

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



TOWN OF BOWLING GREEN, VIRGINIA
PRINCIPAL OFFICIALS
TOWN COUNCIL AND EXECUTIVE OFFICERS

Mayor

Jason Satterwhite

Vice-Mayor

Mark Gaines

COUNCIL MEMBERS

Jean Davis
Tammie Gaines
Deborah Howard

Glenn McDearmon
Otis Wright
Valarie Cayle

Town Manager

Reese Peck

Town Treasurer/Clerk

Melissa Lewis

TOWN OF BOWLING GREEN, VIRGINIA
Financial Report
For the Year Ended June 30, 2020

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Financial Report
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Independent Auditors' Report

**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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, and schedules related to pension and OPEB funding located on pages 46 and 47-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2022, 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
February 2, 2022

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
June 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority Total
ASSETS				
Cash and cash equivalents	\$ 423,768	\$ 333,928	\$ 757,696	\$ 14,674
Receivables (net of allowance for uncollectibles):				
Taxes receivable	268,025	-	268,025	-
Accounts receivable	42,255	146,068	188,323	-
Due from other governmental units	16,159	4,822	20,981	-
Capital assets (net of accumulated depreciation):				
Land and land improvements	39,197	76,530	115,727	-
Buildings and improvements	268,820	49,548	318,368	-
Equipment	41,756	59,300	101,056	-
Infrastructure	28,245	-	28,245	-
Vehicles	52,047	-	52,047	-
Utility plant in service	-	9,790,795	9,790,795	-
Total assets	\$ 1,180,272	\$ 10,460,991	\$ 11,641,263	\$ 14,674
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 68,074	\$ 45,929	\$ 114,003	\$ -
OPEB related items	13,236	7,267	20,503	-
Total deferred outflows of resources	\$ 81,310	\$ 53,196	\$ 134,506	\$ -
LIABILITIES				
Accounts payable	\$ 20,299	\$ 43,493	\$ 63,792	\$ -
Accrued liabilities	-	32,347	32,347	-
Customers' deposits	-	60,114	60,114	-
Accrued interest payable	-	1,648	1,648	-
Long-term liabilities:				
Due within one year	29,057	127,788	156,845	-
Due in more than one year	317,352	6,166,315	6,483,667	-
Total liabilities	\$ 366,708	\$ 6,431,705	\$ 6,798,413	\$ -
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 230,279	\$ -	\$ 230,279	\$ -
Deferred revenue - sanitation and waste removal	6,813	-	6,813	-
Pension related items	4,723	19,017	23,740	-
OPEB related items	1,569	846	2,415	-
Total deferred inflows of resources	\$ 243,384	\$ 19,863	\$ 263,247	\$ -
NET POSITION				
Net investment in capital assets	\$ 430,065	\$ 3,892,362	\$ 4,322,427	\$ -
Restricted:				
Donations	10,940	-	10,940	-
Unrestricted	210,485	170,257	380,742	14,674
Total net position	\$ 651,490	\$ 4,062,619	\$ 4,714,109	\$ 14,674

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, 2020

<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>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 565,948	\$ -	\$ -	\$ -
Public safety	154,147	37,065	50,476	-
Public works	323,365	88,141	814	-
Community development	36,547	3,410	-	-
Total governmental activities	<u>\$ 1,080,007</u>	<u>\$ 128,616</u>	<u>\$ 51,290</u>	<u>\$ -</u>
Business-type activities:				
Water	\$ 433,970	\$ 370,045	\$ -	\$ 30,000
Sewer	715,551	491,599	-	1,594,367
Total business-type activities	<u>\$ 1,149,521</u>	<u>\$ 861,644</u>	<u>\$ -</u>	<u>\$ 1,624,367</u>
Total primary government	<u>\$ 2,229,528</u>	<u>\$ 990,260</u>	<u>\$ 51,290</u>	<u>\$ 1,624,367</u>
COMPONENT UNITS:				
Economic Development Authority	\$ 5,712	\$ -	\$ -	\$ -
Total component units	<u>\$ 5,712</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
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 Units
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (565,948)	\$ -	\$ (565,948)	\$ -
(66,606)	-	(66,606)	-
(234,410)	-	(234,410)	-
(33,137)	-	(33,137)	-
<u>\$ (900,101)</u>	<u>\$ -</u>	<u>\$ (900,101)</u>	<u>\$ -</u>
\$ -	\$ (33,925)	\$ (33,925)	\$ -
-	1,370,415	1,370,415	-
<u>\$ -</u>	<u>\$ 1,336,490</u>	<u>\$ 1,336,490</u>	<u>\$ -</u>
<u>\$ (900,101)</u>	<u>\$ 1,336,490</u>	<u>\$ 436,389</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (5,712)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,712)</u>
\$ 262,400	\$ -	\$ 262,400	\$ -
38,902	-	38,902	-
3,842	-	3,842	-
79,501	-	79,501	-
224,233	-	224,233	-
300,487	-	300,487	-
29,464	-	29,464	-
20,798	-	20,798	-
31,366	-	31,366	-
41,050	-	41,050	-
55,753	-	55,753	-
(222,360)	222,360	-	-
<u>\$ 865,436</u>	<u>\$ 222,360</u>	<u>\$ 1,087,796</u>	<u>\$ -</u>
(34,665)	1,558,850	1,524,185	(5,712)
686,155	2,503,769	3,189,924	20,386
<u>\$ 651,490</u>	<u>\$ 4,062,619</u>	<u>\$ 4,714,109</u>	<u>\$ 14,674</u>

