

# TOWN OF STRASBURG, VIRGINIA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

# **TOWN OF STRASBURG, VIRGINIA**

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## **Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2020**

Prepared by

Angela Fletcher, Director of Finance

Strasburg, Virginia

**TOWN OF STRASBURG, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2020**

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## **INTRODUCTORY SECTION**



December 1<sup>st</sup>, 2020

The Honorable Mayor,  
Members of Town Council, and  
Citizens of the Town of Strasburg

RE: FY 2019-2020 Comprehensive Annual Financial Report (CAFR)  
Letter of Transmittal

Please find enclosed the Fiscal Year 2019-2020 (FY 19/20) Comprehensive Annual Financial Report (CAFR) for the Town of Strasburg (Town). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Town. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

The accounting firm of Robinson, Farmer, Cox Associates, Certified Public Accountants, has audited the Town's financial statements. The goal of the independent audit is to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and evaluating the overall financial statement presentation. This examination was conducted using guidelines set forth by Government Auditing Standards Board and the Specification for Audits of Counties, Cities and Towns, issued by the Auditor of Public Accounts. Based upon this audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the Town's financial statements for the fiscal year ended Jun 30, 2020 are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basis financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The Town of Strasburg's MD&A can be found immediately following the report of the independent auditors.





### **Profile of the Town**

Strasburg is located in north-central Shenandoah County approximately ten (10) miles west of the Town of Front Royal, seventy-eight (78) miles west of Washington, D.C., eighteen (18) miles south of the City of Winchester, and fifteen (15) miles east of the Virginia/West Virginia border. The Town has two interstate exits along I-81 (exits 296 and 298) and is located about four (4) miles from the I-66 and I-81 interchange. US Route 11 and State Route 55/US Route 48 intersect in the center of Town. The Town covers 2,274 acres, or roughly three and half (3.5) square miles, and has a population estimated at six thousand six hundred and seventy six (6,676).

In 1921, the Town annexed an area of the County, bringing its land area to a total of 448 acres, where it remained until the annexation effective Tuesday, January 1st, 1985 that added an additional 578 acres, for a total of 1,026 acres. As of Saturday, January 1st, 2000, Strasburg annexed the land surrounding Route 11 to Interstate 81. On Wednesday, January 1st, 2014, the Town annexed its 366-acre industrial park, in addition to more acreage to the east of the properties fronting on the east side of Route 11. Strasburg continues to grow and flourish with its rich history and community pride. The Town of Strasburg will continue to promote itself as one of the growth centers for Shenandoah County, while simultaneously retaining its small-town charm and character.

### **Overview of the Town Government**

The Town of Strasburg was chartered in 1761 and incorporated in 1922. It is well known for its pottery, antiques, American Civil War history, and breathtaking views of the surrounding natural environment. The Town is currently governed under a Council/Manager form of government. The Town Council, in its role as a legislative body, adopts all ordinances and resolutions, formulates and adopts general policies, adopts the budget, and sets tax rates.

The Town Council is comprised of eight (8) members, who are elected at large to serve four-year terms. Elections for four (4) Council seats are held every two (2) years. The Mayor, who serves a four (4) year term, presides over the Town Council, but votes only to break a tie. Elections for the Mayor and Town Council seats are conducted in May with the elected officials being seated on July 1<sup>st</sup>.

The Town Manager is appointed by the Town Council as the chief executive officer of the Town and is responsible to the Town Council and citizens for the proper administration of the Town government. Council also appoints the Treasurer, Clerk of Council, Town Attorney, and Chief of Police. Department head positions are hired and supervised by the Town Manager.



### **Budgetary Controls**

The Town government exercises budgetary control over all spending, in order to ensure compliance with all legal provisions inherent in the appropriated budget approved by the Town Council. Additionally, Council and staff have collaboratively developed various fiscal policies which ensure compliance with the Virginia Public Procurement Act, safeguard fund balance amounts, limit the quantity of capital projects, etc. As demonstrated by the statements and schedules included in the financial section of the report, the Town government continues to meet its responsibilities for sound financial management.

### **Economic Outlook**

The Town's economy saw a noticeable impact from the COVID-19 pandemic but, revenues largely remained stable. Fortunately, the Town's portion of revenues that were impacted heavily by COVID-19 (Meals & Lodging) do not account for as large a share of our total revenue as other communities. Continued public investments in infrastructure downtown and in the Northern Shenandoah Business Park have in turn provided interest and investment.

The Town's General Fund revenues continue to remain stable due to proper fiscal management in years past. Barring the continued depressing influences of COVID-19 on the economy, the General Fund is well positioned to handle future growth in the Town. The Town's Enterprise Funds have been steadily climbing towards fiscal sustainability with preprogrammed increases coming to an end. With the conclusion of the water and sewer rate study, it is clear the inflationary increases paired with a shift in covering fixed costs with fixed fees, rather than larger consumption amounts, will allow for the continued sustainability of the Enterprise Funds.

### **Major Initiatives in FY 19/20**

While much staff time was allocated to combating COVID-19, the Town continued implementation of Strategic Planning activities and the completion of existing grant programs in FY 19/20.

- *Northern Shenandoah Business Park Phase 1 Improvements* – With Council's direction, staff has begun the process of realigning to proposed path for Borden Mowery Drive to the north. This design process will be completed in the FY20/21 fiscal year, with construction commencing soon after.
- *Streetscape Improvements Phase II* – This Phase of the Streetscape was completed during the FY 19/20 fiscal year. Staff has immediately begun





requesting the ability to proceed with the bidding and construction of the final phase. (Phase III)

- Gateway Trail Project – Completion of this project occurred in the FY 19/20 fiscal year.

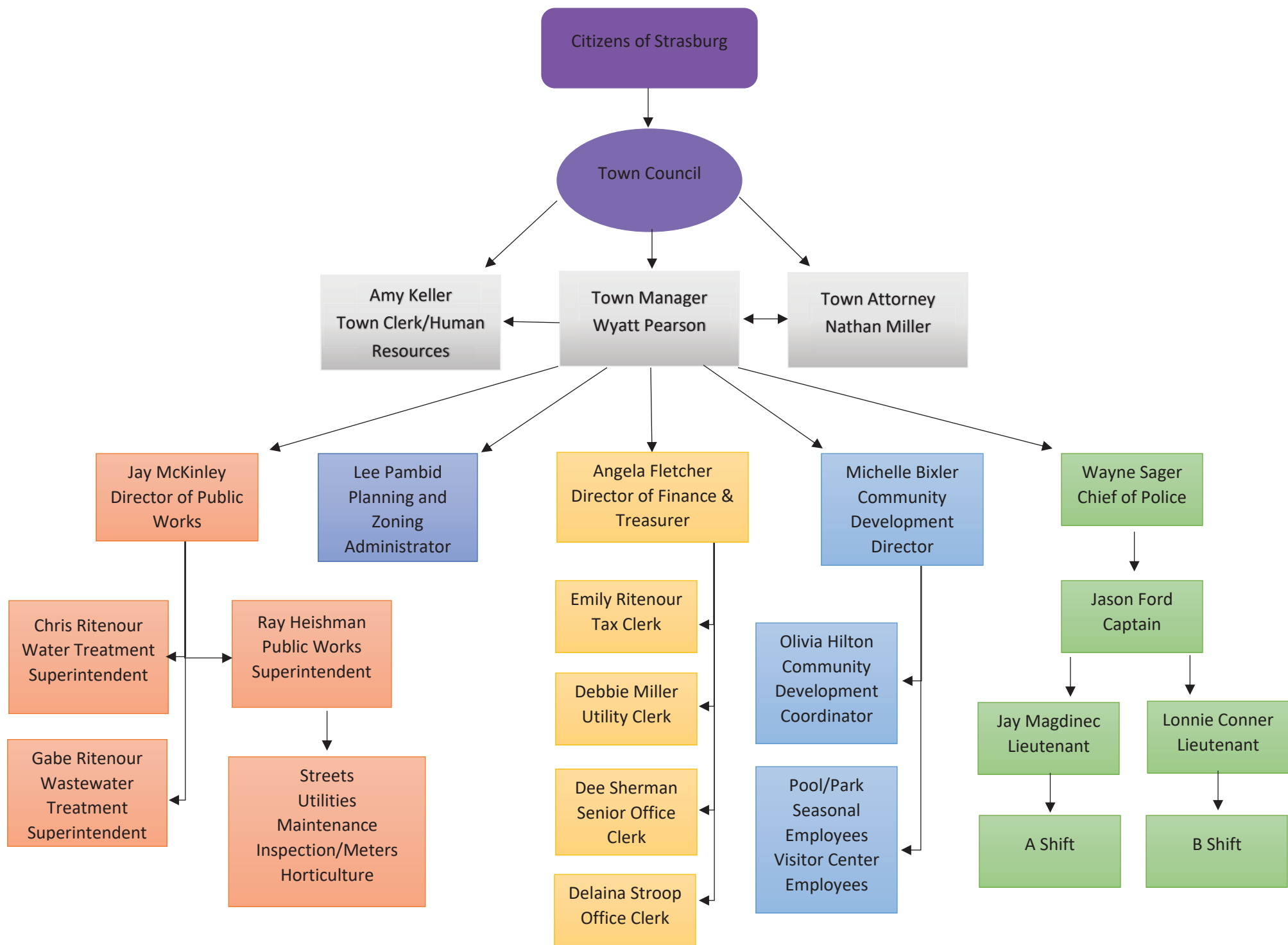
### **Acknowledgements**

The Town of Strasburg continues to operate with the intent and achievement of a stable financial position through effective management of financial controls and operations paired with sound accounting and reporting practices. Gratitude is expressed to the Mayor and Town Council, who continue to show support for programs and practices as well as the management of Town finances, and their exceptional financial stewardship.

