



**TOWN OF BOWLING GREEN, VIRGINIA**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**TOWN OF BOWLING GREEN, VIRGINIA**  
Financial Report  
For the Year Ended June 30, 2021

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Financial Report  
For the Year Ended June 30, 2021

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**Independent Auditors' Report**

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**To the Honorable Members of the Town Council  
Town of Bowling Green  
Bowling Green, Virginia**

**Report on the Financial Statements**

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

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

***Opinions***

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

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, and schedules related to pension and OPEB funding located on pages 47-53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Bowling Green, Virginia's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2024, on our consideration of Town of Bowling Green, 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 Bowling Green, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Bowling Green, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia  
June 4, 2024

## **Basic Financial Statements**

**Government-wide Financial Statements**



Statement of Net Position  
June 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 874,319	\$ 1,227,964	\$ 2,102,283	\$ 14,637
Receivables (net of allowance for uncollectibles):				
Taxes receivable	259,786	-	259,786	-
Accounts receivable	43,890	147,555	191,445	-
Due from other governmental units	9,137	-	9,137	-
Capital assets (net of accumulated depreciation):				
Land and land improvements	39,197	76,530	115,727	-
Buildings and improvements	256,173	47,063	303,236	-
Equipment	35,863	131,452	167,315	-
Infrastructure	19,450	-	19,450	-
Vehicles	31,749	15,540	47,289	-
Utility plant in service	-	9,440,182	9,440,182	-
Construction in progress	-	234,341	234,341	-
Total assets	\$ 1,569,564	\$ 11,320,627	\$ 12,890,191	\$ 14,637
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	\$ 74,287	\$ 50,565	\$ 124,852	\$ -
OPEB related items	16,151	9,949	26,100	-
Total deferred outflows of resources	\$ 90,438	\$ 60,514	\$ 150,952	\$ -
<b>LIABILITIES</b>				
Accounts payable	\$ 9,718	\$ 55,311	\$ 65,029	\$ -
Accrued liabilities	-	27,802	27,802	-
Customers' deposits	-	65,729	65,729	-
Accrued interest payable	-	1,616	1,616	-
Unearned revenue	609,541	-	609,541	-
Long-term liabilities:				
Due within one year	20,701	130,217	150,918	-
Due in more than one year	361,996	6,312,125	6,674,121	-
Total liabilities	\$ 1,001,956	\$ 6,592,800	\$ 7,594,756	\$ -
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property taxes	\$ 213,509	\$ -	\$ 213,509	\$ -
Deferred revenue - sanitation and waste removal	6,813	-	6,813	-
Pension related items	3,518	-	3,518	-
OPEB related items	874	536	1,410	-
Total deferred inflows of resources	\$ 224,714	\$ 536	\$ 225,250	\$ -
<b>NET POSITION</b>				
Net investment in capital assets	\$ 382,432	\$ 3,744,221	\$ 4,126,653	\$ -
Restricted:				
Donations	10,940	-	10,940	-
Unrestricted	39,960	1,043,584	1,083,544	14,637
Total net position	\$ 433,332	\$ 4,787,805	\$ 5,221,137	\$ 14,637

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

TOWN OF BOWLING GREEN, VIRGINIA

Statement of Activities  
For the Year Ended June 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 655,879	\$ -	\$ 102,880	\$ -
Public safety	170,920	22,131	46,147	-
Public works	341,984	92,094	935	-
Community development	110,415	5,930	106,510	-
Total governmental activities	<u>\$ 1,279,198</u>	<u>\$ 120,155</u>	<u>\$ 256,472</u>	<u>\$ -</u>
Business-type activities:				
Water	\$ 438,866	\$ 797,243	\$ -	\$ 9,950
Sewer	943,285	852,674	-	-
Total business-type activities	<u>\$ 1,382,151</u>	<u>\$ 1,649,917</u>	<u>\$ -</u>	<u>\$ 9,950</u>
Total primary government	<u>\$ 2,661,349</u>	<u>\$ 1,770,072</u>	<u>\$ 256,472</u>	<u>\$ 9,950</u>
<b>COMPONENT UNIT:</b>				
Economic Development Authority	\$ 106,547	\$ -	\$ -	\$ -
Total component unit	<u>\$ 106,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:  
 General property taxes  
 Local sales and use taxes  
 Lodging tax  
 Business licenses  
 Restaurant food taxes  
 Bank stock tax  
 Consumer utility tax  
 Motor vehicle license taxes  
 Unrestricted revenues from use of money and property  
 Miscellaneous  
 Commonwealth of Virginia noncategorical aid  
 Gain on disposal of capital assets  
 Payment from/to Town of Bowling Green  
 Transfers  
 Total general revenues and transfers  
 Change in net position  
 Net position - beginning  
 Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (552,999)	\$ -	\$ (552,999)	\$ -
(102,642)	-	(102,642)	-
(248,955)	-	(248,955)	-
2,025	-	2,025	-
<u>\$ (902,571)</u>	<u>\$ -</u>	<u>\$ (902,571)</u>	<u>\$ -</u>
\$ -	\$ 368,327	\$ 368,327	\$ -
-	(90,611)	(90,611)	-
<u>\$ -</u>	<u>\$ 277,716</u>	<u>\$ 277,716</u>	<u>\$ -</u>
<u>\$ (902,571)</u>	<u>\$ 277,716</u>	<u>\$ (624,855)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (106,547)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (106,547)</u>
\$ 231,794	\$ -	\$ 231,794	\$ -
37,512	-	37,512	-
3,273	-	3,273	-
91,545	-	91,545	-
272,382	-	272,382	-
317,842	-	317,842	-
34,861	-	34,861	-
19,377	-	19,377	-
20,359	-	20,359	-
15,767	24,204	39,971	-
54,957	-	54,957	-
-	8,010	8,010	-
-	-	-	106,510
(415,256)	415,256	-	-
<u>\$ 684,413</u>	<u>\$ 447,470</u>	<u>\$ 1,131,883</u>	<u>\$ 106,510</u>
(218,158)	725,186	507,028	(37)
651,490	4,062,619	4,714,109	14,674
<u>\$ 433,332</u>	<u>\$ 4,787,805</u>	<u>\$ 5,221,137</u>	<u>\$ 14,637</u>

## **Fund Financial Statements**

Balance Sheet  
 Governmental Funds  
 June 30, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 852,576	\$ 21,743	\$ 874,319
Receivables (net of allowance for uncollectibles):			
Taxes receivable	259,786	-	259,786
Accounts receivable	43,890	-	43,890
Due from other governmental units	9,137	-	9,137
Total assets	<u>\$ 1,165,389</u>	<u>\$ 21,743</u>	<u>\$ 1,187,132</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 9,718	\$ -	\$ 9,718
Unearned revenue	609,541	-	609,541
Total liabilities	<u>\$ 619,259</u>	<u>\$ -</u>	<u>\$ 619,259</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	\$ 258,715	\$ -	\$ 258,715
Unavailable revenue - sanitation and waste removal	6,813	-	6,813
Total deferred inflows of resources	<u>\$ 265,528</u>	<u>\$ -</u>	<u>\$ 265,528</u>
<b>FUND BALANCES</b>			
Restricted:			
Donations	\$ 10,940	\$ -	\$ 10,940
Committed:			
Capital projects	-	21,743	21,743
Unassigned	269,662	-	269,662
Total fund balances	<u>\$ 280,602</u>	<u>\$ 21,743</u>	<u>\$ 302,345</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,165,389</u>	<u>\$ 21,743</u>	<u>\$ 1,187,132</u>