Fund Financial Statements

Balance Sheet
 Governmental Funds
 June 30, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 376,833	\$ 46,935	\$ 423,768
Receivables (net of allowance for uncollectibles):			
Taxes receivable	268,025	-	268,025
Accounts receivable	42,255	-	42,255
Due from other governmental units	16,159	-	16,159
Total assets	<u>\$ 703,272</u>	<u>\$ 46,935</u>	<u>\$ 750,207</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 19,599	\$ 700	\$ 20,299
Total liabilities	<u>\$ 19,599</u>	<u>\$ 700</u>	<u>\$ 20,299</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 265,888	\$ -	\$ 265,888
Unavailable revenue - sanitation and waste removal	6,813	-	6,813
Total deferred inflows of resources	<u>\$ 272,701</u>	<u>\$ -</u>	<u>\$ 272,701</u>
FUND BALANCES			
Restricted:			
Donations	\$ 10,940	\$ -	\$ 10,940
Capital projects	-	15,692	15,692
Committed:			
Capital projects	-	30,543	30,543
Unassigned	400,032	-	400,032
Total fund balances	<u>\$ 410,972</u>	<u>\$ 46,235</u>	<u>\$ 457,207</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 703,272</u>	<u>\$ 46,935</u>	<u>\$ 750,207</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, 2020

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	457,207	
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.			430,065
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			35,609
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	68,074	
OPEB related items		<u>13,236</u>	81,310
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	\$	(30,912)	
Net Pension liability		(290,852)	
Net OPEB liabilities		<u>(24,645)</u>	(346,409)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(4,723)	
OPEB related items		<u>(1,569)</u>	(6,292)
Net position of governmental activities			<u>\$ 651,490</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, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 223,742	\$ -	\$ 223,742
Other local taxes	697,227	-	697,227
Permits, privilege fees, and regulatory licenses	3,410	-	3,410
Fines and forfeitures	37,065	-	37,065
Revenue from the use of money and property	31,143	223	31,366
Charges for services	88,141	-	88,141
Miscellaneous	41,050	-	41,050
Intergovernmental:			
Commonwealth	107,043	-	107,043
Federal	-	-	-
Total revenues	<u>\$ 1,228,821</u>	<u>\$ 223</u>	<u>\$ 1,229,044</u>
EXPENDITURES			
Current:			
General government administration	\$ 518,759	\$ -	\$ 518,759
Public safety	133,536	-	133,536
Public works	287,615	-	287,615
Community development	36,547	-	36,547
Capital projects	-	700	700
Total expenditures	<u>\$ 976,457</u>	<u>\$ 700</u>	<u>\$ 977,157</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 252,364</u>	<u>\$ (477)</u>	<u>\$ 251,887</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 5,500	\$ 1,589,545	\$ 1,595,045
Transfers out	(220,910)	(1,596,495)	(1,817,405)
Total other financing sources (uses)	<u>\$ (215,410)</u>	<u>\$ (6,950)</u>	<u>\$ (222,360)</u>
Net change in fund balances	\$ 36,954	\$ (7,427)	\$ 29,527
Fund balances - beginning	374,018	53,662	427,680
Fund balances - ending	<u>\$ 410,972</u>	<u>\$ 46,235</u>	<u>\$ 457,207</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, 2020

		<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	\$	29,527
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.		
Depreciation expense	\$ <u>(50,073)</u>	(50,073)
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		38,658
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	\$ (14,320)	
Pension expense	(36,474)	
OPEB expense	<u>(1,983)</u>	<u>(52,777)</u>
Change in net position of governmental activities	\$	<u><u>(34,665)</u></u>

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

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 178,950	\$ 154,978	\$ 333,928
Accounts receivable, net of allowance for uncollectibles	77,256	68,812	146,068
Due from other governmental units	-	4,822	4,822
Total current assets	\$ 256,206	\$ 228,612	\$ 484,818
Noncurrent assets:			
Capital assets:			
Land and land improvements	\$ 18,000	\$ 58,530	\$ 76,530
Building and improvements	2,223	100,833	103,056
Equipment	66,132	120,428	186,560
Vehicles	64,436	64,435	128,871
Utility plant in service	3,086,959	9,638,087	12,725,046
Accumulated depreciation	(954,546)	(2,289,344)	(3,243,890)
Total capital assets	\$ 2,283,204	\$ 7,692,969	\$ 9,976,173
Total noncurrent assets	\$ 2,283,204	\$ 7,692,969	\$ 9,976,173
Total assets	\$ 2,539,410	\$ 7,921,581	\$ 10,460,991
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 12,743	\$ 33,186	\$ 45,929
OPEB related items	2,315	4,952	7,267
Total deferred outflows of resources	\$ 15,058	\$ 38,138	\$ 53,196
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 30,622	\$ 12,871	\$ 43,493
Accrued liabilities	24,977	7,370	32,347
Customers' deposits	60,114	-	60,114
Compensated absences	4,503	6,020	10,523
Accrued interest payable	412	1,236	1,648
Bonds payable - current portion	29,406	87,859	117,265
Total current liabilities	\$ 150,034	\$ 115,356	\$ 265,390
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 1,496,282	\$ 4,470,264	\$ 5,966,546
Net pension liability	60,985	117,279	178,264
Net OPEB liability	4,171	9,100	13,271
Compensated absences	3,524	4,710	8,234
Total noncurrent liabilities	\$ 1,564,962	\$ 4,601,353	\$ 6,166,315
Total liabilities	\$ 1,714,996	\$ 4,716,709	\$ 6,431,705
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 15,075	\$ 3,942	\$ 19,017
OPEB related items	266	580	846
Total deferred outflows of resources	\$ 15,341	\$ 4,522	\$ 19,863
NET POSITION			
Net investment in capital assets	\$ 757,516	\$ 3,134,846	\$ 3,892,362
Unrestricted	66,615	103,642	170,257
Total net position	\$ 824,131	\$ 3,238,488	\$ 4,062,619