Special thanks to the Town's Finance Department for their assistance in the preparation of this report.

Wyatt Pearson, Town Manager

Angela Fletcher, Director of Finance





# **TOWN OF STRASBURG, VIRGINIA**

## **OFFICIALS**

Brandy Boies, Mayor  
Wyatt Pearson, Town Manager  
Angela Fletcher, Director of Finance

## **TOWN COUNCIL**

S. John Massoud  
Taralyn Nicholson  
Dane Hooser  
Christie Monahan

Emily Reynolds  
Doreen Ricard  
Paul Weaver  
Ken Cherrix, Vice Mayor

## **FINANCIAL SECTION**

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**INDEPENDENT AUDITORS' REPORT**

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**To the Honorable Members of the Town Council  
Town of Strasburg, Virginia**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Strasburg, 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, and each major fund of the Town of Strasburg, Virginia, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 10-20, 78, and 79-91 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020, on our consideration of the Town of Strasburg, 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 Strasburg, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Strasburg, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
December 1, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Management Discussion and Analysis (MD&A) offers an overview and analysis of the financial activities of the Town of Strasburg for the fiscal year ended June 30, 2020. The information presented here should be considered in conjunction with additional information provided in the Comprehensive Annual Financial Report.

### FINANCIAL HIGHLIGHTS

#### Government-wide Financial Statements

The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at June 30, 2020 by \$36,897,430 which equals the total net position of the Town. Of this amount, \$7,293,959 is unrestricted and may be used to meet the Town's future obligations. Of the \$7,293,959 unrestricted net position, approximately \$2,321,707 is related to governmental activities and is undesignated and available for future General Fund expenditures. The \$4,972,252 remaining balance of unrestricted net position is related to business-type activities, which includes the Town's enterprise fund.

The Town's total long-term debt decreased by \$779,639 from \$28,925,785 as of June 30, 2019 to \$28,146,146 as of June 30, 2020. The decrease was due to paying off debt and completing capital projects.

#### Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant funds.

The Town's governmental funds reported revenues and other financing sources in deficiency of expenditures in the amount of \$522,932 for the fiscal year; with an ending fund balance of \$2,601,131 of that amount \$78,064 is restricted for proffers, \$79,701 is restricted for asset forfeiture for the Police Department.

The Town's proprietary funds reported a reduction in the net position of \$174,985. This is primarily due to utility revenue shortfalls.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The Management Discussion and Analysis serves as an introduction to the Town's basic financial statements which are the government-wide financial statements, fund financial statements, and notes to the financial statements.

The Town's financial statements present two kinds of statements, each with a different view of the Town's finances. The government-wide financial statements provide both long and short-term information about the Town's overall financial status. The fund financial statements focus on individual parts of the Town's government, reporting the Town's operations in more detail than the government-wide statements. The basic financial statements also include notes to explain information in the financial statements and provide more detailed data. The statements and notes are followed by required supplementary information that contains more detailed data.

## **Government-wide Financial Statements**

The government-wide financial statements report information about the Town uses accounting methods similar to those used by private-sector businesses. In addition, they report the Town's net position and how they have changed during the fiscal year.

The Statement of Net Position and the Statement of Activities report the Town's net position and changes in assets. One can think of the Town's net position – the difference between assets and liabilities – as one way to measure the Town's financial position.

Governmental activities – Most of the Town's basic services are reported here; general government, police, public works, and recreation. Property taxes, and other taxes, finance most of these activities.

Business-type activities – The financial activity of the water, sewer and trash are reported here. The Town charges a fee to customers to help cover all or most of the cost of services provided by these activities.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the Town's most significant funds. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for purposes. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town's funds can be divided into two categories: governmental funds and proprietary funds.

### Governmental Funds

Governmental funds are used to report most of the Town's basic services. The funds focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances remaining at year-end that is available for spending. The governmental funds financial statements provide a detailed short-term view that shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided with the fund financial statements to explain the relationship (or differences). The General Fund is the main operating account of the Town and consequently, the largest of the governmental funds. All other governmental funds, which include special revenue funds, debt service funds, and capital project funds, are collectively referred to as non-major governmental funds.

### Proprietary Funds

Proprietary funds, which consist of enterprise funds and internal service funds, are used to account for operations that are financed and operated in a manner similar to private business enterprises in which costs are recovered primarily through user charges. Proprietary fund financial statements, like the government-wide financial statements, provide both long and short-term financial information. The Town maintains three proprietary funds. The Town uses enterprise funds to account for its water, sewer and trash.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's total assets, liabilities and net position on a government-wide basis are summarized below:

**Summary of Statement of Net Position**  
**as of June 30, 2020**  
(in thousands)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Current and other assets	\$ 4,405	\$ 4,968	\$ 5,840	\$ 5,660	\$ 10,245	\$ 10,628
Capital assets	10,192	8,036	46,181	47,560	56,373	55,596
<b>Total Assets</b>	<b>\$ 14,597</b>	<b>\$ 13,004</b>	<b>\$ 52,021</b>	<b>\$ 53,220</b>	<b>\$ 66,618</b>	<b>\$ 66,224</b>
Deferred outflows of resources	\$ 299	\$ 192	\$ 275	\$ 170	\$ 574	\$ 362
Long-term debt						
outstanding	\$ 1,182	\$ 1,049	\$ 26,964	\$ 27,876	\$ 28,146	\$ 28,925
Other liabilities	728	814	353	326	1,081	1,140
<b>Total Liabilities</b>	<b>\$ 1,910</b>	<b>\$ 1,863</b>	<b>\$ 27,317</b>	<b>\$ 28,202</b>	<b>\$ 29,227</b>	<b>\$ 30,065</b>
Deferred inflows of resources	\$ 988	\$ 968	\$ 80	\$ 114	\$ 1,068	\$ 1,082
Net Position						
Net investment in capital assets	\$ 9,519	\$ 7,262	\$ 19,676	\$ 20,182	\$ 29,195	\$ 27,444
Restricted asset forfeitures	80	58	-	-	80	58
Restricted for other purposes	78	75	250	252	328	327
Unrestricted	2,321	2,970	4,973	4,640	7,294	7,610
<b>Total net position</b>	<b>\$ 11,998</b>	<b>\$ 10,365</b>	<b>\$ 24,899</b>	<b>\$ 25,074</b>	<b>\$ 36,897</b>	<b>\$ 35,439</b>

The Town's combined net position increased from \$35,439,244 at June 30, 2019 to \$36,897,430 at June 30, 2020 primarily due to an increase in capital assets in business type activities. The majority (70 percent) of the Town's net position of governmental activities is invested in capital assets (streets, drainage, constructions in progress, buildings, equipment, etc.) The capital assets are not available for future expenditures since they will not be sold. The Town has a strong financial position with 29 percent of net position in governmental activities unrestricted and available for providing services to the citizens of the Town of Strasburg.

The net position of the Town's business-type activities is \$24,899,175. The majority (80 percent) of the net position in the business-type activities is invested in capital assets. The Town uses the unrestricted net position to upgrade water and sewer lines, maintain the water treatment plant and wastewater treatment plant.

In summary, the Town of Strasburg's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$36,897,430 at the close of the most recent fiscal year.