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

Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2021

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Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	302,345	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			382,432
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds. This item is comprised of:			
Unavailable revenue - property taxes			45,206
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	74,287	
OPEB related items		<u>16,151</u>	90,438
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This item is comprised of:			
Compensated absences	\$	(23,001)	
Net Pension liability		(330,415)	
Net OPEB liability		<u>(29,281)</u>	(382,697)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(3,518)	
OPEB related items		<u>(874)</u>	(4,392)
Net position of governmental activities			<u>\$ 433,332</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<b>REVENUES</b>			
General property taxes	\$ 222,197	\$ -	\$ 222,197
Other local taxes	776,792	-	776,792
Permits, privilege fees, and regulatory licenses	5,930	-	5,930
Fines and forfeitures	22,131	-	22,131
Revenue from the use of money and property	20,252	107	20,359
Charges for services	92,094	-	92,094
Miscellaneous	15,067	700	15,767
Intergovernmental:			
Commonwealth	102,039	-	102,039
Federal	209,390	-	209,390
Total revenues	<u>\$ 1,465,892</u>	<u>\$ 807</u>	<u>\$ 1,466,699</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 627,464	\$ -	\$ 627,464
Public safety	153,796	-	153,796
Public works	302,730	-	302,730
Community development	112,815	-	112,815
Capital projects	-	9,500	9,500
Total expenditures	<u>\$ 1,196,805</u>	<u>\$ 9,500</u>	<u>\$ 1,206,305</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 269,087</u>	<u>\$ (8,693)</u>	<u>\$ 260,394</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	\$ (399,457)	\$ (15,799)	\$ (415,256)
Total other financing sources (uses)	<u>\$ (399,457)</u>	<u>\$ (15,799)</u>	<u>\$ (415,256)</u>
Net change in fund balances	\$ (130,370)	\$ (24,492)	\$ (154,862)
Fund balances - beginning	410,972	46,235	457,207
Fund balances - ending	<u>\$ 280,602</u>	<u>\$ 21,743</u>	<u>\$ 302,345</u>

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities - Governmental Funds  
For the Year Ended June 30, 2021

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		<u>Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	\$	(154,862)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation or vice versa in the current period.		
Capital outlay	\$	2,400
Depreciation expense		<u>(50,033)</u>
		(47,633)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of:		
Property taxes		9,597
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment, changes in:		
Compensated absences	\$	7,911
Pension expense		(32,145)
OPEB expense		<u>(1,026)</u>
		<u>(25,260)</u>
Change in net position of governmental activities	\$	<u><u>(218,158)</u></u>

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



	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 772,458	\$ 455,506	\$ 1,227,964
Accounts receivable, net of allowance for uncollectibles	82,473	65,082	147,555
Total current assets	<u>\$ 854,931</u>	<u>\$ 520,588</u>	<u>\$ 1,375,519</u>
Noncurrent assets:			
Capital assets:			
Land and land improvements	\$ 18,000	\$ 58,530	\$ 76,530
Building and improvements	2,223	100,833	103,056
Equipment	133,815	95,243	229,058
Vehicles	78,536	66,835	145,371
Utility plant in service	3,086,959	9,638,087	12,725,046
Construction in progress	234,341	-	234,341
Accumulated depreciation	(1,040,340)	(2,527,954)	(3,568,294)
Total capital assets	<u>\$ 2,513,534</u>	<u>\$ 7,431,574</u>	<u>\$ 9,945,108</u>
Total noncurrent assets	<u>\$ 2,513,534</u>	<u>\$ 7,431,574</u>	<u>\$ 9,945,108</u>
Total assets	<u>\$ 3,368,465</u>	<u>\$ 7,952,162</u>	<u>\$ 11,320,627</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	\$ 15,802	\$ 34,763	\$ 50,565
OPEB related items	3,393	6,556	9,949
Total deferred outflows of resources	<u>\$ 19,195</u>	<u>\$ 41,319</u>	<u>\$ 60,514</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 17,117	\$ 38,194	\$ 55,311
Accrued liabilities	20,340	7,462	27,802
Customers' deposits	65,729	-	65,729
Compensated absences	6,771	4,262	11,033
Accrued interest payable	404	1,212	1,616
Bonds payable - current portion	29,887	89,297	119,184
Total current liabilities	<u>\$ 140,248</u>	<u>\$ 140,427</u>	<u>\$ 280,675</u>
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 1,466,397	\$ 4,380,965	\$ 5,847,362
Notes payable - net of current portion	234,341	-	234,341
Net pension liability	70,417	140,832	211,249
Net OPEB liability	6,140	11,807	17,947
Compensated absences	752	474	1,226
Total noncurrent liabilities	<u>\$ 1,778,047</u>	<u>\$ 4,534,078</u>	<u>\$ 6,312,125</u>
Total liabilities	<u>\$ 1,918,295</u>	<u>\$ 4,674,505</u>	<u>\$ 6,592,800</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
OPEB related items	\$ 183	\$ 353	\$ 536
Total deferred inflows of resources	<u>\$ 183</u>	<u>\$ 353</u>	<u>\$ 536</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 782,909	\$ 2,961,312	\$ 3,744,221
Unrestricted	686,273	357,311	1,043,584
Total net position	<u>\$ 1,469,182</u>	<u>\$ 3,318,623</u>	<u>\$ 4,787,805</u>

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

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

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating revenues:			
Water revenues	\$ 383,843	\$ -	\$ 383,843
Sewer revenues	-	441,674	441,674
Availability/connection fees	413,400	411,000	824,400
Total operating revenues	<u>\$ 797,243</u>	<u>\$ 852,674</u>	<u>\$ 1,649,917</u>
Operating expenses:			
Personnel services	\$ 82,230	\$ 185,592	\$ 267,822
Fringe benefits	18,307	68,856	87,163
Depreciation	85,794	274,920	360,714
Other operating expenses	227,970	340,522	568,492
Total operating expenses	<u>\$ 414,301</u>	<u>\$ 869,890</u>	<u>\$ 1,284,191</u>
Income (loss) from operations	<u>\$ 382,942</u>	<u>\$ (17,216)</u>	<u>\$ 365,726</u>
Nonoperating revenues (expenses):			
Interest expense	\$ (24,565)	\$ (73,395)	\$ (97,960)
Miscellaneous	22,738	1,466	24,204
Gain (loss) on sale of capital assets	-	8,010	8,010
Total nonoperating revenues (expenses)	<u>\$ (1,827)</u>	<u>\$ (63,919)</u>	<u>\$ (65,746)</u>
Net income (loss) before capital contributions and transfers	<u>\$ 381,115</u>	<u>\$ (81,135)</u>	<u>\$ 299,980</u>
Capital grants and contributions:			
Grant revenue	<u>\$ 9,950</u>	<u>\$ -</u>	<u>\$ 9,950</u>
Transfers in	<u>\$ 253,986</u>	<u>\$ 161,270</u>	<u>\$ 415,256</u>
Change in net position	<u>\$ 645,051</u>	<u>\$ 80,135</u>	<u>\$ 725,186</u>
Net position, beginning of year	<u>824,131</u>	<u>3,238,488</u>	<u>4,062,619</u>
Net position, end of year	<u>\$ 1,469,182</u>	<u>\$ 3,318,623</u>	<u>\$ 4,787,805</u>