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, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating revenues:			
Water revenues	\$ 364,945	\$ -	\$ 364,945
Sewer revenues	-	487,849	487,849
Connection fees	5,100	3,750	8,850
Total operating revenues	<u>\$ 370,045</u>	<u>\$ 491,599</u>	<u>\$ 861,644</u>
Operating expenses:			
Personnel services	\$ 88,362	\$ 169,705	\$ 258,067
Fringe benefits	50,651	69,350	120,001
Contractual services	15,000	-	15,000
Depreciation	84,568	209,207	293,775
Other operating expenses	170,409	192,661	363,070
Total operating expenses	<u>\$ 408,990</u>	<u>\$ 640,923</u>	<u>\$ 1,049,913</u>
Income (loss) from operations	<u>\$ (38,945)</u>	<u>\$ (149,324)</u>	<u>\$ (188,269)</u>
Nonoperating revenues (expenses):			
Interest expense	<u>\$ (24,980)</u>	<u>\$ (74,628)</u>	<u>\$ (99,608)</u>
Total nonoperating revenues (expenses)	<u>\$ (24,980)</u>	<u>\$ (74,628)</u>	<u>\$ (99,608)</u>
Net income (loss) before transfers	<u>\$ (63,925)</u>	<u>\$ (223,952)</u>	<u>\$ (287,877)</u>
Capital grants and contributions:			
USDA rural development grant proceeds	<u>\$ 30,000</u>	<u>\$ 1,594,367</u>	<u>\$ 1,624,367</u>
	<u>\$ 30,000</u>	<u>\$ 1,594,367</u>	<u>\$ 1,624,367</u>
Transfers:			
Transfers in	\$ 54,014	\$ 1,757,892	\$ 1,811,906
Transfers out	-	(1,589,546)	(1,589,546)
Net transfers	<u>\$ 54,014</u>	<u>\$ 168,346</u>	<u>\$ 222,360</u>
Change in net position	\$ 20,089	\$ 1,538,761	\$ 1,558,850
Net position, beginning of year	804,042	1,699,727	2,503,769
Net position, end of year	<u>\$ 824,131</u>	<u>\$ 3,238,488</u>	<u>\$ 4,062,619</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, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 370,602	\$ 484,150	\$ 854,752
Payments to suppliers	(177,989)	(181,414)	(359,403)
Payments to employees (including fringe benefits)	(135,099)	(216,028)	(351,127)
Net cash provided by (used for) operating activities	\$ 57,514	\$ 86,708	\$ 144,222
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (18,158)	\$ (1,624,138)	\$ (1,642,296)
Principal payments on bonds	(28,934)	(86,442)	(115,376)
Interest payments	(25,048)	(74,832)	(99,880)
Capital grants and contributions	30,000	1,594,367	1,624,367
Net cash provided by (used for) capital and related financing activities	\$ (42,140)	\$ (191,045)	\$ (233,185)
CASH FLOWS FROM NONCAPITAL AND FINANCING ACTIVITIES			
Operating transfers in (out)	\$ 54,014	\$ 168,346	\$ 222,360
Net cash provided by (used for) noncapital and financing activities	\$ 54,014	\$ 168,346	\$ 222,360
Net increase (decrease) in cash and cash equivalents	\$ 69,388	\$ 64,009	\$ 133,397
Cash and cash equivalents - beginning of year	109,562	90,969	200,531
Cash and cash equivalents - end of year	\$ 178,950	\$ 154,978	\$ 333,928
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (38,945)	\$ (149,324)	\$ (188,269)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation expense	84,568	209,207	293,775
Changes in assets and liabilities:			
Accounts receivable	(14,975)	(7,449)	(22,424)
Deferred outflows of resources - pension related items	(4,574)	1,258	(3,316)
Deferred outflows of resources - OPEB related items	(1,013)	(1,981)	(2,994)
Accounts payable	7,420	11,247	18,667
Accrued liabilities	14,451	2,727	17,178
Net OPEB liabilities	661	1,000	1,661
Compensated absences	890	1,108	1,998
Net pension liability	16,892	21,076	37,968
Deferred inflows of resources - pension related items	(23,269)	(1,841)	(25,110)
Deferred inflows of resources - OPEB related items	(124)	(320)	(444)
Customer deposits	15,532	-	15,532
Total adjustments	\$ 96,459	\$ 236,032	\$ 332,491
Net cash provided by (used for) operating activities	\$ 57,514	\$ 86,708	\$ 144,222

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile:

Town of Bowling Green, located in the 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 expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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 of Financial Statements
June 30, 2020 (Continued)

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

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.

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 of Financial Statements
June 30, 2020 (Continued)

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

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 2020.

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 of Financial Statements
June 30, 2020 (Continued)

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

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 of Financial Statements
June 30, 2020 (Continued)

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

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 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.

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, certificates of deposit, and highly liquid investments with original maturities of three months or less.

F. Investments

External investment pools are measured at amortized cost. All other investments are reported at fair value.

G. Inventory

Inventories are reported at cost on a first-in, first-out basis.

H. 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 6th after the December 5th due date.

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2020 (Continued)

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

I. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes for the General Fund was \$17,722 at June 30, 2020. The allowance for uncollectible water and sewer charges was \$50,088 at June 30, 2020.

J. 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.

K. 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 of Financial Statements
June 30, 2020 (Continued)

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

L. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental 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 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.

M. 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 of Financial Statements
June 30, 2020 (Continued)

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

N. 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, 2020, the Town had no significant concentrations of credit risk.

O. 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.

P. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has 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 30th and amounts levied during the fiscal year but due after June 30th, 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 30th are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

Q. Pensions

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2020 (Continued)

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

R. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, 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 Plans' net fiduciary 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.