## Statement of Activities

The Town's total revenues and expenses for governmental and business-type activities are reflected in the following chart:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 128,314	\$ 105,443	\$ 4,843,577	\$ 4,920,022	\$ 4,971,891	\$ 5,025,465
Operating grants and contributions	658,394	424,397	-	-	658,394	424,397
Capital grants and contributions	1,095,755	79,979	362,329	279,450	1,458,084	359,429
<b>General revenues</b>						
Property taxes	1,929,963	1,795,837	-	-	1,929,963	1,795,837
Other taxes and fees	2,150,571	2,164,887	-	-	2,150,571	2,164,887
Grants and contributions not restricted to specific programs	168,059	157,961	-	-	168,059	157,961
Revenue from use of money and property	98,813	108,463	132,834	172,097	231,647	280,560
Other	87,157	90,000	17,758	19,042	104,915	109,042
<b>Total revenues</b>	<u>\$ 6,317,026</u>	<u>\$ 4,926,967</u>	<u>\$ 5,356,498</u>	<u>\$ 5,390,611</u>	<u>\$ 11,673,524</u>	<u>\$ 10,317,578</u>
<b>EXPENSES</b>						
General government administration	\$ 651,290	\$ 641,716	\$ -	\$ -	\$ 651,290	\$ 641,716
Public safety	2,038,606	1,807,172	-	-	2,038,606	1,807,172
Public works	1,537,002	1,144,775	-	-	1,537,002	1,144,775
Health and welfare	11,613	11,721	-	-	11,613	11,721
Community development	203,543	171,641	-	-	203,543	171,641
Parks and recreation	218,608	181,478	-	-	218,608	181,478
Interest on long-term debt	23,193	20,347	-	-	23,193	20,347
Public utilities	-	-	5,531,483	5,411,049	5,531,483	5,411,049
<b>Total expenses</b>	<u>\$ 4,683,855</u>	<u>\$ 3,978,850</u>	<u>\$ 5,531,483</u>	<u>\$ 5,411,049</u>	<u>\$ 10,215,338</u>	<u>\$ 9,389,899</u>
Change in net position before transfers	\$ 1,633,171	\$ 948,117	\$ (174,985)	\$ (20,438)	\$ 1,458,186	\$ 927,679
Transfers	-	(83,286)	-	83,286	-	-
<b>Change in net position</b>	<u>\$ 1,633,171</u>	<u>\$ 864,831</u>	<u>\$ (174,985)</u>	<u>\$ 62,848</u>	<u>\$ 1,458,186</u>	<u>\$ 927,679</u>
<b>Net position, beginning</b>	<u>10,365,084</u>	<u>9,500,253</u>	<u>25,074,160</u>	<u>25,011,312</u>	<u>35,439,244</u>	<u>34,511,565</u>
<b>Net position, ending</b>	<u><u>\$ 11,998,255</u></u>	<u><u>\$ 10,365,084</u></u>	<u><u>\$ 24,899,175</u></u>	<u><u>\$ 25,074,160</u></u>	<u><u>\$ 36,897,430</u></u>	<u><u>\$ 35,439,244</u></u>

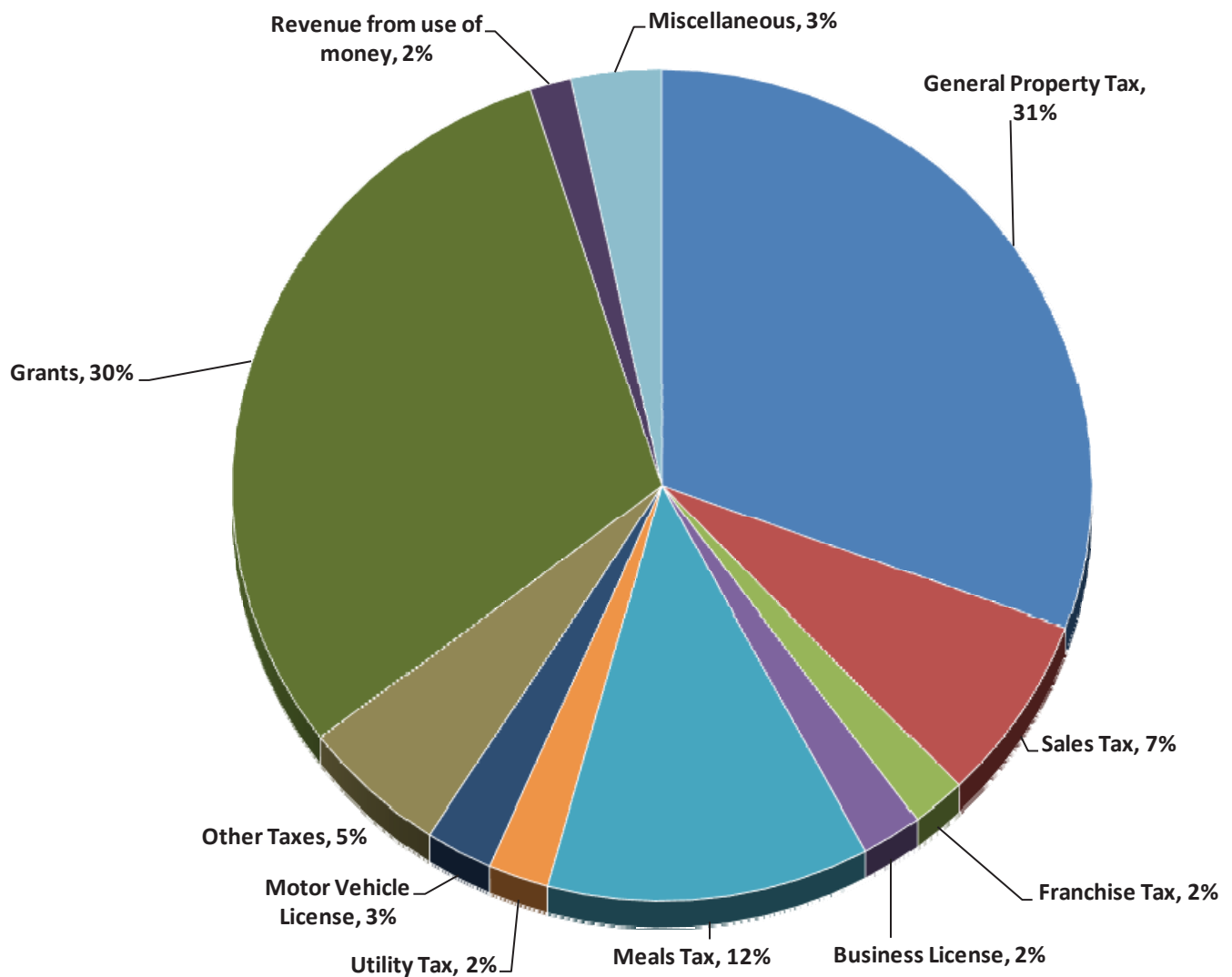
## Governmental Activities

### Revenues

Revenues from governmental activities totaled \$6,317,026 general property taxes and other taxes are the largest component of revenue (65 percent). General property tax revenues were \$1,929,963, an increase of 7.5 percent from June 30, 2019. The Town received reimbursement of \$138,898 from the Commonwealth of Virginia for taxes on individual automobiles.

Other local taxes and fees including revenue from local sales, franchise tax, business licenses, and meals taxes were \$2,150,571 a decrease of 0.006 percent from June 30, 2019.

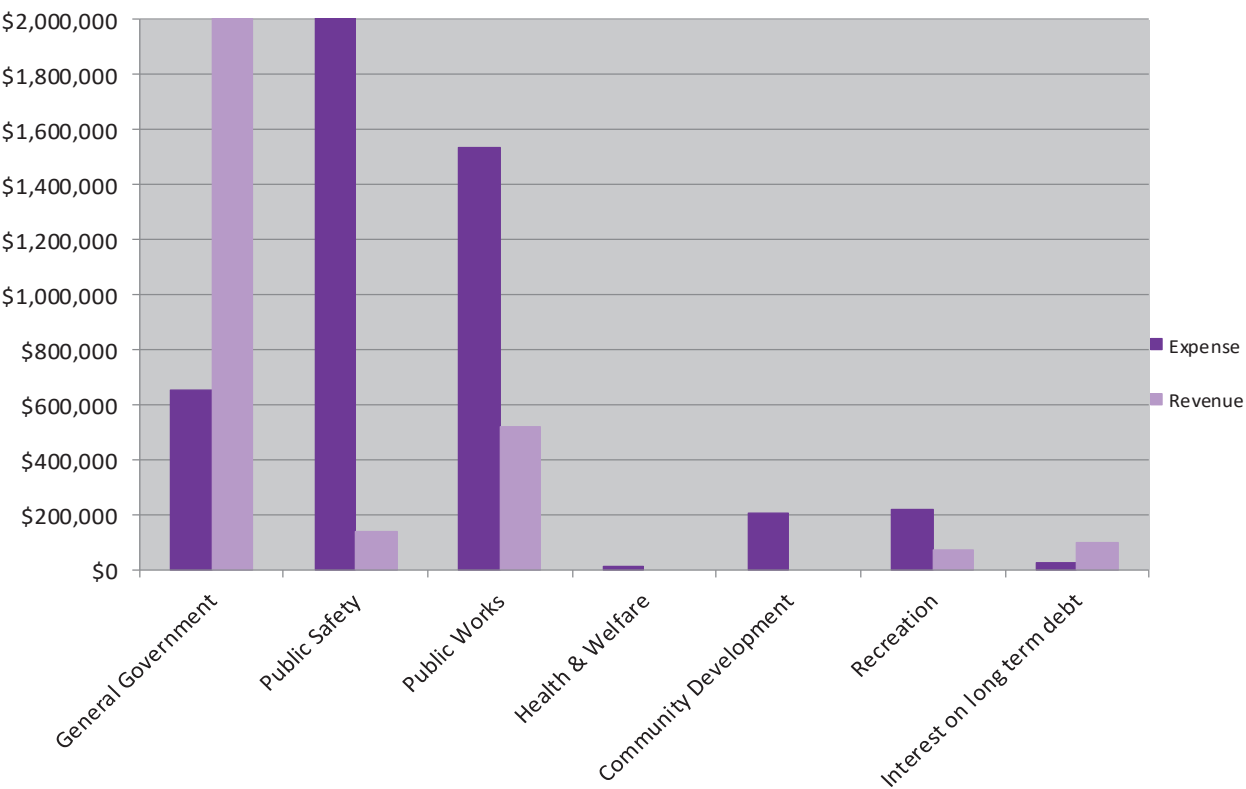
**Revenue by Source-Governmental Activities**