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

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

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 797,641	\$ 856,404	\$ 1,654,045
Payments to suppliers	(241,475)	(315,199)	(556,674)
Payments to employees (including fringe benefits)	(113,572)	(241,440)	(355,012)
Other miscellaneous receipts	22,738	1,466	24,204
Net cash provided by (used for) operating activities	\$ 465,332	\$ 301,231	\$ 766,563
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Additions to utility plant	\$ (316,124)	\$ (12,693)	\$ (328,817)
Principal payments on bonds	(29,404)	(87,861)	(117,265)
Grant contributions	9,950	-	9,950
Proceeds from indebtedness	234,341	-	234,341
Interest payments	(24,573)	(73,419)	(97,992)
Proceeds from sales of capital assets	-	12,000	12,000
Net cash provided by (used for) capital and related financing activities	\$ (125,810)	\$ (161,973)	\$ (287,783)
<b>CASH FLOWS FROM NONCAPITAL AND FINANCING ACTIVITIES</b>			
Operating transfers in (out)	\$ 253,986	\$ 161,270	\$ 415,256
Net cash provided by (used for) noncapital and financing activities	\$ 253,986	\$ 161,270	\$ 415,256
Net increase (decrease) in cash and cash equivalents	\$ 593,508	\$ 300,528	\$ 894,036
Cash and cash equivalents - beginning of year	178,950	154,978	333,928
Cash and cash equivalents - end of year	\$ 772,458	\$ 455,506	\$ 1,227,964
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ 382,942	\$ (17,216)	\$ 365,726
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	85,794	274,920	360,714
Other miscellaneous receipts	22,738	1,466	24,204
Changes in assets and liabilities:			
Accounts receivable	(5,217)	3,730	(1,487)
Deferred outflows of resources - pension related items	(3,059)	(1,577)	(4,636)
Deferred outflows of resources - OPEB related items	(1,078)	(1,604)	(2,682)
Accounts payable	(13,505)	25,323	11,818
Accrued liabilities	(4,637)	92	(4,545)
Net OPEB liability	1,969	2,707	4,676
Compensated absences	(504)	(5,994)	(6,498)
Net pension liability	9,432	23,553	32,985
Deferred inflows of resources - pension related items	(15,075)	(3,942)	(19,017)
Deferred inflows of resources - OPEB related items	(83)	(227)	(310)
Customer deposits	5,615	-	5,615
Total adjustments	\$ 82,390	\$ 318,447	\$ 400,837
Net cash provided by (used for) operating activities	\$ 465,332	\$ 301,231	\$ 766,563

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

# TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021

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## NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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### Narrative Profile:

Town of Bowling Green, located in Caroline County, Virginia, was incorporated in 1837. The Town has a population of 1,167 and a land area of 1.63 square miles.

The Town is governed under the Council-Manager form of government. The Town government engages in wide ranges of municipal services including general government administration, public safety, public works, and community development.

The financial statements of Town of Bowling Green, Virginia have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The more significant of the Town's accounting policies are described below.

### **A. Financial Reporting Entity**

Government-wide Financial Statements: The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Position: The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and 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.

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

Fund Financial Statements: Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

## TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021 (Continued)

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### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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#### A. Financial Reporting Entity: (Continued)

##### Budgetary Comparison Schedules: (Continued)

Governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results for its major funds.

Individual Component Unit Disclosures: Accounting principles generally accepted in the United States require financial statements to present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The Town has no component units that meet the requirements for blending. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. The Town has one discretely presented component unit, the Economic Development Authority of Bowling Green. The Authority has a June 30 year end and does not issue separate financial statements.

#### B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The focus is on both the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category) and the component units, if applicable. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual economic resource basis which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The Town generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Town may defer the use of restricted assets based on a review of the specific transaction.

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

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 and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021 (Continued)

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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

Internal service charges, if applicable, are eliminated and the net income or loss from internal service activities is allocated to the various functional expense categories based on the internal charges to each function. In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

Proprietary fund operating revenues consist of charges for services and related revenues. Operating expenses 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 following is a brief description of the specific funds used by the Town in FY 2021.

1. *Governmental Funds* - Governmental Funds are those through which most governmental functions typically are financed. The government reports the following governmental funds.

*General Fund* - The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. The General Fund is considered a major fund for reporting purposes.

*Capital Projects Fund* - The Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects Fund is considered a major fund.

2. *Proprietary Funds* - Proprietary Funds account for operations that are financed in a manner similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

*Enterprise Funds* - Enterprise Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise Funds consist of the Water Fund and the Sewer Fund.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021 (Continued)

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

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C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net position) is segregated into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

1. *Governmental Funds* - Governmental funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts, except that property taxes not collected within 45 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 State and other grants for the purpose of funding specific expenditures, are recognized when measurable and available or at the time of the specific expenditure.

Expenditures, other than interest on long-term debt, are recorded as the related fund liabilities are incurred. Principal and interest on long-term debt are recognized when due except for amounts due on July 1, which are accrued.

2. *Proprietary Funds* - The accrual basis of accounting is used for the Enterprise Fund. Under the accrual method, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

**TOWN OF BOWLING GREEN, VIRGINIA**

Notes to Financial Statements  
June 30, 2021 (Continued)

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**D. Budgets and Budgetary Accounting**

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

1. Budgets and Budgetary Accounting

- a. The Town Manager, in conjunction with the Administration and Finance Committee, submits a proposed operating budget to the Town Council prior to June 30 of each year. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain citizen comments.
- c. Prior to June 30, the budget is legally enacted through Council vote.
- d. The budget places legal restrictions on expenditures at the function level. The Town Manager is authorized to transfer budgeted amounts between line items within a department without prior approval from the Town Council.
- e. Formal budgetary integration is employed as a management control device during the year for the General Fund.
- f. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- g. For the year ended June 30, 2021, expenditures exceeded appropriations in the public works and community development functions of the general fund by \$3,260 and \$92,865 respectively.

2. Legally Adopted Budgets

The general, capital projects and proprietary funds have legally adopted annual budgets.

**E. Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, cash and cash equivalents include all cash on hand and in banks, and highly liquid investments with original maturities of three months or less.

**F. Property Taxes**

Real estate and personal property are assessed annually on January 1st by the County of Caroline. Personal property and real estate taxes attach as an enforceable lien on the property as of January 1st. Taxes are payable in one installment on December 5th. The Town bills and collects its own property taxes. Penalties accrue at 10% on real estate and personal property taxes beginning December 6th. Interest accrues on real estate and personal property taxes at 10% per annum beginning December 6<sup>th</sup> after the December 5th due date.



TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021 (Continued)

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**G. Allowance for Uncollectible Accounts**

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes for the General Fund was \$11,479 at June 30, 2021. The allowance for uncollectible water and sewer charges was \$61,054 at June 30, 2021.

**H. Capital Assets**

Capital assets include land, buildings, equipment, vehicles and water and sewer mains. Any asset or group of assets acquired by the Town that has a useful life in excess of one year and an acquisition cost, or fair value (when received), of at least \$5,000 is reported in the applicable governmental or business-type activities column in the government-wide financial statements.

Such assets are recorded at historical cost (or estimated historical cost) if constructed or purchased. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	5-50 years
Equipment	1-15 years
Infrastructure	10-20 years
Vehicles	5-15 years
Utility Plant in Service	10-50 years

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**I. Compensated Absences**

**Annual Leave**

Annual leave is accrued on a semi-monthly basis. The amount of annual leave that an employee accrues and the total that may be accumulated is based upon the employee's length of service. Annual leave accrues on a biweekly basis and on July 1 of each year, all leave accrued in excess of the maximum accrual amount will be lost.

**Sick Leave**

Employees accrue sick leave is based upon the employee's length of service. There is no maximum sick leave accumulation. In the governmental fund types of the fund financial statements, the cost of annual leave and sick leave is only recognized when payments are made to employees. However, in the government-wide financial statements, the liability for accrued annual and sick leave benefits represent the Town's commitment to fund such vested amounts from future operations. In the proprietary funds the amount of such compensated absences is recognized in full when vested.

## TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021 (Continued)

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### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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#### J. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities. 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, as well as issuance costs during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### K. Fund Equity

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

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

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget or a motion to commit funds. 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 Town Council or the Town Manager as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

**TOWN OF BOWLING GREEN, VIRGINIA**

Notes to Financial Statements  
June 30, 2021 (Continued)

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**L. Credit Risk**

Concentrations of credit risk with respect to receivables are limited due to the large number of customers comprising the Town's customer base. As of June 30, 2021, the Town had no significant concentrations of credit risk.

**M. Use of Estimates**

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

**N. Deferred Outflows/Inflows of Resources**

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

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<sup>th</sup> and amounts levied during the fiscal year but due after June 30<sup>th</sup>, and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts levied during the fiscal year but due after June 30<sup>th</sup> are reported as deferred inflows of resources. In addition, certain items related to pension and OPEB are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

**O. Pensions**

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

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**P. Other Postemployment Benefits (OPEB)**

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

**Q. Net Position**

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

**TOWN OF BOWLING GREEN, VIRGINIA**

Notes to Financial Statements  
June 30, 2021 (Continued)

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**NOTE 2—DEPOSITS AND INVESTMENTS:**

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Deposits:

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

Investments:

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP). The Town had no investments at June 30, 2021.

**NOTE 3—DUE FROM OTHER GOVERNMENTAL UNITS:**

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At June 30, 2021 the Town has receivables from other governments as follows:

	<b>Governmental Activities</b>
Commonwealth of Virginia:	
Telecommunications tax	\$ 4,682
Game of skill tax	144
Caroline County	<u>4,311</u>
Totals	<u>\$ 9,137</u>

**TOWN OF BOWLING GREEN, VIRGINIA**

Notes to Financial Statements  
June 30, 2021 (Continued)

**NOTE 4—CAPITAL ASSETS:**

The following is a summary of changes in capital assets during the fiscal year:

**Governmental Activities:**

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets not being depreciated:				
Land and land improvements	\$ 39,197	\$ -	\$ -	\$ 39,197
Total capital assets not being depreciated	<u>\$ 39,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,197</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 454,657	\$ -	\$ -	\$ 454,657
Equipment	127,925	-	-	127,925
Infrastructure	180,620	-	-	180,620
Vehicles	193,326	2,400	-	195,726
Total capital assets being depreciated	<u>\$ 956,528</u>	<u>\$ 2,400</u>	<u>\$ -</u>	<u>\$ 958,928</u>
Accumulated depreciation:				
Buildings and improvements	\$ 185,837	\$ 12,647	\$ -	\$ 198,484
Equipment	86,169	5,893	-	92,062
Infrastructure	152,375	8,795	-	161,170
Vehicles	141,279	22,698	-	163,977
Total accumulated depreciation	<u>\$ 565,660</u>	<u>\$ 50,033</u>	<u>\$ -</u>	<u>\$ 615,693</u>
Total capital assets being depreciated, net	<u>\$ 390,868</u>	<u>\$ (47,633)</u>	<u>\$ -</u>	<u>\$ 343,235</u>
Governmental activities capital assets, net	<u>\$ 430,065</u>	<u>\$ (47,633)</u>	<u>\$ -</u>	<u>\$ 382,432</u>

**Business-type Activities:**

Capital assets not being depreciated:				
Land and land improvements	\$ 76,530	\$ -	\$ -	\$ 76,530
Construction in progress	-	234,341	-	234,341
Total capital assets not being depreciated	<u>\$ 76,530</u>	<u>\$ 234,341</u>	<u>\$ -</u>	<u>\$ 310,871</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 103,056	\$ -	\$ -	\$ 103,056
Equipment	186,560	82,798	40,300	229,058
Vehicles	128,871	16,500	-	145,371
Utility plant in service	12,725,046	-	-	12,725,046
Total capital assets being depreciated	<u>\$ 13,143,533</u>	<u>\$ 99,298</u>	<u>\$ 40,300</u>	<u>\$ 13,202,531</u>
Accumulated depreciation:				
Buildings and improvements	\$ 53,508	\$ 2,485	\$ -	\$ 55,993
Equipment	127,260	6,656	36,310	97,606
Vehicles	128,871	960	-	129,831
Utility plant in service	2,934,251	350,613	-	3,284,864
Total accumulated depreciation	<u>\$ 3,243,890</u>	<u>\$ 360,714</u>	<u>\$ 36,310</u>	<u>\$ 3,568,294</u>
Total capital assets being depreciated, net	<u>\$ 9,899,643</u>	<u>\$ (261,416)</u>	<u>\$ 3,990</u>	<u>\$ 9,634,237</u>
Business-type activities capital assets, net	<u>\$ 9,976,173</u>	<u>\$ (27,075)</u>	<u>\$ 3,990</u>	<u>\$ 9,945,108</u>

**TOWN OF BOWLING GREEN, VIRGINIA**

Notes to Financial Statements  
June 30, 2021 (Continued)

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**NOTE 4—CAPITAL ASSETS: (CONTINUED)**

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Depreciation expense was charged to functions/programs as follows:

Governmental Activities:		
General Government Administration	\$	12,499
Public Safety		12,579
Public Works		<u>24,955</u>
Total	\$	<u>50,033</u>
Business-type activities		
Water fund	\$	85,794
Sewer fund		<u>274,920</u>
Total	\$	<u>360,714</u>

**NOTE 5—COMPENSATED ABSENCES:**

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The Town has accrued the liability arising from outstanding compensated absences. The Town had outstanding compensated absences as follows:

Governmental Activities	\$	<u>23,001</u>
Business-type Activities	\$	<u>12,259</u>

**NOTE 6—LINE OF DUTY ACT (LODA) (OPEB BENEFITS):**

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

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

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Town's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals.

**TOWN OF BOWLING GREEN, VIRGINIA**

Notes to Financial Statements  
June 30, 2021 (Continued)

**NOTE 7—LONG-TERM OBLIGATIONS:**

The following is a summary of changes in long-term obligation transactions for the fiscal year ended June 30, 2021:

	<u>Balance at July 1, 2020</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2021</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Other liabilities:					
Net pension liability	\$ 290,852	\$ 118,986	\$ 79,423	\$ 330,415	\$ -
Net OPEB liability	24,645	18,228	13,592	29,281	-
Compensated absences	30,912	21,146	29,057	23,001	20,701
Total Governmental Activities	<u>\$ 346,409</u>	<u>\$ 158,360</u>	<u>\$ 122,072</u>	<u>\$ 382,697</u>	<u>\$ 20,701</u>
	<u>Balance at July 1, 2020</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2021</u>	<u>Amounts Due Within One Year</u>
Business-type Activities:					
Water Fund					
Direct borrowings and direct placements:					
General Obligation bonds	\$ 1,525,688	\$ -	\$ 29,404	\$ 1,496,284	\$ 29,887
Advance term promissory note	-	234,341	-	234,341	
Other liabilities:					
Net pension liability	60,985	25,359	15,927	70,417	-
Net OPEB liability	4,171	4,060	2,091	6,140	-
Compensated absences	8,027	3,999	4,503	7,523	6,771
Sewer Fund					
Direct borrowings and direct placements:					
Sewer revenue bonds	4,558,123	-	87,861	4,470,262	89,297
Other liabilities:					
Net pension liability	117,279	55,406	31,853	140,832	-
Net OPEB liability	9,100	7,808	5,101	11,807	-
Compensated absences	10,730	26	6,020	4,736	4,262
Total Business-type Activities	<u>\$ 6,294,103</u>	<u>\$ 330,999</u>	<u>\$ 182,760</u>	<u>\$ 6,442,342</u>	<u>\$ 130,217</u>



TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021 (Continued)