S. Net Position

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

T. Net Position Flow Assumption

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2020 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits:

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

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, 2020.

NOTE 3—DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2020 the Town has receivables from other governments as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Commonwealth of Virginia:		
Telecommunications tax	\$ 5,546	\$ -
Caroline County	10,613	-
USDA Rural Development funds	<u>-</u>	<u>4,822</u>
Totals	<u>\$ 16,159</u>	<u>\$ 4,822</u>

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2020 (Continued)

NOTE 4—CAPITAL ASSETS:

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

Governmental Activities:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
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	-	-	193,326
Total capital assets being depreciated	<u>\$ 956,528</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 956,528</u>
Accumulated depreciation:				
Buildings and improvements	\$ 173,190	\$ 12,647	\$ -	\$ 185,837
Equipment	80,276	5,893	-	86,169
Infrastructure	143,060	9,315	-	152,375
Vehicles	119,061	22,218	-	141,279
Total accumulated depreciation	<u>\$ 515,587</u>	<u>\$ 50,073</u>	<u>\$ -</u>	<u>\$ 565,660</u>
Total capital assets being depreciated, net	<u>\$ 440,941</u>	<u>\$ (50,073)</u>	<u>\$ -</u>	<u>\$ 390,868</u>
Governmental activities capital assets, net	<u>\$ 480,138</u>	<u>\$ (50,073)</u>	<u>\$ -</u>	<u>\$ 430,065</u>

Business-type Activities:

Capital assets not being depreciated:				
Land and land improvements	\$ 76,530	\$ -	\$ -	\$ 76,530
Construction in progress	2,602,897	1,596,495	4,199,392	-
Total capital assets not being depreciated	<u>\$ 2,679,427</u>	<u>\$ 1,596,495</u>	<u>\$ 4,199,392</u>	<u>\$ 76,530</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 103,056	\$ -	\$ -	\$ 103,056
Equipment	186,560	-	-	186,560
Vehicles	128,871	-	-	128,871
Utility plant in service	8,600,552	4,124,494	-	12,725,046
Total capital assets being depreciated	<u>\$ 9,019,039</u>	<u>\$ 4,124,494</u>	<u>\$ -</u>	<u>\$ 13,143,533</u>
Accumulated depreciation:				
Buildings and improvements	\$ 51,023	\$ 2,485	\$ -	\$ 53,508
Equipment	118,434	8,826	-	127,260
Vehicles	128,871	-	-	128,871
Utility plant in service	2,651,787	282,464	-	2,934,251
Total accumulated depreciation	<u>\$ 2,950,115</u>	<u>\$ 293,775</u>	<u>\$ -</u>	<u>\$ 3,243,890</u>
Total capital assets being depreciated, net	<u>\$ 6,068,924</u>	<u>\$ 3,830,719</u>	<u>\$ -</u>	<u>\$ 9,899,643</u>
Business-type activities capital assets, net	<u>\$ 8,748,351</u>	<u>\$ 5,427,214</u>	<u>\$ 4,199,392</u>	<u>\$ 9,976,173</u>

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2020 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 12,499
Public Safety	12,579
Public Works	<u>24,995</u>
Total	\$ <u>50,073</u>
Business-type activities	
Water fund	\$ 84,568
Sewer fund	<u>209,207</u>
Total	\$ <u>293,775</u>

NOTE 5—COMPENSATED ABSENCES:

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

Governmental Activities	\$ <u>30,912</u>
Business-type Activities	\$ <u>18,757</u>

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2020 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term obligation transactions for the fiscal year ended June 30, 2020:

	<u>Balance at July 1, 2019</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2020</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Other liabilities:					
Net pension liability	260,551	129,329	99,028	290,852	-
Net OPEB liability	15,390	17,781	8,526	24,645	-
Compensated absences	16,592	29,916	15,596	30,912	29,057
Total Governmental Activities	<u>\$ 292,533</u>	<u>\$ 177,026</u>	<u>\$ 123,150</u>	<u>\$ 346,409</u>	<u>\$ 29,057</u>
	<u>Balance at July 1, 2019</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2020</u>	<u>Amounts Due Within One Year</u>
Business-type Activities:					
Water Fund					
Direct borrowings and direct placements:					
General Obligation bonds	\$ 1,554,622	\$ -	\$ 28,934	\$ 1,525,688	\$ 29,406
Other liabilities:					
Net pension liability	44,093	35,134	18,242	60,985	-
Net OPEB liability	3,510	2,644	1,983	4,171	-
Compensated absences	7,137	4,610	3,720	8,027	4,503
Sewer Fund					
Direct borrowings and direct placements:					
Sewer revenue bonds	4,644,565	-	86,442	4,558,123	87,859
Other liabilities:					
Net pension liability	96,203	56,158	35,082	117,279	-
Net OPEB liability	8,100	5,768	4,768	9,100	-
Compensated absences	9,622	8,185	7,077	10,730	6,020
Total Business-type Activities	<u>\$ 6,367,852</u>	<u>\$ 112,499</u>	<u>\$ 186,248</u>	<u>\$ 6,294,103</u>	<u>\$ 127,788</u>

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2020 (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	
	Principal	Interest	Principal	Interest
2021	\$ 29,406	24,573	87,859	73,418
2022	29,887	24,091	89,297	71,980
2023	30,377	23,602	90,759	70,518
2024	30,874	23,105	92,245	69,032
2025	31,379	22,599	93,755	67,522
2026-2030	164,773	105,120	492,310	314,078
2031-2035	178,710	91,183	533,951	272,437
2036-2040	193,825	76,067	579,114	227,274
2041-2045	210,219	59,673	628,097	178,291
2046-2050	228,000	41,892	681,223	125,165
2051-2055	247,285	22,607	738,842	67,546
2056-2058	150,953	3,639	450,671	10,871
	<u>\$ 1,525,688</u>	<u>\$ 518,151</u>	<u>\$ 4,558,123</u>	<u>\$ 1,548,132</u>

Details of Long-term Obligations:

	Amount Outstanding	Amounts Due Within One Year
<u>Governmental Activities:</u>		
Net pension liability	\$ 290,852	\$ -
Net OPEB liability	\$ 24,645	\$ -
Compensated absences	\$ 30,912	\$ 29,057
Total Governmental Obligations	<u>\$ 346,409</u>	<u>\$ 29,057</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.