Expenses

Expenses for governmental activities totaled \$4,683,855 which was an increase of \$705,005 from the prior fiscal year. This increase is due to the completion of the second phase of the Streetscape Project in downtown, as well as the Gateway Trail Project. The Public Safety and Public Works departments account for 76 percent of the total expenses for governmental activities.

Program Expenses and Program Revenues – Governmental Activities



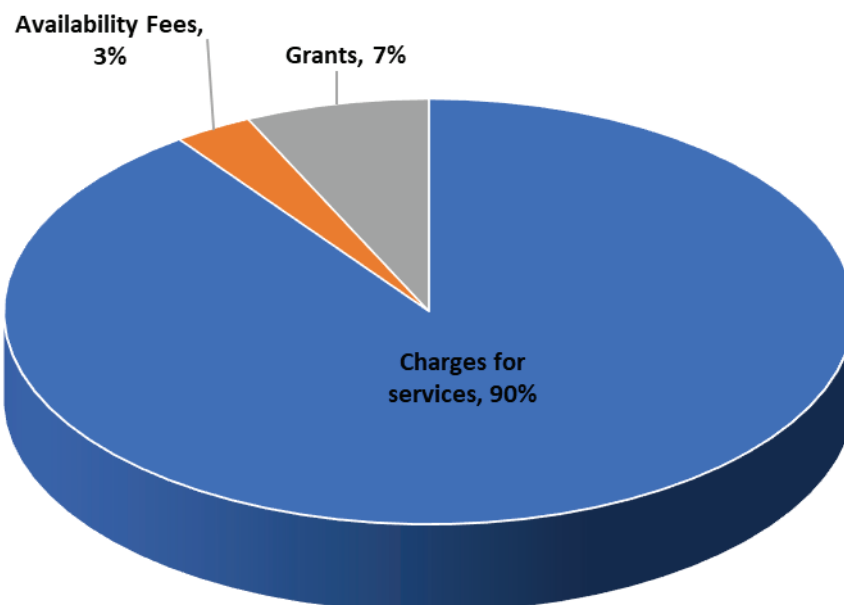
## Business-type Activities

The Town's business-type activities are comprised of enterprise funds for water, sewer, and trash. For the Town of Strasburg's business-type activities, the results for the current fiscal year were a net position decrease to reach an ending balance of \$24,899,175. The total decrease in net position for business-type activities (water, sewer & trash funds) was \$174,985 from the prior fiscal year. The decrease, in large part, is attributable to shortfalls in utility revenues.

## Revenues

Revenue for all business-type activities totaled \$5,356,498, which is a 0.6 percent decrease over 2019. The decrease is due to slight shortfalls in utility revenues than in the previous year.

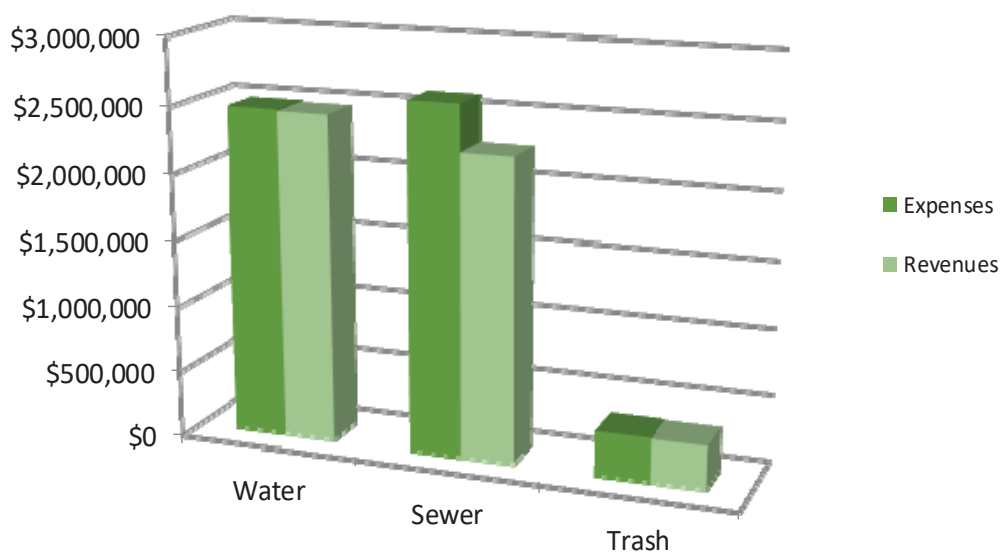
**Revenues by Source - Business-type Activities**



## Expenses:

Expenses totaled \$5,531,483 which was an increase of \$120,434 over 2019. The increase is attributable to loss on disposal of assets.

### Expenses and Program Revenues – Business-type Activities



The Town's Proprietary Funds provide the same type of information found in the government-wide financial statements for business-type activities but in more detail.

## FUND FINANCIAL ANALYSIS

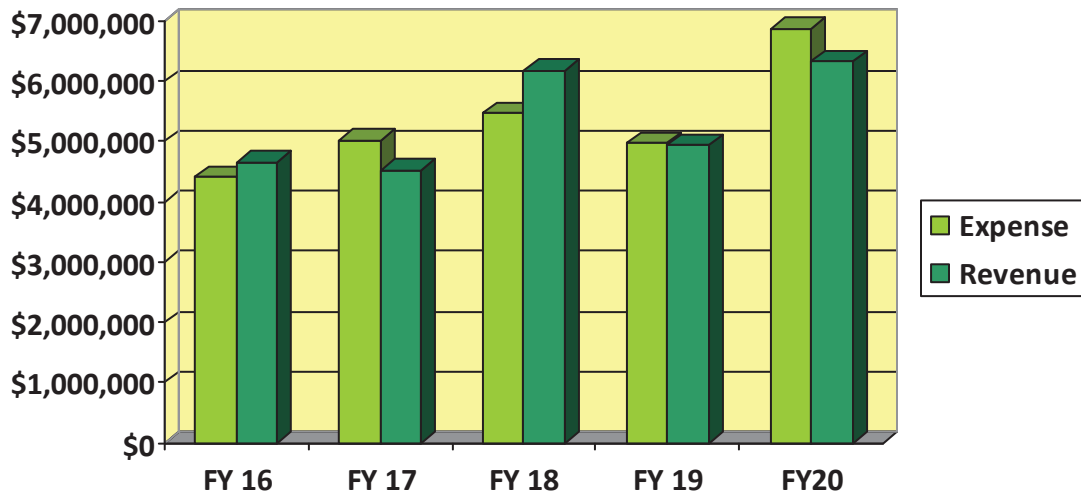
### Governmental Funds

Governmental Funds include the General Fund of which the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

### General Fund

The chief operating fund of the Town is the General Fund. At the end of 2020, the unassigned fund balance was \$1,998,522 which reflects an increase of \$280,907 over 2019. The graph below shows General Fund summary financial information for the past five years.

### ***Five Year General Fund Financial Summary***



### **General Fund Budgetary Highlights**

Actual expenditures exceeded revenues by \$553,919 in the General Fund, 2020 actual revenues were \$1,389,395 more than fiscal year 2019 revenues. The main reason for the increase is the town completed the second phase of the Streetscape Project in downtown, as well as the Gateway Trail Project. Actual expenditures were approximately \$1,903,949 more than 2019 expenditures. The increase was largely due to funding of Capital Projects.