**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**

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

Year	Water Bonds		Sewer Bonds		Advance Term Promissory Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 29,887	\$ 24,091	\$ 89,297	\$ 71,980	\$ -	\$ 3,210
2023	30,377	23,602	90,759	70,518	-	3,210
2024	30,874	23,105	92,245	69,032	-	3,210
2025	31,379	22,599	93,755	67,522	234,341	2,675
2026	31,893	22,085	95,290	65,987	-	-
2027-2031	167,470	102,422	500,370	306,017	-	-
2032-2036	181,635	88,257	542,692	263,695	-	-
2037-2041	196,998	72,894	588,595	217,793	-	-
2042-2046	213,661	56,231	638,379	168,008	-	-
2047-2051	231,733	38,159	692,375	114,013	-	-
2052-2056	251,334	18,559	750,938	55,450	-	-
2057-2058	99,043	1,573	295,567	4,698	-	-
	<u>\$ 1,496,284</u>	<u>\$ 493,577</u>	<u>\$ 4,470,262</u>	<u>\$ 1,474,713</u>	<u>\$ 234,341</u>	<u>\$ 12,305</u>

Details of Long-term Obligations:

	<u>Amount Outstanding</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>		
Net pension liability	\$ 330,415	\$ -
Net OPEB liability	\$ 29,281	\$ -
Compensated absences	\$ 23,001	\$ 20,701
Total Governmental Obligations	<u>\$ 382,697</u>	<u>\$ 20,701</u>

Business-type Activities:

Bonds Payable:

\$6,316,000 General Obligation and Sewer Revenue Bonds, issued August 24, 2018, payable in 480 monthly installments of \$17,938 beginning on September 24, 2018, interest payable at 1.625% per year.

	\$ 5,966,546	\$ 119,184
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Total general obligation and sewer revenue bonds

	<u>\$ 5,966,546</u>	<u>\$ 119,184</u>
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Notes Payable:

Up to \$5,693,000 Advance Term Promissory Notes, issued April 29, 2021, interest payable monthly at rates tied to the LIBOR index rate. Any unpaid principal at April 29, 2025 will convert to a permanent loan. Water system revenues are pledged to the payment of the loan. \$234,341 drawn as of June 30, 2021.

	\$ 234,341	\$ -
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Net pension liability

	\$ 211,249	\$ -
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Net OPEB liability

	\$ 17,947	\$ -
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Compensated absences

	\$ 12,259	\$ 11,033
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Total Business-type Obligations

	<u>\$ 6,442,342</u>	<u>\$ 130,217</u>
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Total Primary Government

	<u>\$ 6,825,039</u>	<u>\$ 150,918</u>
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## TOWN OF BOWLING GREEN, VIRGINIA

### Notes to Financial Statements June 30, 2021

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#### NOTE 8—PENSION PLAN:

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021

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NOTE 8—PENSION PLAN: (CONTINUED)

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*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, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

*Employees Covered by Benefit Terms*

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Primary Government</b>
Inactive members or their beneficiaries currently receiving benefits	13
Inactive members:	
Vested inactive members	2
Non-vested inactive members	9
Active members active elsewhere in VRS	14
Total inactive members	25
Active members	11
Total covered employees	49

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021

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NOTE 8—PENSION PLAN: (CONTINUED)

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**Contributions**

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

The Town's contractually required employer contribution rate for the year ended June 30, 2021 was 13.70% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$72,091 and \$78,083 for the years ended June 30, 2021 and June 30, 2020, respectively.

**Net Pension Liability (Asset)**

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

**Actuarial Assumptions - General Employees**

The total pension liability for General Employees in the Town's Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021

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NOTE 8—PENSION PLAN: (CONTINUED)

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*Actuarial Assumptions - General Employees: (Continued)*

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

*Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits*

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021

NOTE 8—PENSION PLAN: (CONTINUED)

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

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

Mortality rates:

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021

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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021

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, 2020 the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*Changes in Net Pension Liability (Asset)*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 1,386,584	\$ 917,468	\$ 469,116
Changes for the year:			
Service cost	\$ 47,174	\$ -	\$ 47,174
Interest	90,504	-	90,504
Differences between expected and actual experience	56,785	-	56,785
Contributions - employer	-	78,083	(78,083)
Contributions - employee	-	26,805	(26,805)
Net investment income	-	17,623	(17,623)
Benefit payments, including refunds	(91,581)	(91,581)	-
Administrative expenses	-	(575)	575
Other changes	-	(21)	21
Net changes	\$ 102,882	\$ 30,334	\$ 72,548
Balances at June 30, 2020	\$ 1,489,466	\$ 947,802	\$ 541,664



TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021

NOTE 8—PENSION PLAN: (CONTINUED)

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

The following presents the net pension liability (asset) of the Town using the discount rate of 6.75%, as well as what the Town's net pension liability (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 (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town's Net Pension Liability (Asset)	\$ 714,926	\$ 541,664	\$ 398,084

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

For the year ended June 30, 2021, the Town recognized pension expense of \$113,568. At June 30, 2021, the Town 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	\$ 21,294	\$ -
Net difference between projected and actual earnings on pension plan investments	27,949	-
Change in proportionate share	3,518	3,518
Employer contributions subsequent to the measurement date	72,091	-
Total	<u>\$ 124,852</u>	<u>\$ 3,518</u>

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021

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NOTE 8—PENSION PLAN: (CONTINUED)

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*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)*

\$72,091 reported as deferred outflows of resources related to pensions resulting from the Town's and contributions, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ 22,118
2023	8,727
2024	9,451
2025	8,947
2026	-
Thereafter	-

***Pension Plan Data***

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

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TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021 (Continued)

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**NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):**

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***Plan Description***

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

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

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

***Eligible Employees***

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

***Benefit Amounts***

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021 (Continued)

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**NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

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***Contributions***

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the Town were \$3,032 and \$3,028 for the years ended June 30, 2021 and June 30, 2020, respectively.

***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB***

At June 30, 2021, the Town reported a liability of \$47,228, for their proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the Town's proportion was .00280% as compared to .00230% at June 30, 2019.

For the year ended June 30, 2021, the Town recognized GLI OPEB expense of \$5,750. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021 (Continued)

**NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

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

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,029	\$ 424
Net difference between projected and actual earnings on GLI OPEB program investments	1,419	-
Change in assumptions	2,362	986
Changes in proportionate share	16,258	-
Employer contributions subsequent to the measurement date	3,032	-
Total	<u>\$ 26,100</u>	<u>\$ 1,410</u>

\$3,032 reported as deferred outflows of resources related to the GLI OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ 4,661
2023	5,061
2024	5,182
2025	4,420
2026	2,027
Thereafter	307

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021 (Continued)

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**NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

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**Actuarial Assumptions: (Continued)**

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021 (Continued)

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**NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

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**Actuarial Assumptions: (Continued)**

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

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

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

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

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021 (Continued)

**NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

**Actuarial Assumptions: (Continued)**

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

**NET GLI OPEB Liability**

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	<b>GLI OPEB Program</b>
Total GLI OPEB Liability	\$ 3,523,937
Plan Fiduciary Net Position	1,855,102
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,668,835</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%

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



TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021 (Continued)

**NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

***Long-Term Expected Rate of Return***

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

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

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

***Discount Rate***

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021 (Continued)

**NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

***Discount Rate: (Continued)***

From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town’s Proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 62,085	\$ 47,228	\$ 35,163

***GLI Plan Fiduciary Net Position***

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**NOTE 10—UNAVAILABLE/UNEARNED/DEFERRED REVENUES:**

Unavailable/unearned/deferred revenues represent amounts for which, under the modified accrual basis of accounting, asset recognition criteria have been met, but for which revenue recognition criteria have not been met (i.e., such amounts are measurable, but not available). Under the accrual basis, assessments for future periods are deferred. At June 30, 2021 unavailable/deferred property tax revenues in the governmental funds totaled \$258,715. Unavailable revenue in the amount of \$6,813 represents sanitation and waste removal fees.