	\$ 6,083,811	\$ 117,265
Total general obligation and sewer revenue bonds	<u>\$ 6,083,811</u>	<u>\$ 117,265</u>
Net pension liability	\$ 178,264	\$ -
Net OPEB liability	\$ 13,271	\$ -
Compensated absences	\$ 18,757	\$ 10,523
Total Business-type Obligations	<u>\$ 6,294,103</u>	<u>\$ 127,788</u>
Total Primary Government	<u>\$ 6,640,512</u>	<u>\$ 156,845</u>

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements June 30, 2020

NOTE 8—PENSION PLAN:

Plan Description

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

Benefit Structures

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

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2020

NOTE 8—PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, 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, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government
Inactive members or their beneficiaries currently receiving benefits	13
Inactive members:	
Vested inactive members	3
Non-vested inactive members	7
Active members active elsewhere in VRS	13
Total inactive members	23
Active members	9
Total covered employees	45

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2020

NOTE 8—PENSION PLAN: (CONTINUED)

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2020 was 14.48% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$78,083 and \$61,957 for the years ended June 30, 2020 and June 30, 2019, 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, 2019. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019.

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

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

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

TOWN OF BOWLING GREEN, VIRGINIA

**Notes to Financial Statements
June 30, 2020**

NOTE 8—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

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

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

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

Inflation	2.50%
Salary increases, including inflation	3.50% - 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, 2020

NOTE 8—PENSION PLAN: (CONTINUED)

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

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

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

All Others (Non 10 Largest) - 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, 2020

NOTE 8—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2020

NOTE 8—PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, participating employers and school divisions 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, 2018	\$ 1,267,514	\$ 866,667	\$ 400,847
Changes for the year:			
Service cost	\$ 33,698	\$ -	\$ 33,698
Interest	85,614	-	85,614
Differences between expected and actual experience	52,338	-	52,338
Assumption changes	36,342	-	36,342
Contributions - employer	-	61,957	(61,957)
Contributions - employee	-	20,466	(20,466)
Net investment income	-	57,902	(57,902)
Benefit payments, including refunds	(88,922)	(88,922)	-
Administrative expenses	-	(565)	565
Other changes	-	(37)	37
Net changes	\$ 119,070	\$ 50,801	\$ 68,269
Balances at June 30, 2019	\$ 1,386,584	\$ 917,468	\$ 469,116

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2020

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)	\$ 635,726	\$ 469,116	\$ 337,409

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

For the year ended June 30, 2020, the Town recognized pension expense of \$124,099. At June 30, 2020, 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	\$ 11,766	\$ -
Change in assumptions	8,170	-
Net difference between projected and actual earnings on pension plan investments	-	7,756
Change in proportionate share	15,984	15,984
Employer contributions subsequent to the measurement date	78,083	-
Total	<u>\$ 114,003</u>	<u>\$ 23,740</u>

TOWN OF BOWLING GREEN, VIRGINIA

Notes to Financial Statements
June 30, 2020

NOTE 8—PENSION PLAN: (CONTINUED)

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

\$78,083 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ 20,019
2022	(8,123)
2023	(230)
2024	504
2025	-
Thereafter	-

Pension Plan Data

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

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

Plan Description

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

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

The specific information for GLI 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 \$8,463 as of June 30, 2020.

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2020 (Continued)

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

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 1.31% 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 0.52% (1.31% 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, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$3,028 and \$2,378 for the years ended June 30, 2020 and June 30, 2019, 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, 2020, the Town reported a liability of \$37,916, for their proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 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, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Town's proportion was .00233% as compared to .00181% at June 30, 2018.

For the year ended June 30, 2020, the Town recognized GLI OPEB expense of \$3,558. 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 of Financial Statements
June 30, 2020 (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, 2020, 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	\$ 2,522	\$ 493
Net difference between projected and actual earnings on GLI OPEB program investments	-	779
Change in assumptions	2,394	1,143
Changes in proportion	12,559	-
Employer contributions subsequent to the measurement date	3,028	-
Total	<u>\$ 20,503</u>	<u>\$ 2,415</u>

\$3,028 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, 2021. 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>	
2021	\$ 2,816
2022	2,816
2023	3,146
2024	3,202
2025	2,437
Thereafter	643

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2020 (Continued)

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

Actuarial Assumptions: (Continued)

Inflation	2.50%
Salary increases, including inflation:	
General state employees	3.50%-5.35%
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 market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of 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 of Financial Statements
June 30, 2020 (Continued)

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

Actuarial Assumptions: (Continued)

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

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 of Financial Statements
June 30, 2020 (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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and	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, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	1,762,972
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,627,266</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

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 of Financial Statements
June 30, 2020 (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)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

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

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, 2019, 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 of Financial Statements
June 30, 2020 (Continued)

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

Discount Rate: (Continued)

From July 1, 2019 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	\$ 49,810	\$ 37,916	\$ 28,269

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 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, 2020 unavailable/deferred property tax revenues in the governmental funds totaled \$265,888. 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 2020 was as follows:

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

TOWN OF BOWLING GREEN, VIRGINIA

Notes of Financial Statements
June 30, 2020 (Continued)

NOTE 12—COMMITMENTS AND CONTINGENCIES:

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.