### **Proprietary Funds**

The Town's proprietary funds are comprised of water, sewer and trash. The Town accounts for these three proprietary accounts as enterprise funds.

#### **Water Fund**

The Water Fund ended 2020 with unrestricted net position of \$3,392,091 which can be used for future fund expenses.

#### **Sewer Fund**

The Sewer Fund ended 2020 with unrestricted net position of \$1,545,115 which can be used for future fund expenses.

#### **Trash Fund**

The Trash Fund ended 2020 with unrestricted net position of \$35,046, which can be used for future fund expenses.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

2020 primary government investment in capital assets for its governmental and business-type activities was \$56,372,946 net of depreciation (see chart below).

#### *Capital Assets (net of depreciation in thousands)*

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land and improvements	\$ 639	\$ 639	\$ 405	\$ 405	\$ 1,044	\$ 1,044
Buildings and improvements	2,699	2,813	18	22	2,717	2,835
Infrastructure	6,211	3,742	45,193	46,435	51,404	50,177
Furniture, equipment & vehicles	479	593	551	638	1,030	1,231
Construction in Progress	164	249	14	60	178	309
Total	<u>\$ 10,192</u>	<u>\$ 8,036</u>	<u>\$ 46,181</u>	<u>\$ 47,560</u>	<u>\$ 56,373</u>	<u>\$ 55,596</u>

Total Capital Assets at June 30, 2020 were \$56,372,946 compared to \$55,596,412 at June 30, 2019, resulting in an increase of \$776,534 in the total Capital Assets. Much of this increase is due to infrastructure projects in 2020.

Water and sewer lines account for most of the capital assets in the Business-type activity, with streets and roadways in the Government-type activity.

Additional information on the Town's capital assets may be found in the notes to financial statements, Note 7 – Capital Assets.

### Long-term Debt

The Town's total outstanding debt at the end of 2020 was \$28,146,146 with \$26,964,221 in business-type activities and \$1,181,925 in governmental activities. Capital leases and vacation pay are included in outstanding debt.

**Town of Strasburg Outstanding Debt**  
**General Obligation and Revenue Bonds**  
**June 30, 2020**  
**(In thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
General Obligation Bonds	\$ 543	\$ 594	\$ 26,281	\$ 27,354	\$ 26,824	\$ 27,948
Unamortized bond premium	37	39	146	156	183	195
Capital Lease	94	141	77	120	171	261
Compensated Absences	155	118	134	106	289	224
Net Pension Liability	221	33	204	29	425	62
Net OPEB Liability	132	124	122	111	254	235
<b>Total</b>	<b>\$ <u>1,182</u></b>	<b>\$ <u>1,049</u></b>	<b>\$ <u>26,964</u></b>	<b>\$ <u>27,876</u></b>	<b>\$ <u>28,146</u></b>	<b>\$ <u>28,925</u></b>

Additional information on the Town's long-term obligations can be found in the notes to the financial statements, Note 8-Long Term Obligations.

## **ECONOMIC FACTORS**

Residential development is moving the fastest it has for the past ten years. One large development is currently underway, with two more totaling 500 new units possible. Two of the three developments include the creation of new commercial property that currently has no assigned end user.

The Town has completed the second phase of the Streetscape Project in downtown, as well as the Gateway Trail Project. Future capital projects include Phase III of the Streetscape and the extension of Borden Mowery Drive, both of which are scheduled to either begin in the next fiscal year.

## **CONTACT INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance or Town Manager, Town of Strasburg, PO Box 351, Strasburg, VA 22657.



## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,943,307	\$ 4,121,146	\$ 6,064,453
Receivables			
Taxes, net of allowance of \$29,393	1,166,685	-	1,166,685
Accounts, net of allowance of \$29,380	101,889	649,514	751,403
Due from other governmental units	990,297	-	990,297
Inventory	19,144	680,533	699,677
Prepaid items	25,700	25,040	50,740
Restricted assets:			
Cash and cash equivalents	157,765	364,973	522,738
Capital assets:			
Nondepreciable:			
Land	\$ 639,469	\$ 404,837	\$ 1,044,306
Construction in progress	163,779	13,932	177,711
Depreciable, net of accumulated depreciation:			
Furniture, equipment, and vehicles	479,080	551,417	1,030,497
Buildings and improvements	2,698,950	17,670	2,716,620
Infrastructure	6,211,104	45,192,708	51,403,812
Total capital assets, net	\$ 10,192,382	\$ 46,180,564	\$ 56,372,946
Total assets	\$ 14,597,169	\$ 52,021,770	\$ 66,618,939
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	\$ 265,687	\$ 244,041	\$ 509,728
OPEB related items	33,299	30,624	63,923
Total deferred outflows of resources	\$ 298,986	\$ 274,665	\$ 573,651
<b>LIABILITIES</b>			
Accounts payable	\$ 55,072	\$ 155,030	\$ 210,102
Other liabilities	67,601	44,461	112,062
Customer deposits	-	114,367	114,367
Accrued interest payable	5,379	39,103	44,482
Unearned revenue-other	599,807	-	599,807
Noncurrent liabilities:			
Due within one year	172,265	1,206,725	1,378,990
Due in more than one year	1,009,660	25,757,496	26,767,156
Total liabilities	\$ 1,909,784	\$ 27,317,182	\$ 29,226,966
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue-property taxes	\$ 897,785	\$ -	\$ 897,785
Pension related items	74,367	65,360	139,727
OPEB related items	15,964	14,718	30,682
Total deferred inflows of resources	\$ 988,116	\$ 80,078	\$ 1,068,194
<b>NET POSITION</b>			
Net investment in capital assets	\$ 9,518,783	\$ 19,676,465	\$ 29,195,248
Restricted for debt service	-	250,458	250,458
Restricted asset forfeitures	79,701	-	79,701
Restricted for proffers	78,064	-	78,064
Unrestricted	2,321,707	4,972,252	7,293,959
Total net position	\$ 11,998,255	\$ 24,899,175	\$ 36,897,430

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 651,290	\$ 59,040	\$ -	\$ 52,000	\$ (540,250)	\$ -	\$ (540,250)
Public safety	2,038,606	-	141,115	-	(1,897,491)	-	(1,897,491)
Public works	1,537,002	-	517,279	1,043,755	24,032	-	24,032
Health and welfare	11,613	-	-	-	(11,613)	-	(11,613)
Community development	203,543	-	-	-	(203,543)	-	(203,543)
Parks, recreation and cultural	218,608	69,274	-	-	(149,334)	-	(149,334)
Interest on long-term debt	23,193	-	-	-	(23,193)	-	(23,193)
Total governmental activities	<u>\$ 4,683,855</u>	<u>\$ 128,314</u>	<u>\$ 658,394</u>	<u>\$ 1,095,755</u>	<u>\$ (2,801,392)</u>	<u>\$ -</u>	<u>\$ (2,801,392)</u>
Business-type activities:							
Water Fund	\$ 2,590,736	\$ 2,266,984	\$ -	\$ 186,829	\$ -	\$ (136,923)	\$ (136,923)
Sewer Fund	2,616,985	2,259,977	-	175,500	-	(181,508)	(181,508)
Trash Fund	323,762	316,616	-	-	-	(7,146)	(7,146)
Total business-type activities	<u>\$ 5,531,483</u>	<u>\$ 4,843,577</u>	<u>\$ -</u>	<u>\$ 362,329</u>	<u>\$ -</u>	<u>\$ (325,577)</u>	<u>\$ (325,577)</u>
Total primary government	<u>\$ 10,215,338</u>	<u>\$ 4,971,891</u>	<u>\$ 658,394</u>	<u>\$ 1,458,084</u>	<u>\$ (2,801,392)</u>	<u>\$ (325,577)</u>	<u>\$ (3,126,969)</u>
General revenues:							
General property taxes					\$ 1,929,963	\$ -	\$ 1,929,963
Other local taxes:							
Local sales tax					460,590	-	460,590
Franchise taxes					127,035	-	127,035
Business licenses					141,739	-	141,739
Meals tax					770,085	-	770,085
Utility tax					144,462	-	144,462
Motor vehicle licenses					160,004	-	160,004
Other taxes					346,656	-	346,656
Grants and contributions not restricted to specific programs					168,059	-	168,059
Revenue from the use of money and property					98,813	132,834	231,647
Miscellaneous					87,157	17,758	104,915
Total general revenues and transfers					<u>\$ 4,434,563</u>	<u>\$ 150,592</u>	<u>\$ 4,585,155</u>
Change in net position					<u>\$ 1,633,171</u>	<u>\$ (174,985)</u>	<u>\$ 1,458,186</u>
Net position - beginning					10,365,084	25,074,160	35,439,244
Net position - ending					<u>\$ 11,998,255</u>	<u>\$ 24,899,175</u>	<u>\$ 36,897,430</u>