**NOTE 11—FIDELITY BOND:**

Fidelity bond coverage with Virginia Municipal League during the fiscal year 2021 was as follows:

	<u>Coverage</u>
Public employees dishonesty coverage	\$ 250,000

**TOWN OF BOWLING GREEN, VIRGINIA**

Notes to Financial Statements  
June 30, 2021 (Continued)

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**NOTE 12—COMMITMENTS AND CONTINGENCIES:**

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While it is anticipated that the Water and Sewer Funds will be able to make the required payments to liquidate the Bonds Payable, in the event of a failure to do so the full faith and credit of the Town’s General Fund will be obligated to meet any necessary payment shortfall.

At June 30, 2021 the Town has outstanding construction commitments totaling \$1,352,662.

**NOTE 13—LITIGATION:**

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

**NOTE 14—INTERFUND TRANSFERS:**

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 399,457
Capital Projects Fund	-	15,799
Sewer Fund	161,270	-
Water Fund	253,986	-
Total	\$ <u>415,256</u>	\$ <u>415,256</u>

Transfers are used to (1) move revenue from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

**NOTE 15—COVID-19:**

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**CARES Act Funding**

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

Each locality received its CRF allocations based on population in two equal payments, with the second and final round of funding being received during fiscal year 2021. The Town received total CRF funding of \$209,390. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021 will be returned to the federal government. All CRF funds were spent as of June 30, 2021.

**ARPA Funding**

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

## TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements  
June 30, 2021 (Continued)

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### **NOTE 15—COVID-19: (CONTINUED)**

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On June 30, 2021, the Town received its share of the first half of the CSLFRF funds. The second half of these funds was received on July 19, 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 \$609,541 from the initial allocation are reported as unearned revenue as of June 30, 2021.

### **NOTE 16—UPCOMING PRONOUNCEMENTS:**

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

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

Statement No. 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 fiscal years beginning after December 15, 2023.

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

## **Required Supplementary Information**

### **Note to Required Supplementary Information:**

Presented budgets were prepared in accordance with Accounting Principles Generally Accepted in the United States of America.

Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 For the Year Ended June 30, 2021

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
General property taxes	\$ 238,269	\$ 238,269	\$ 222,197	\$ (16,072)
Other local taxes	611,500	611,500	776,792	165,292
Permits, privilege fees, and regulatory licenses	3,000	3,000	5,930	2,930
Fines and forfeitures	43,100	43,100	22,131	(20,969)
Revenue from the use of money and property	31,000	31,000	20,252	(10,748)
Charges for service	89,301	89,301	92,094	2,793
Miscellaneous	15,100	15,100	15,067	(33)
Intergovernmental:				
Commonwealth	95,434	95,434	102,039	6,605
Federal	-	209,390	209,390	-
<b>Total revenues</b>	<b>\$ 1,126,704</b>	<b>\$ 1,336,094</b>	<b>\$ 1,465,892</b>	<b>\$ 129,798</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government administration	\$ 532,374	\$ 741,764	\$ 627,464	\$ 114,300
Public safety	158,682	158,682	153,796	4,886
Public works	299,470	299,470	302,730	(3,260)
Community development	19,950	19,950	112,815	(92,865)
<b>Total expenditures</b>	<b>\$ 1,010,476</b>	<b>\$ 1,219,866</b>	<b>\$ 1,196,805</b>	<b>\$ 23,061</b>
Excess (deficiency) of revenues over expenditures	\$ 116,228	\$ 116,228	\$ 269,087	\$ 152,859
<b>Other financing sources (uses)</b>				
Transfers out	\$ (415,756)	\$ (415,756)	\$ (399,457)	\$ 16,299
<b>Total other financing sources (uses)</b>	<b>\$ (415,756)</b>	<b>\$ (415,756)</b>	<b>\$ (399,457)</b>	<b>\$ 16,299</b>
Net change in fund balance	\$ (299,528)	\$ (299,528)	\$ (130,370)	\$ 169,158
Fund balances at beginning of year	299,528	299,528	410,972	111,444
Fund balances at end of year	\$ -	\$ -	\$ 280,602	\$ 280,602

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
 Primary Government  
 Pension Plan  
 For the Measurement Dates of June 30, 2015 through June 30, 2020

	2020	2019	2018	2017	2016	2015
<b>Total pension liability</b>						
Service cost	\$ 47,174	\$ 33,698	\$ 23,097	\$ 7,393	\$ 24,955	\$ 25,004
Interest	90,504	85,614	79,975	79,620	88,453	88,963
Differences between expected and actual experience	56,785	52,338	65,841	8,638	(161,984)	(25,232)
Changes in assumptions	-	36,342	-	(8,858)	-	-
Benefit payments, including refunds of employee contributions	(91,581)	(88,922)	(87,808)	(75,624)	(79,590)	(112,454)
<b>Net change in total pension liability</b>	\$ 102,882	\$ 119,070	\$ 81,105	\$ 11,169	\$ (128,166)	\$ (23,719)
<b>Total pension liability - beginning</b>	<u>1,386,584</u>	<u>1,267,514</u>	<u>1,186,409</u>	<u>1,175,240</u>	<u>1,303,406</u>	<u>1,327,125</u>
<b>Total pension liability - ending (a)</b>	\$ <u>1,489,466</u>	\$ <u>1,386,584</u>	\$ <u>1,267,514</u>	\$ <u>1,186,409</u>	\$ <u>1,175,240</u>	\$ <u>1,303,406</u>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 78,083	\$ 61,957	\$ 43,742	\$ 36,200	\$ 49,795	\$ 50,828
Contributions - employee	26,805	20,466	15,035	12,233	10,837	11,328
Net investment income	17,623	57,902	61,042	92,491	12,705	34,145
Benefit payments, including refunds of employee contributions	(91,581)	(88,922)	(87,808)	(75,624)	(79,590)	(112,454)
Administrative expense	(575)	(565)	(541)	(550)	(486)	(512)
Other	(21)	(37)	(54)	(82)	(6)	(8)
<b>Net change in plan fiduciary net position</b>	\$ 30,334	\$ 50,801	\$ 31,416	\$ 64,668	\$ (6,745)	\$ (16,673)
<b>Plan fiduciary net position - beginning</b>	<u>917,468</u>	<u>866,667</u>	<u>835,251</u>	<u>770,583</u>	<u>777,328</u>	<u>794,001</u>
<b>Plan fiduciary net position - ending (b)</b>	\$ <u>947,802</u>	\$ <u>917,468</u>	\$ <u>866,667</u>	\$ <u>835,251</u>	\$ <u>770,583</u>	\$ <u>777,328</u>
<b>Town's net pension liability (asset) - ending (a) - (b)</b>	\$ 541,664	\$ 469,116	\$ 400,847	\$ 351,158	\$ 404,657	\$ 526,078
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	63.63%	66.17%	68.38%	70.40%	65.57%	59.64%
<b>Covered payroll</b>	\$ 582,242	\$ 457,420	\$ 345,204	\$ 276,115	\$ 231,366	\$ 236,530
<b>Town's net pension liability (asset) as a percentage of covered payroll</b>	93.03%	102.56%	116.12%	127.18%	174.90%	222.41%

Schedule is intended to show information for 10 years. Information prior to the 2015 valuation is not available. However, additional years will be included as they become available.