NOTE 13—LITIGATION:

At June 30, 2020, 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:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 5,500	\$ 220,910
Capital Projects Fund	1,589,545	1,596,495
Sewer Fund	1,757,892	1,589,546
Water Fund	54,014	-
Total	<u>\$ 3,406,951</u>	<u>\$ 3,406,951</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.

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, 2020

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 220,850	\$ 220,850	\$ 223,742	\$ 2,892
Other local taxes	520,150	520,150	697,227	177,077
Permits, privilege fees, and regulatory licenses	1,700	1,700	3,410	1,710
Fines and forfeitures	30,400	30,400	37,065	6,665
Revenue from the use of money and property	32,100	32,100	31,143	(957)
Charges for service	85,000	85,000	88,141	3,141
Miscellaneous	39,500	39,500	41,050	1,550
Intergovernmental:				
Commonwealth	100,000	100,000	107,043	7,043
Total revenues	<u>\$ 1,029,700</u>	<u>\$ 1,029,700</u>	<u>\$ 1,228,821</u>	<u>\$ 199,121</u>
Expenditures:				
Current:				
General government administration	\$ 392,320	\$ 392,320	\$ 518,759	\$ (126,439)
Public safety	140,358	140,358	133,536	6,822
Public works	324,385	324,385	287,615	36,770
Community development	91,450	91,450	36,547	54,903
Total expenditures	<u>\$ 948,513</u>	<u>\$ 948,513</u>	<u>\$ 976,457</u>	<u>\$ (27,944)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 81,187</u>	<u>\$ 81,187</u>	<u>\$ 252,364</u>	<u>\$ 171,177</u>
Other financing sources (uses)				
Transfers in	\$ 234,100	\$ 234,100	\$ 5,500	\$ (228,600)
Transfers out	<u>(377,480)</u>	<u>(377,480)</u>	<u>(220,910)</u>	<u>156,570</u>
Total other financing sources (uses)	<u>\$ (143,380)</u>	<u>\$ (143,380)</u>	<u>\$ (215,410)</u>	<u>\$ (72,030)</u>
Net change in fund balance	\$ (62,193)	\$ (62,193)	\$ 36,954	\$ 99,147
Fund balances at beginning of year	<u>62,193</u>	<u>62,193</u>	<u>374,018</u>	<u>311,825</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 410,972</u>	<u>\$ 410,972</u>

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, 2019

	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 33,698	\$ 23,097	\$ 7,393	\$ 24,955	\$ 25,004
Interest	85,614	79,975	79,620	88,453	88,963
Differences between expected and actual experience	52,338	65,841	8,638	(161,984)	(25,232)
Changes in assumptions	36,342	-	(8,858)	-	-
Benefit payments, including refunds of employee contributions	(88,922)	(87,808)	(75,624)	(79,590)	(112,454)
Net change in total pension liability	\$ 119,070	\$ 81,105	\$ 11,169	\$ (128,166)	\$ (23,719)
Total pension liability - beginning	1,267,514	1,186,409	1,175,240	1,303,406	1,327,125
Total pension liability - ending (a)	\$ 1,386,584	\$ 1,267,514	\$ 1,186,409	\$ 1,175,240	\$ 1,303,406
Plan fiduciary net position					
Contributions - employer	\$ 61,957	\$ 43,742	\$ 36,200	\$ 49,795	\$ 50,828
Contributions - employee	20,466	15,035	12,233	10,837	11,328
Net investment income	57,902	61,042	92,491	12,705	34,145
Benefit payments, including refunds of employee contributions	(88,922)	(87,808)	(75,624)	(79,590)	(112,454)
Administrative expense	(565)	(541)	(550)	(486)	(512)
Other	(37)	(54)	(82)	(6)	(8)
Net change in plan fiduciary net position	\$ 50,801	\$ 31,416	\$ 64,668	\$ (6,745)	\$ (16,673)
Plan fiduciary net position - beginning	866,667	835,251	770,583	777,328	794,001
Plan fiduciary net position - ending (b)	\$ 917,468	\$ 866,667	\$ 835,251	\$ 770,583	\$ 777,328
Town's net pension liability (asset) - ending (a) - (b)	\$ 469,116	\$ 400,847	\$ 351,158	\$ 404,657	\$ 526,078
Plan fiduciary net position as a percentage of the total pension liability	66.17%	68.38%	70.40%	65.57%	59.64%
Covered payroll	\$ 457,420	\$ 345,204	\$ 276,115	\$ 231,366	\$ 236,530
Town's net pension liability (asset) as a percentage of covered payroll	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, 2011 through June 30, 2020

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)		
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%
2011	50,409	50,409	-	320,872	15.71%

Notes to Required Supplementary Information
 Pension Plan
 For the Year Ended June 30, 2020

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

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

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

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

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 thru 2019

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)
Primary Government					
2019	0.233000% \$	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, 2011 through June 30, 2020

<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>
Primary Government					
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%
2011	898	898	-	320,872	0.28%

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 For the Year Ended June 30, 2020