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

## **FUND FINANCIAL STATEMENTS**

**Town of Strasburg, Virginia**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2020**

**Exhibit 3**

	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,943,307
Receivables:	
Taxes, net of allowance of \$29,393	1,166,685
Accounts	101,889
Due from other governmental units	990,297
Inventory	19,144
Prepaid items	25,700
Restricted assets:	
Cash and cash equivalents	<u>157,765</u>
Total assets	<u><u>\$ 4,404,787</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 55,072
Accrued liabilities	67,601
Unearned revenue - other	599,807
Total liabilities	<u>\$ 722,480</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - property taxes	\$ 1,081,176
Total deferred inflows of resources	<u>\$ 1,081,176</u>
<b>FUND BALANCES</b>	
<b>Nonspendable</b>	
Inventory	\$ 19,144
Nonspendable - prepaid items	25,700
<b>Restricted:</b>	
Proffers	78,064
Assets forfeitures	79,701
<b>Committed:</b>	
Construction	400,000
<b>Unassigned</b>	<u>1,998,522</u>
Total fund balances	<u>\$ 2,601,131</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 4,404,787</u></u>

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

**Town of Strasburg, Virginia**  
**Reconciliation of the Balance Sheet of Governmental Fund**  
**to the Statement of Net Position**  
**June 30, 2020**

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**Exhibit 4**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Fund	\$	2,601,131
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	639,469	
Construction in progress		163,779	
Buildings and improvements		2,698,950	
Furniture, fixtures and equipment		479,080	
Infrastructure		<u>6,211,104</u>	10,192,382

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

Unavailable revenue - property taxes			183,391
--------------------------------------	--	--	---------

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

Pension related items	\$	265,687	
OPEB related items		<u>33,299</u>	298,986

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

Compensated absences	\$	(155,340)	
General obligation bonds, net of original issue premium		(579,537)	
Capital leases		(94,062)	
Accrued interest payable		(5,379)	
Net pension liability		(220,948)	
Net OPEB liabilities		<u>(132,038)</u>	(1,187,304)

Deferred inflows of resources are not due and payable in the current-period and, therefore, are not reported in the funds.

Pension related items	\$	(74,367)	
OPEB related items		<u>(15,964)</u>	<u>(90,331)</u>

Net position of governmental activities			<u>\$ 11,998,255</u>
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The notes to the financial statements are an integral part of this statement.

**Town of Strasburg, Virginia**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Fund**  
**For the Year Ended June 30, 2020**

**Exhibit 5**

	<u>General</u>
<b>REVENUES</b>	
General property taxes	\$ 1,930,881
Other local taxes	2,150,571
Permits, privilege fees, and regulatory licenses	36,262
Fines and forfeitures	22,778
Miscellaneous	87,157
Revenue from the use of money and property	98,813
Charges for services	69,274
Intergovernmental:	
Commonwealth	805,279
Federal	1,116,929
Total revenues	<u>\$ 6,317,944</u>
<b>EXPENDITURES</b>	
Current:	
General government administration	\$ 505,917
Public safety	1,937,711
Public works	1,308,049
Health and welfare	11,613
Parks, recreation, and cultural	158,722
Community development	183,898
Capital outlay:	
Administrative	2,476,442
Public safety	31,007
Community development	103,479
Debt service:	
Principal	129,218
Interest	25,807
Total expenditures	<u>\$ 6,871,863</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (553,919)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Issuance of capital leases	<u>\$ 30,987</u>
Total other financing sources (uses)	<u>\$ 30,987</u>
Net change in fund balance	\$ (522,932)
Fund balance, beginning of year	3,124,063
Fund balance, end of year	<u><u>\$ 2,601,131</u></u>

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



**Town of Strasburg, Virginia**  
**Reconciliation of Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Fund**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2020**

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**Exhibit 6**

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

Net change in fund balances - total governmental funds	\$	(522,932)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	2,567,395	
Depreciation expense		<u>(403,370)</u>	2,164,025

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.

Loss on disposal of assets			(7,973)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable property taxes is reported as revenues in the governmental funds.

Property taxes			(918)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuances of capital leases	\$	(30,987)	
Amortization of premium on bond issue		2,436	
Principal repayments		<u>129,218</u>	100,667

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.

Change in accrued interest	\$	178	
Change in compensated absences		(37,174)	
Change in pension related items		(70,717)	
Change in OPEB related items		<u>8,015</u>	<u>(99,698)</u>

Change in net position of governmental activities	\$	<u><u>1,633,171</u></u>
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The notes to the financial statements are an integral part of this statement.

**Town of Strasburg, Virginia**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2020**

**Exhibit 7**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Trash Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 2,961,149	\$ 1,158,331	\$ 1,666	\$ 4,121,146
Receivables:				
Accounts, net of allowance for uncollectible accounts \$29,380	303,750	303,064	42,700	649,514
Inventory	395,412	285,121	-	680,533
Prepaid items	11,555	13,485		25,040
Total current assets	<u>\$ 3,671,866</u>	<u>\$ 1,760,001</u>	<u>\$ 44,366</u>	<u>\$ 5,476,233</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	\$ 239,749	\$ 125,224	\$ -	\$ 364,973
Capital assets, net of accumulated depreciation	<u>16,882,166</u>	<u>29,298,398</u>	<u>-</u>	<u>46,180,564</u>
Total assets	<u>\$ 20,793,781</u>	<u>\$ 31,183,623</u>	<u>\$ 44,366</u>	<u>\$ 52,021,770</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	\$ 128,194	\$ 115,847	\$ -	\$ 244,041
OPEB related items	<u>16,015</u>	<u>14,609</u>	<u>-</u>	<u>30,624</u>
Total deferred outflows of resources	<u>\$ 144,209</u>	<u>\$ 130,456</u>	<u>\$ -</u>	<u>\$ 274,665</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 92,379	\$ 53,331	\$ 9,320	\$ 155,030
Accrued wages	24,498	19,963	-	44,461
General obligation bonds payable current portion	285,928	809,014	-	1,094,942
Capital leases current portion	15,489	15,489	-	30,978
Compensated absences current portion	39,038	41,767	-	80,805
Customer deposits	114,367	-	-	114,367
Accrued interest payable	28,345	10,758	-	39,103
Total current liabilities	<u>\$ 600,044</u>	<u>\$ 950,322</u>	<u>\$ 9,320</u>	<u>\$ 1,559,686</u>
Noncurrent liabilities:				
Compensated absences, net of current portion	\$ 26,026	\$ 27,844	\$ -	\$ 53,870
General obligation bonds payable, net of current portion	10,655,288	14,676,601	-	25,331,889
Capital leases, net of current portion	23,145	23,145	-	46,290
Net pension liability	106,798	96,913	-	203,711
Net OPEB liabilities	63,822	57,914	-	121,736
Total noncurrent liabilities	<u>\$ 10,875,079</u>	<u>\$ 14,882,417</u>	<u>\$ -</u>	<u>\$ 25,757,496</u>
Total liabilities	<u>\$ 11,475,123</u>	<u>\$ 15,832,739</u>	<u>\$ 9,320</u>	<u>\$ 27,317,182</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related items	\$ 35,511	\$ 29,849	\$ -	\$ 65,360
OPEB related items	<u>7,715</u>	<u>7,003</u>	<u>-</u>	<u>14,718</u>
Total deferred inflows of resources	<u>\$ 43,226</u>	<u>\$ 36,852</u>	<u>\$ -</u>	<u>\$ 80,078</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 5,902,316	\$ 13,774,149	\$ -	\$ 19,676,465
Restricted for debt service	125,234	125,224	-	250,458
Unrestricted	<u>3,392,091</u>	<u>1,545,115</u>	<u>35,046</u>	<u>4,972,252</u>
Total net position	<u>\$ 9,419,641</u>	<u>\$ 15,444,488</u>	<u>\$ 35,046</u>	<u>\$ 24,899,175</u>

