenance of general buildings and grounds	\$ 139,950	\$ 139,950	\$ 148,743	\$ (8,793)
Total public works	\$ 230,950	\$ 230,950	\$ 229,064	\$ 1,886
Parks, recreation, and cultural:				
Parks and recreation:				
Operating supplies	\$ 500	\$ 500	\$ 4,147	\$ (3,647)
Other Town events	34,726	34,726	25,757	8,969
Advertising	2,000	2,000	5,350	(3,350)
Carnival operations	20,000	20,000	90,133	(70,133)
Carnival utilities	5,000	5,000	3,860	1,140
Carnival repairs & capital	-	-	1,369	(1,369)
Capital outlay	-	-	4,212	(4,212)
Total parks, recreation, and cultural	\$ 62,226	\$ 62,226	\$ 134,828	\$ (72,602)
Community development:				
Community revitalization				
Salaries and benefits	\$ 59,500	\$ 59,500	\$ 72,503	\$ (13,003)
Advertising	2,500	2,500	6,946	(4,446)
Town flowers/baskets	2,000	2,000	2,992	(992)
Office supplies	-	-	973	(973)
Donations	4,200	4,200	4,200	-
ARPA small business grants	-	-	6,156	(6,156)
Community revitalization - other	-	-	9,597	(9,597)
Total community revitalization	\$ 68,200	\$ 68,200	\$ 103,367	\$ (35,167)
Total community development	\$ 68,200	\$ 68,200	\$ 103,367	\$ (35,167)

Town of Buchanan, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2022

<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	\$ 4,367	\$ 4,367	\$ 4,426	\$ (59)
Sidewalk improvements	-	-	7,148	(7,148)
Total capital projects	<u>\$ 4,367</u>	<u>\$ 4,367</u>	<u>\$ 11,574</u>	<u>\$ (7,207)</u>
 Total General Fund	 <u>\$ 653,576</u>	 <u>\$ 653,576</u>	 <u>\$ 817,804</u>	 <u>\$ (164,228)</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, 2022, and the related notes to the financial statements, which collectively comprise Town of Buchanan, Virginia's basic financial statements and have issued our report thereon dated January 12, 2023.

Report on 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 were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses, as item 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

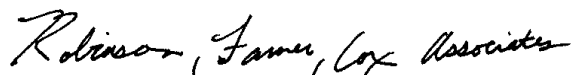
As part of obtaining reasonable assurance about whether Town of Buchanan, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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

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

Purpose of This Report

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



Blacksburg, Virginia
January 12, 2023

Town of Buchanan, Virginia
Schedule of Findings and Responses
For the Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

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

Section II - Financial Statement Findings

Finding 2022-001

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 2021-001 is repeated in the current year as 2022-001.