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

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

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%

Supporting Schedules

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 175,850	\$ 175,850	\$ 166,346	\$ (9,504)
Real and personal public service corporation taxes	4,500	4,500	3,295	(1,205)
Personal property taxes	36,500	36,500	47,750	11,250
Penalties	3,000	3,000	2,819	(181)
Interest	1,000	1,000	3,532	2,532
Total general property taxes	<u>\$ 220,850</u>	<u>\$ 220,850</u>	<u>\$ 223,742</u>	<u>\$ 2,892</u>
Other local taxes:				
Local sales and use taxes	\$ 30,000	\$ 30,000	\$ 38,902	\$ 8,902
Consumers' utility taxes	30,000	30,000	29,464	(536)
Business license taxes	75,000	75,000	79,501	4,501
Motor vehicle licenses	20,650	20,650	20,798	148
Bank stock taxes	150,000	150,000	300,487	150,487
Lodging tax	4,500	4,500	3,842	(658)
Restaurant food taxes	210,000	210,000	224,233	14,233
Total other local taxes	<u>\$ 520,150</u>	<u>\$ 520,150</u>	<u>\$ 697,227</u>	<u>\$ 177,077</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 1,700	\$ 1,700	\$ 3,410	\$ 1,710
Total permits, privilege fees, and regulatory licenses	<u>\$ 1,700</u>	<u>\$ 1,700</u>	<u>\$ 3,410</u>	<u>\$ 1,710</u>
Fines and forfeitures:				
Fines and penalties	\$ 30,400	\$ 30,400	\$ 37,065	\$ 6,665
Total fines and forfeitures	<u>\$ 30,400</u>	<u>\$ 30,400</u>	<u>\$ 37,065</u>	<u>\$ 6,665</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 1,000	\$ 1,000	\$ 6,535	\$ 5,535
Revenue from use of property	31,100	31,100	24,608	(6,492)
Total revenue from use of money and property	<u>\$ 32,100</u>	<u>\$ 32,100</u>	<u>\$ 31,143</u>	<u>\$ (957)</u>
Charges for services:				
Charges for sanitation and waste removal	\$ 85,000	\$ 85,000	\$ 88,141	\$ 3,141
Total charges for services	<u>\$ 85,000</u>	<u>\$ 85,000</u>	<u>\$ 88,141</u>	<u>\$ 3,141</u>
Revenue from local sources: (continued)				
Miscellaneous:				
Miscellaneous	\$ 8,500	\$ 8,500	\$ 14,994	\$ 6,494
Wine festival	7,500	7,500	-	(7,500)
Harvest festival	23,500	23,500	26,056	2,556
Total miscellaneous	<u>\$ 39,500</u>	<u>\$ 39,500</u>	<u>\$ 41,050</u>	<u>\$ 1,550</u>
Total revenue from local sources	<u>\$ 929,700</u>	<u>\$ 929,700</u>	<u>\$ 1,121,778</u>	<u>\$ 192,078</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ -	\$ -	\$ 43	\$ 43
Personal property tax relief funds	22,000	22,000	21,908	(92)
Telecommunications sales tax	43,000	43,000	33,802	(9,198)
Total noncategorical aid	<u>\$ 65,000</u>	<u>\$ 65,000</u>	<u>\$ 55,753</u>	<u>\$ (9,247)</u>
Categorical aid:				
Shared expenses:				
Local law enforcement assistance	\$ 23,000	\$ 23,000	\$ 25,476	\$ 2,476
Total shared expenses	<u>23,000</u>	<u>23,000</u>	<u>25,476</u>	<u>2,476</u>
Categorical aid:				
Other categorical aid:				
Fireman's insurance fund	\$ 11,000	\$ 11,000	\$ 10,000	\$ (1,000)
Community revitalization - main street	-	-	15,000	15,000
Litter control grant	1,000	1,000	814	(186)
Total other categorical aid	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 25,814</u>	<u>\$ 13,814</u>
Total categorical aid	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 51,290</u>	<u>\$ 16,290</u>
Total revenue from the Commonwealth	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 107,043</u>	<u>\$ 7,043</u>
Total General Fund	<u>\$ 1,029,700</u>	<u>\$ 1,029,700</u>	<u>\$ 1,228,821</u>	<u>\$ 199,121</u>
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 223	\$ 223
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223</u>	<u>\$ 223</u>
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
USDA Rural Development grant funds	\$ 1,585,000	\$ 1,585,000	\$ -	\$ (1,585,000)
Total categorical aid	<u>\$ 1,585,000</u>	<u>\$ 1,585,000</u>	<u>\$ -</u>	<u>\$ (1,585,000)</u>
Total revenue from the federal government	<u>\$ 1,585,000</u>	<u>\$ 1,585,000</u>	<u>\$ -</u>	<u>\$ (1,585,000)</u>
Total Capital Projects Fund	<u>\$ 1,585,000</u>	<u>\$ 1,585,000</u>	<u>\$ 223</u>	<u>\$ (1,584,777)</u>
Total Primary Government	<u>\$ 4,199,700</u>	<u>\$ 2,614,700</u>	<u>\$ 1,229,044</u>	<u>\$ (1,385,656)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Council services	\$ 13,750	\$ 13,750	\$ 16,100	\$ (2,350)
General and financial administration:				
Advertising	\$ 4,000	\$ 4,000	\$ 4,952	\$ (952)
Information technology	25,000	25,000	12,129	12,871
Insurance	13,000	13,000	14,464	(1,464)
Materials and supplies	2,500	2,500	3,595	(1,095)
Miscellaneous administrative	17,167	17,167	18,894	(1,727)
Personnel	85,613	85,613	140,270	(54,657)
Professional development	2,800	2,800	2,643	157
Professional services	20,500	20,500	20,676	(176)
Telecommunications	1,200	1,200	1,112	88
Total general and financial administration	\$ 171,780	\$ 171,780	\$ 218,735	\$ (46,955)
Office of Town Treasurer:				
Audit and accounting	\$ 20,000	\$ 20,000	\$ 54,166	\$ (34,166)
Information technology	18,600	18,600	18,098	502
Materials and supplies	1,500	1,500	2,504	(1,004)
Miscellaneous	250	250	4,316	(4,066)
Office equipment	6,000	6,000	13,509	(7,509)
Personnel	149,940	149,940	183,163	(33,223)
Postage	5,000	5,000	8	4,992
Professional development	2,500	2,500	5,727	(3,227)
Telecommunications	3,000	3,000	2,433	567
Total office of town treasurer	\$ 206,790	\$ 206,790	\$ 283,924	\$ (77,134)
Total general government administration	\$ 392,320	\$ 392,320	\$ 518,759	\$ (126,439)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety:				
Law enforcement and traffic control:				
Equipment	\$ 4,500	\$ 4,500	\$ 4,251	\$ 249
Fuel	5,000	5,000	2,982	2,018
Maintenance and repairs	1,250	1,250	2,274	(1,024)
Materials and supplies	1,400	1,400	(36)	1,436
Miscellaneous	-	-	3	(3)
Personnel	105,658	105,658	104,573	1,085
Professional development	2,000	2,000	2,413	(413)
Professional services	750	750	916	(166)
Telecommunications	4,000	4,000	1,827	2,173
Uniforms	1,000	1,000	939	61
Utilities	1,800	1,800	1,394	406
Total law enforcement and traffic control	<u>\$ 127,358</u>	<u>\$ 127,358</u>	<u>\$ 121,536</u>	<u>\$ 5,822</u>
Fire and rescue services:				
Volunteer fire and rescue department	<u>\$ 13,000</u>	<u>\$ 13,000</u>	<u>\$ 12,000</u>	<u>\$ 1,000</u>
Total fire and rescue services	<u>13,000</u>	<u>13,000</u>	<u>12,000</u>	<u>1,000</u>
Total public safety	<u>\$ 140,358</u>	<u>\$ 140,358</u>	<u>\$ 133,536</u>	<u>\$ 6,822</u>
Public works:				
Fuel	\$ 2,500	\$ 2,500	\$ 3,033	\$ (533)
Insurance	4,200	4,200	4,200	-
Litter control	1,500	1,500	985	515
Maintenance and repairs	17,500	17,500	19,578	(2,078)
Materials and supplies	1,050	1,050	1,889	(839)
Miscellaneous	500	500	2,157	(1,657)
Personnel	149,635	149,635	113,383	36,252
Professional development	-	-	183	(183)
Refuse collection	85,000	85,000	87,708	(2,708)