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

**Town of Strasburg, Virginia**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2020**

**Exhibit 8**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Trash Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Charges for services:				
Sale of water	\$ 2,200,894	\$ -	\$ -	\$ 2,200,894
Sewer service charges	-	2,251,427	-	2,251,427
Trash collection fees	-	-	316,616	316,616
Late payment charges	66,090	8,550	-	74,640
Miscellaneous	11,215	6,543	-	17,758
Total operating revenues	<u>\$ 2,278,199</u>	<u>\$ 2,266,520</u>	<u>\$ 316,616</u>	<u>\$ 4,861,335</u>
<b>OPERATING EXPENSES</b>				
Water treatment facilities, transmission and distribution	\$ 521,024	\$ -	\$ -	\$ 521,024
Personnel	1,124,635	1,065,153	-	2,189,788
Operation and maintenance	-	740,585	-	740,585
Trash collection	-	-	323,762	323,762
Depreciation	521,479	750,526	-	1,272,005
Total operating expenses	<u>\$ 2,167,138</u>	<u>\$ 2,556,264</u>	<u>\$ 323,762</u>	<u>\$ 5,047,164</u>
Net operating income (loss)	<u>\$ 111,061</u>	<u>\$ (289,744)</u>	<u>\$ (7,146)</u>	<u>\$ (185,829)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	\$ 67,265	\$ 65,569	\$ -	\$ 132,834
Interest expense	(298,668)	(40,845)	-	(339,513)
Loss of disposal of assets	(124,930)	(19,876)	-	(144,806)
Total nonoperating revenues (expenses)	<u>\$ (356,333)</u>	<u>\$ 4,848</u>	<u>\$ -</u>	<u>\$ (351,485)</u>
Income (loss) before contributions and grants	<u>\$ (245,272)</u>	<u>\$ (284,896)</u>	<u>\$ (7,146)</u>	<u>\$ (537,314)</u>
Capital contributions and construction grants	<u>\$ 186,829</u>	<u>\$ 175,500</u>	<u>\$ -</u>	<u>\$ 362,329</u>
Change in net position	<u>\$ (58,443)</u>	<u>\$ (109,396)</u>	<u>\$ (7,146)</u>	<u>\$ (174,985)</u>
Net position - beginning	<u>9,478,084</u>	<u>15,553,884</u>	<u>42,192</u>	<u>25,074,160</u>
Net position - ending	<u>\$ 9,419,641</u>	<u>\$ 15,444,488</u>	<u>\$ 35,046</u>	<u>\$ 24,899,175</u>

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

**Town of Strasburg, Virginia**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2020**

**Exhibit 9**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Trash Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 2,296,664	\$ 2,286,673	\$ 316,108	\$ 4,899,445
Payments to suppliers for goods and services	(573,845)	(815,722)	(314,442)	(1,704,009)
Payments to employees for services	(1,080,543)	(1,021,309)	-	(2,101,852)
Net cash provided by (used for) operating activities	\$ 642,276	\$ 449,642	\$ 1,666	\$ 1,093,584
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital asset additions	\$ (9,892)	\$ (27,401)	\$ -	\$ (37,293)
Principal payments on bonds	(273,168)	(800,543)	-	(1,073,711)
Principal payments on lease obligations	(21,409)	(21,409)	-	(42,818)
Interest payments	(304,293)	(46,073)	-	(350,366)
Capital contributions from others	186,829	175,500	-	362,329
Net cash provided by (used for) capital and related financing activities	\$ (421,933)	\$ (719,926)	\$ -	\$ (1,141,859)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	\$ 67,265	\$ 65,569	\$ -	\$ 132,834
Net cash provided by (used for) investing activities	\$ 67,265	\$ 65,569	\$ -	\$ 132,834
Net increase (decrease) in cash and cash equivalents	\$ 287,608	\$ (204,715)	\$ 1,666	\$ 84,559
Cash and cash equivalents (including restricted) - beginning	2,913,290	1,488,270	-	4,401,560
Cash and cash equivalents (including restricted) - ending	\$ 3,200,898	\$ 1,283,555	\$ 1,666	\$ 4,486,119
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ 111,061	\$ (289,744)	\$ (7,146)	\$ (185,829)
Depreciation	521,479	750,526	-	1,272,005
(Increase) decrease in accounts receivable	18,709	20,153	(508)	38,354
(Increase) decrease in inventory	(70,458)	(39,523)	-	(109,981)
(Increase) decrease in prepaid items	(11,555)	(13,485)	-	(25,040)
(Increase) decrease in deferred outflows of resources	(52,830)	(51,578)	-	(104,408)
Increase (decrease) in customer deposits	(244)	-	-	(244)
Increase (decrease) in accounts payable	29,192	(22,129)	9,320	16,383
Increase (decrease) in accrued wages	7,355	4,263	-	11,618
Increase (decrease) in compensated absences	11,573	17,197	-	28,770
Increase (decrease) in net pension liability	91,082	83,363	-	174,445
Increase (decrease) in net OPEB liabilities	4,328	6,618	-	10,946
Increase (decrease) in deferred inflows of resources	(17,416)	(16,019)	-	(33,435)
Net cash provided by (used for) operating activities	\$ 642,276	\$ 449,642	\$ 1,666	\$ 1,093,584

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

## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020

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#### **NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The Town of Strasburg, Virginia, (the “Town”) was chartered as a Town in 1761. The Town is governed by a mayor and an eight-member Town Council, who are elected at large for staggered four-year terms.

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

The Town of Strasburg, Virginia (the Town) is a municipal corporation governed by an elected mayor and eight-member Council. The accompanying financial statements present the 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. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

**Blended component units** – There were no blended component units for the Town for the year ended June 30, 2020.

**Discretely Presented Component Units** – There were no discretely presented component units for the Town for the year ended June 30, 2020.

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

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

##### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable or deferred inflows. Sales, which are collected by the state 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. Utility taxes are collected by the utilities and remitted directly to the Town.

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

The government reports the following major governmental fund:

The *general fund* is the Town's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Water and Sewer Funds provide maintenance to the water and sewer lines and pump stations and derive the majority of their revenues through user charges and fees.

The Trash Fund provides trash collection and landfill disposal to the Town and derives the majority of its revenue through user charges.

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

**1. Cash and Cash Equivalents**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

***Investments***

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

**2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e. the noncurrent portion of interfund loans.) Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.



## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

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

#### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (continued)**

##### **3. *Property Taxes***

The Town collects real property taxes semi-annually and personal property taxes annually. Real property and personal property is assessed by the County of Shenandoah Commissioner of Revenue annually on property owned on January 1<sup>st</sup> and July 1<sup>st</sup> for real estate and January 1<sup>st</sup> for personal property. Town Council adopts tax rates in April of each year as a part of the budget process. Real and personal property taxes are levied as of January 1<sup>st</sup> and July 1<sup>st</sup> and are due on June 5<sup>th</sup> and December 5<sup>th</sup> of each year. Penalties accrue on the unpaid balances at this date. Interest is charged on unpaid balances beginning December 6<sup>th</sup> and June 6<sup>th</sup>. Unpaid real property taxes constitute a lien against the property. The Town bills and collects its own property taxes.

##### **4. *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 amounted to approximately \$29,393 at June 30, 2020 and the allowance for uncollectible water, sewer and trash billings amounted to approximately \$29,380 at June 30, 2020.

##### **5. *Inventory***

Inventory is valued at cost, using the *first in, first out* method. The cost is recorded as an expense at the time the individual inventory items are consumed, rather than when purchased.

##### **6. *Use of Estimates***

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

##### **7. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest capitalized in the current year.



## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

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

#### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (continued)**

##### **7. Capital Assets (continued)**

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

Water plant	50 years
Sewer plant	30-50 years
Reservoir and storage	10-20 years
Lines and meters	10-50 years
Buildings and improvements	20 years
Maintenance building and equipment	30 years
Furniture, equipment and vehicles	5-50 years

Maintenance, repairs and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings or equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

##### **8. Compensated Absences**

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

##### **9. Pensions**

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

##### **10. 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, HIC, and VLDP OPEB Plans 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.

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

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (continued)**

**11. Long-term Obligations**

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

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

**12. Fund Balance**

The following classifications of fund balance 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 that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance – amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the City Council/Board of Supervisors/Town Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Council/Board adopts another ordinance to remove or revise the limitation;
- Assigned fund balance – amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments general only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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.

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

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (continued)**

**12. Fund Balance(continued)**

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

In the general fund, the Town strives to maintain an unassigned fund balance to be used to fund unanticipated emergencies of \$1.5 million or 30% of the total general fund operating expenditures.

**13. Prepaid items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**14. Net Position**

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

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

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

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

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance  
(continued)**

**15. *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 (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 liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. 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 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

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#### **NOTE 2 — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

##### **A. Budgetary Information**

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

1. Prior to April 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Town Council. The Town Council is authorized to transfer budgeted amounts within departments.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, except for the capital expense budget.
8. All budgetary data presented in the accompanying financial statements is the amended budget as of June 30.

##### **B. Excess of Expenditures over Appropriations**

For the year ended June 30, 2020, there were no funds in which expenditures exceeded appropriations.

##### **C. Deficit Fund Equity**

At June 30, 2020, none of the funds reported deficit fund equity.