## Schedule of Employer Contributions

Pension Plan

For the Years Ended June 30, 2012 through June 30, 2021

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2021	\$ 72,091	\$ 72,091	\$ -	\$ 561,476	12.84%
2020	78,083	78,083	-	582,242	13.41%
2019	61,957	61,957	-	457,420	13.54%
2018	43,742	43,742	-	345,204	12.67%
2017	38,131	38,131	-	276,115	13.81%
2016	50,207	50,207	-	231,366	21.70%
2015	51,327	51,327	-	236,530	21.70%
2014	31,392	31,392	-	231,845	13.54%
2013	39,357	39,357	-	290,668	13.54%
2012	50,369	50,369	-	320,619	15.71%



Notes to Required Supplementary Information  
Pension Plan  
For the Year Ended June 30, 2021

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

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Town's Share of Net OPEB Liability  
 Group Life Insurance (GLI) Plan  
 For the Measurement Dates of June 30, 2017 through June 30, 2020

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
<b>Primary Government</b>					
2020	0.002800% \$	47,228 \$	582,242	8.11%	52.64%
2019	0.002300%	37,916	457,420	8.29%	52.00%
2018	0.001810%	27,000	345,204	7.82%	51.22%
2017	0.001500%	22,000	276,115	7.97%	48.86%

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

Schedule of Employer Contributions  
 Group Life Insurance (GLI) Plan  
 For the Years Ended June 30, 2012 through June 30, 2021

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<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
<b>Primary Government</b>					
2021	\$ 3,032	\$ 3,032	\$ -	\$ 561,476	0.54%
2020	3,028	3,028	-	582,242	0.52%
2019	2,378	2,378	-	457,420	0.52%
2018	1,795	1,795	-	345,204	0.52%
2017	1,436	1,436	-	276,115	0.52%
2016	1,111	1,111	-	231,366	0.48%
2015	1,135	1,135	-	236,530	0.48%
2014	1,113	1,113	-	231,845	0.48%
2013	1,395	1,395	-	290,668	0.48%
2012	898	898	-	320,619	0.28%

Notes to Required Supplementary Information  
 Group Life Insurance (GLI) Plan  
 For the Year Ended June 30, 2021

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

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

**Non-Largest Ten Locality Employers - General Employees**

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

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

## **Other Supplementary Information**

## **Individual Fund Financial Statements**

Statement of Net Position  
Economic Development Authority  
June 30, 2021

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**ASSETS**

Current assets:

Cash and investments	\$	<u>14,637</u>
Total assets	\$	<u>14,637</u>

**NET POSITION**

Unrestricted	\$	<u>14,637</u>
Total net position	\$	<u><u>14,637</u></u>

Statement of Revenues, Expenses, and Changes in Fund Net Position  
Economic Development Authority  
For the Year Ended June 30, 2021

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**OPERATING REVENUES**

Contribution from primary government	\$	<u>106,510</u>
Total operating revenues	\$	<u>106,510</u>

**OPERATING EXPENSES**

Grants	\$	<u>106,547</u>
Total operating expenses	\$	<u>106,547</u>

Operating income (loss) \$ (37)

Change in net position \$ (37)

Total net position - beginning		<u>14,674</u>
Total net position - ending	\$	<u><u>14,637</u></u>



Statement of Cash Flows  
 Economic Development Authority  
 For the Year Ended June 30, 2021

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Contributions from primary government	\$ 106,510
Cash paid to grantees	<u>(106,547)</u>
Net cash provided by (used for) operating activities	<u>\$ (37)</u>
 Net increase (decrease) in cash and cash equivalents	 \$ (37)
 Cash and investments - beginning	 <u>14,674</u>
Cash and investments - ending	<u><u>\$ 14,637</u></u>
 <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ <u>(37)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (37)</u></u>

## **Supporting Schedules**

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2021

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 175,769	\$ 175,769	\$ 170,656	\$ (5,113)
Real and personal public service corporation taxes	4,000	4,000	3,370	(630)
Personal property taxes	52,500	52,500	42,884	(9,616)
Penalties	2,500	2,500	2,794	294
Interest	3,500	3,500	2,493	(1,007)
Total general property taxes	<u>\$ 238,269</u>	<u>\$ 238,269</u>	<u>\$ 222,197</u>	<u>\$ (16,072)</u>
Other local taxes:				
Local sales and use taxes	\$ 32,000	\$ 32,000	\$ 37,512	\$ 5,512
Consumers' utility taxes	30,000	30,000	34,861	4,861
Business license taxes	68,000	68,000	91,545	23,545
Motor vehicle licenses	27,000	27,000	19,377	(7,623)
Bank stock taxes	250,000	250,000	317,842	67,842
Lodging tax	4,500	4,500	3,273	(1,227)
Restaurant food taxes	200,000	200,000	272,382	72,382
Total other local taxes	<u>\$ 611,500</u>	<u>\$ 611,500</u>	<u>\$ 776,792</u>	<u>\$ 165,292</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 3,000	\$ 3,000	\$ 5,930	\$ 2,930
Total permits, privilege fees, and regulatory licenses	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 5,930</u>	<u>\$ 2,930</u>
Fines and forfeitures:				
Fines and penalties	\$ 43,100	\$ 43,100	\$ 22,131	\$ (20,969)
Total fines and forfeitures	<u>\$ 43,100</u>	<u>\$ 43,100</u>	<u>\$ 22,131</u>	<u>\$ (20,969)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 5,000	\$ 5,000	\$ 2,661	\$ (2,339)
Revenue from use of property	26,000	26,000	17,591	(8,409)
Total revenue from use of money and property	<u>\$ 31,000</u>	<u>\$ 31,000</u>	<u>\$ 20,252</u>	<u>\$ (10,748)</u>
Charges for services:				
Charges for sanitation and waste removal	\$ 89,301	\$ 89,301	\$ 92,094	\$ 2,793
Total charges for services	<u>\$ 89,301</u>	<u>\$ 89,301</u>	<u>\$ 92,094</u>	<u>\$ 2,793</u>
Miscellaneous:				
Miscellaneous	\$ 7,600	\$ 7,600	\$ 13,952	\$ 6,352
Wine festival	7,500	7,500	-	(7,500)
Harvest festival	-	-	1,115	1,115
Total miscellaneous	<u>\$ 15,100</u>	<u>\$ 15,100</u>	<u>\$ 15,067</u>	<u>\$ (33)</u>
Total revenue from local sources	<u>\$ 1,031,270</u>	<u>\$ 1,031,270</u>	<u>\$ 1,154,463</u>	<u>\$ 123,193</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2021

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ -	\$ -	\$ 2	\$ 2
Personal property tax relief funds	21,900	21,900	21,908	8
Game of skill tax	-	-	3,024	3,024
Telecommunications tax	38,000	38,000	30,023	(7,977)
Total noncategorical aid	<u>\$ 59,900</u>	<u>\$ 59,900</u>	<u>\$ 54,957</u>	<u>\$ (4,943)</u>
Categorical aid:				
Other categorical aid:				
Fireman's insurance fund	\$ 10,000	\$ 10,000	\$ 15,000	\$ 5,000
Litter control grant	1,034	1,034	935	(99)
Local law enforcement assistance	24,500	24,500	26,147	1,647
Other categorical aid	-	-	5,000	5,000
Total other categorical aid	<u>\$ 35,534</u>	<u>\$ 35,534</u>	<u>\$ 47,082</u>	<u>\$ 11,548</u>
Total categorical aid	<u>\$ 35,534</u>	<u>\$ 35,534</u>	<u>\$ 47,082</u>	<u>\$ 11,548</u>
Total revenue from the Commonwealth	<u>\$ 95,434</u>	<u>\$ 95,434</u>	<u>\$ 102,039</u>	<u>\$ 6,605</u>
Revenue from the federal government:				
Noncategorical aid:				
Coronavirus Relief Fund (CRF)	\$ -	\$ 209,390	\$ 209,390	\$ -
Total noncategorical aid	<u>\$ -</u>	<u>\$ 209,390</u>	<u>\$ 209,390</u>	<u>\$ -</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 209,390</u>	<u>\$ 209,390</u>	<u>\$ -</u>
Total General Fund	<u>\$ 1,126,704</u>	<u>\$ 1,336,094</u>	<u>\$ 1,465,892</u>	<u>\$ 129,798</u>
<b>Capital Projects Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 107	\$ 107
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107</u>	<u>\$ 107</u>
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 700	\$ 700
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 700</u>	<u>\$ 700</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 807</u>	<u>\$ 807</u>
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 807</u>	<u>\$ 807</u>
Total Primary Government	<u>\$ 1,126,704</u>	<u>\$ 1,336,094</u>	<u>\$ 1,466,699</u>	<u>\$ 130,605</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2021