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2020

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public works: (Continued)				
Telecommunications	2,000	2,000	2,032	(32)
Town Hall	30,000	30,000	25,777	4,223
Uniforms and safety equipment	4,000	4,000	5,130	(1,130)
Utilities	26,500	26,500	21,560	4,940
Total public works	<u>\$ 324,385</u>	<u>\$ 324,385</u>	<u>\$ 287,615</u>	<u>\$ 36,770</u>
Community development:				
Events coordinator	\$ 48,700	\$ 48,700	\$ -	\$ 48,700
Harvest festival	23,500	23,500	21,996	1,504
Miscellaneous	7,500	7,500	5,380	2,120
Other events	6,250	6,250	7,949	(1,699)
Wine festival	5,500	5,500	1,222	4,278
Total community development	<u>\$ 91,450</u>	<u>\$ 91,450</u>	<u>\$ 36,547</u>	<u>\$ 54,903</u>
Total General Fund	<u>\$ 948,513</u>	<u>\$ 948,513</u>	<u>\$ 976,457</u>	<u>\$ (27,944)</u>
Capital Projects Fund:				
Capital projects and capital outlays:				
General capital projects	\$ 60,000	\$ 60,000	\$ -	\$ 60,000
USDA grant - police vehicles	25,000	25,000	-	25,000
Miscellaneous	-	-	700	(700)
Total capital projects and capital outlays	<u>\$ 85,000</u>	<u>\$ 85,000</u>	<u>\$ 700</u>	<u>\$ 84,300</u>
Total Capital Projects Fund	<u>\$ 85,000</u>	<u>\$ 85,000</u>	<u>\$ 700</u>	<u>\$ 84,300</u>
Total Primary Government	<u>\$ 1,033,513</u>	<u>\$ 1,033,513</u>	<u>\$ 977,157</u>	<u>\$ 56,356</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*

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units and each major fund of the Town of Bowling Green, Virginia, as of and for the year ended June 30, 2020, 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 February 2, 2022.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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
February 2, 2022



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

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Bowling Green, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Bowling Green, Virginia's major federal programs for the year ended June 30, 2020. Town of Bowling Green, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Bowling Green, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Bowling Green, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Bowling Green, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Bowling Green, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Town of Bowling Green, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Bowling Green, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Bowling Green, Virginia's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
February 2, 2022

TOWN OF BOWLING GREEN, VIRGINIA

Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>Department of Agriculture:</u>			
Direct Payments:			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$ <u>1,624,367</u>
Total Department of Agriculture			\$ <u>1,624,367</u>
Total expenditures of federal awards			\$ <u><u>1,624,367</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

TOWN OF BOWLING GREEN, VIRGINIA

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Bowling Green, Virginia under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Bowling Green, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Bowling Green, Virginia.

Note 2 - Summary of Significant Accounting Policies:

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

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

(3) The Town did not elect to use the 10% de minimis indirect cost rate.

(4) The Town did not pass any federal awards through to sub-recipients during the year ended June 30, 2020.

Note 3 - Relationship to Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Water and Waste Disposal Systems for Rural Communities

Proprietary Funds:

Sewer Fund - USDA Rural Development Grant Proceeds

\$ 1,594,367

Water Fund - USDA Rural Development Grant Proceeds

30,000

Total federal expenditures per the Schedule of Expenditures of Federal Awards

\$ 1,624,367

TOWN OF BOWLING GREEN, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section .516(a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities

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

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

TOWN OF BOWLING GREEN, VIRGINIA

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020

2019-001: Material Audit Adjustment Proposed by the External Auditor - Material Weakness in Internal Controls

Status: This finding was fully corrected and not reported in 2020