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Council services	\$ 18,950	\$ 18,950	\$ 17,170	\$ 1,780
General and financial administration:				
Advertising	\$ 4,000	\$ 4,000	\$ 9,334	\$ (5,334)
Information technology	25,000	25,000	8,708	16,292
Insurance	15,000	15,000	14,554	446
Materials and supplies	2,500	2,500	574	1,926
COVID-19 expenses	-	209,390	102,903	106,487
Miscellaneous administrative	23,250	23,250	22,353	897
Personnel	160,998	160,998	133,214	27,784
Professional development	3,800	3,800	3,317	483
Professional services	20,500	20,500	20,499	1
Telecommunications	1,200	1,200	2,917	(1,717)
Total general and financial administration	<u>\$ 256,248</u>	<u>\$ 465,638</u>	<u>\$ 318,373</u>	<u>\$ 147,265</u>
Office of Town Treasurer:				
Audit and accounting	\$ 27,000	\$ 27,000	\$ 9,613	\$ 17,387
Information technology	18,600	18,600	40,846	(22,246)
Materials and supplies	1,500	1,500	5,279	(3,779)
Miscellaneous	250	250	4,418	(4,168)
Office equipment	6,000	6,000	3,101	2,899
Personnel	193,326	193,326	220,804	(27,478)
Postage	5,000	5,000	2,277	2,723
Professional development	2,500	2,500	3,278	(778)
Telecommunications	3,000	3,000	2,305	695
Total office of town treasurer	<u>\$ 257,176</u>	<u>\$ 257,176</u>	<u>\$ 291,921</u>	<u>\$ (34,745)</u>
Total general government administration	<u>\$ 532,374</u>	<u>\$ 741,764</u>	<u>\$ 627,464</u>	<u>\$ 114,300</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2021

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Public safety:				
Law enforcement and traffic control:				
Equipment	\$ 5,000	\$ 5,000	\$ 12,861	\$ (7,861)
Fuel	5,000	5,000	2,591	2,409
Maintenance and repairs	1,500	1,500	2,932	(1,432)
Materials and supplies	1,400	1,400	2,410	(1,010)
Miscellaneous	3,000	3,000	2,583	417
Personnel	120,232	120,232	104,989	15,243
Professional development	3,000	3,000	2,484	516
Professional services	750	750	600	150
Telecommunications	4,000	4,000	3,697	303
Uniforms	1,000	1,000	811	189
Utilities	1,800	1,800	838	962
Total law enforcement and traffic control	<u>\$ 146,682</u>	<u>\$ 146,682</u>	<u>\$ 136,796</u>	<u>\$ 9,886</u>
Fire and rescue services:				
Volunteer fire and rescue department	\$ 12,000	\$ 12,000	\$ 17,000	\$ (5,000)
Total public safety	<u>\$ 158,682</u>	<u>\$ 158,682</u>	<u>\$ 153,796</u>	<u>\$ 4,886</u>
Public works:				
Fuel	\$ 2,500	\$ 2,500	\$ 1,947	\$ 553
Insurance	4,200	4,200	4,200	-
Litter control	1,500	1,500	1,000	500
Maintenance and repairs	15,500	15,500	35,395	(19,895)
Materials and supplies	1,050	1,050	2,419	(1,369)
Miscellaneous	500	500	50	450
Personnel	121,919	121,919	103,611	18,308
Professional development	500	500	200	300
Refuse collection	89,301	89,301	97,198	(7,897)

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2021

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Public works: (Continued)				
Telecommunications	\$ 2,000	\$ 2,000	\$ 1,473	\$ 527
Town Hall	30,000	30,000	24,285	5,715
Uniforms and safety equipment	4,000	4,000	9,021	(5,021)
Utilities	26,500	26,500	21,931	4,569
Total public works	<u>\$ 299,470</u>	<u>\$ 299,470</u>	<u>\$ 302,730</u>	<u>\$ (3,260)</u>
Community development:				
Harvest festival	\$ -	\$ -	\$ 81	\$ (81)
Miscellaneous	7,700	7,700	1,925	5,775
Other events	6,750	6,750	4,299	2,451
Economic development	-	-	106,510	(106,510)
Wine festival	5,500	5,500	-	5,500
Total community development	<u>\$ 19,950</u>	<u>\$ 19,950</u>	<u>\$ 112,815</u>	<u>\$ (92,865)</u>
Total General Fund	<u>\$ 1,010,476</u>	<u>\$ 1,219,866</u>	<u>\$ 1,196,805</u>	<u>\$ 23,061</u>
<b>Capital Projects Fund:</b>				
Capital projects and capital outlays:				
Refinancing and USDA projects	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,500</u>	<u>\$ (9,500)</u>
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,500</u>	<u>\$ (9,500)</u>
Total Primary Government	<u>\$ 1,010,476</u>	<u>\$ 1,219,866</u>	<u>\$ 1,206,305</u>	<u>\$ 13,561</u>

## **Compliance**





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

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**To the Honorable Members of the Town Council  
Town of Bowling Green  
Bowling Green, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the Town of Bowling Green, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Town of Bowling Green, Virginia's basic financial statements, and have issued our report thereon dated June 4, 2024.

**Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

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

### Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia  
June 4, 2024

TOWN OF BOWLING GREEN, VIRGINIA

Schedule of Findings and Responses  
Year Ended June 30, 2021

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**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?	No
Noncompliance material to financial statements noted?	No

**Section II - Financial Statement Findings**

**2021-001: Material Weakness - Material Audit Adjustments Proposed by the External Auditors**

*Criteria:*

Identification of a material adjustment to the financial statements that was not detected by the Town's internal controls indicates that a material weakness may exist.

*Condition:*

The financial statements required material adjustments by the Auditors to ensure such statements complied with Generally Accepted Accounting Principles (GAAP). Material audit adjustments were proposed to several accounts and financial statement groups including, Beginning Fund Balance/Net Position, Debt, Unearned Revenue, Accounts Payable, and Capital Assets, to be in accordance with Generally Accepted Accounting Principles.

*Cause:*

The Town's internal controls in place to capture and record all necessary balances in the automated accounting system were not adequate for the year ended June 30, 2021.

*Effect:*

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

*Recommendation:*

We recommend that the Town strengthen internal controls to capture and record all balances accurately in accordance with General Accepted Accounting Principles and eliminate the need for material audit adjustments. In addition, capturing and recording all necessary balances in the accounting system will assist Management and those charged with governance in their decision making for the Town.

*Management's Response:*

Management concurs with this recommendation and will strengthen internal controls related to capturing and recording all necessary balances in accordance with the General Accepted Accounting Principles. Beginning with the FY22 audit, the current Town Manager has worked closely with the new Finance Director/Treasurer and Roderfer Moss accounting firm (effective June 4, 2024) to strengthen internal controls.