#### **NOTE 3 — 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.

## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

#### **NOTE 3 — DEPOSITS AND INVESTMENTS: (CONTINUED)**

##### **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), Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

##### **Credit Risk of Debt Securities**

The City's investment policy for credit risk is consistent with the investments allowed by statutes as detailed above. The City does not have a formal policy for investment-related risk.

The City and its discretely presented component units rated debt investments as of June 30, 200 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

<b><u>Rated Debt Investments' Values</u></b>	
<b><u>Rated Debt Investments</u></b>	<b><u>Fair Quality Rating</u></b>
	<b><u>AAAm</u></b>
Virginia State Non-Arbitrage Pool	\$ 250,468
Total	\$ 250,468

##### **Interest Rate Risk**

The Town invests funds in low risk investments backed by U.S. government agencies.

<b><u>Investment Maturities (in years)</u></b>		
<b><u>Investment Type</u></b>	<b><u>Fair Value</u></b>	<b><u>Less Than 1 Year</u></b>
Virginia State Non-Arbitrage Pool	\$ 250,468	\$ 250,468
Total	\$ 250,468	\$ 250,468

##### **External Investment Pool**

The fair value of the positions in the external investment pool is the same as the value of the pool shares. As the State Non-Arbitrage Pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. The State Non-Arbitrage Pool is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

#### **NOTE 3 — DEPOSITS AND INVESTMENTS: (CONTINUED)**

##### **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), Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

##### **Credit Risk of Debt Securities**

The Town's investment policy for credit risk is consistent with the investments allowed by statutes as detailed above. The Town does not have a formal policy for investment-related risk.

The Town rated debt investments as of June 30, 200 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

<b><u>Rated Debt Investments' Values</u></b>	
<b><u>Rated Debt Investments</u></b>	<b><u>Fair Quality Rating</u></b>
	<b><u>AAAm</u></b>
Virginia State Non-Arbitrage Pool	\$ 250,468
Total	\$ 250,468

##### **Interest Rate Risk**

The Town invests funds in low risk investments backed by U.S. government agencies.

<b><u>Investment Maturities (in years)</u></b>		
<b><u>Investment Type</u></b>	<b><u>Fair Value</u></b>	<b><u>Less Than 1 Year</u></b>
Virginia State Non-Arbitrage Pool	\$ 250,468	\$ 250,468
Total	\$ 250,468	\$ 250,468

##### **External Investment Pool**

The fair value of the positions in the external investment pool is the same as the value of the pool shares. As the State Non-Arbitrage Pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. The State Non-Arbitrage Pool is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.



# TOWN OF STRASBURG, VIRGINIA

## Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

### NOTE 4 — RECEIVABLES:

Receivables as of year-end for the government's individual major funds including the applicable allowances for uncollectible accounts, are as follows:

	General	Water	Sewer	Trash	Total
Receivables:					
Property taxes	\$ 1,196,078	\$ -	\$ -	\$ -	\$ 1,196,078
Accounts	101,889	317,593	316,615	44,686	780,783
Gross receivables	\$ 1,297,967	\$ 317,593	\$ 316,615	\$ 44,686	\$ 1,976,861
Less: allowance for uncollectibles	(29,393)	(13,843)	(13,551)	(1,986)	(58,773)
Net receivables	\$ 1,268,574	\$ 303,750	\$ 303,064	\$ 42,700	\$ 1,918,088

### NOTE 5 — DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government Governmental Activities
Commonwealth of Virginia:	
Communications tax	\$ 11,330
Auto rental tax	845
Asset forfeiture	332
Rolling stock	4
Sales tax	79,725
Total Commonwealth of Virginia	\$ 92,236
Federal Government:	
Highway planning and construction	\$ 885,060
Coronavirus relief fund	13,001
Total Federal Government	\$ 898,061
Total	\$ 990,297

### NOTE 6 — RESTRICTED ASSETS:

Restricted cash and cash equivalents consist of the following for June 30, 2020:

	General Fund	Water Fund	Sewer Fund	Total
<b>Enterprise Funds</b>				
Utility deposits	\$ -	\$ 114,515	\$ -	\$ 114,515
Reserved for debt service	-	125,234	125,224	250,458
Totals	\$ -	\$ 239,749	\$ 125,224	\$ 364,973
<b>Governmental Funds</b>				
Restricted for proffers	\$ 78,064	\$ -	\$ -	\$ 78,064
Restricted asset forfeitures	79,701	-	-	79,701
Totals	\$ 157,765	\$ -	\$ -	\$ 157,765



**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2020 (CONTINUED)**

**NOTE 7 — CAPITAL ASSETS:**

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2020.

Governmental Activities:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 639,469	\$ -	\$ -	\$ 639,469
Construction in progress	248,500	2,531,611	(2,616,332)	163,779
Total capital assets not being depreciated	\$ 887,969	\$ 2,531,611	\$ (2,616,332)	\$ 803,248
Other capital assets:				
Buildings and improvements	\$ 4,064,290	\$ -	\$ (20,423)	\$ 4,043,867
Furniture, equipment and vehicles	3,157,463	35,784	(279,569)	2,913,678
Infrastructure	5,618,056	2,616,332	(23,450)	8,210,938
Total other capital assets	\$ 12,839,809	\$ 2,652,116	\$ (323,442)	\$ 15,168,483
Accumulated depreciation:				
Buildings and improvements	\$ (1,250,916)	\$ (114,424)	\$ 20,423	\$ (1,344,917)
Furniture, equipment and vehicles	(2,564,850)	(149,317)	279,569	(2,434,598)
Infrastructure	(1,875,682)	(139,629)	15,477	(1,999,834)
Total accumulated depreciation	\$ (5,691,448)	\$ (403,370)	\$ 315,469	\$ (5,779,349)
Other capital assets, net	\$ 7,148,361	\$ 2,248,746	\$ (7,973)	\$ 9,389,134
Net capital assets	\$ 8,036,330	\$ 4,780,357	\$ (2,624,305)	\$ 10,192,382

Depreciation expense was allocated as follows:

General government administration	\$ 101,763
Public safety	42,086
Public works	203,702
Parks, recreation and cultural	55,819
Total depreciation expense	\$ 403,370

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2020 (CONTINUED)**

**NOTE 7 — CAPITAL ASSETS: (CONTINUED)**

Business-type Activities:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 404,837	\$ -	\$ -	\$ 404,837
Construction in progress	60,010	-	(46,078)	13,932
Total capital assets not being depreciated	\$ 464,847	\$ -	\$ (46,078)	\$ 418,769
Other capital assets:				
Equipment and vehicles	\$ 1,861,918	\$ 37,292	\$ (11,656)	\$ 1,887,554
Buildings and improvements	229,647	-	-	229,647
Infrastructure	56,896,615	46,078	(468,807)	56,473,886
Total other capital assets	\$ 58,988,180	\$ 83,370	\$ (480,463)	\$ 58,591,087
Accumulated depreciation:				
Equipment and vehicles	\$ (1,224,150)	\$ (118,981)	\$ 6,994	\$ (1,336,137)
Buildings and improvements	(207,307)	(4,670)	-	(211,977)
Infrastructure	(10,461,488)	(1,148,354)	328,664	(11,281,178)
Total accumulated depreciation	\$ (11,892,945)	\$ (1,272,005)	\$ 335,658	\$ (12,829,292)
Other capital assets, net	\$ 47,095,235	\$ (1,188,635)	\$ (144,805)	\$ 45,761,795
Net capital assets	\$ 47,560,082	\$ (1,188,635)	\$ (190,883)	\$ 46,180,564

**NOTE 8 — LONG-TERM OBLIGATIONS:**

**Primary Government – Governmental Activities:**

The following is a summary of changes in long-term obligations transactions of the Town for the year ended June 30, 2020.

	Balance July 1, 2019	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2020
Direct Borrowings and Direct Placements:				
General obligation bonds	\$ 594,691	\$ -	\$ 51,691	\$ 543,000
Unamortized bond premium	38,973	-	2,436	36,537
Total Direct Borrowings and Direct Placements	\$ 633,664	\$ -	\$ 54,127	\$ 579,537
Other Long-Term Obligations:				
Capital leases	\$ 140,602	\$ 30,987	\$ 77,527	\$ 94,062
Compensated absences	118,166	130,378	93,204	155,340
Net pension liability	32,811	744,212	556,075	220,948
Net OPEB liabilities	124,210	44,682	36,854	132,038
Total Other Long-Term Obligations	\$ 415,789	\$ 950,259	\$ 763,660	\$ 602,388
Total Long-Term Obligations	\$ 1,049,453	\$ 950,259	\$ 817,787	\$ 1,181,925

# TOWN OF STRASBURG, VIRGINIA

## Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

### NOTE 8 — LONG-TERM OBLIGATIONS: (CONTINUED)

#### Primary Government – Governmental Activities: (Continued)

Details of long-term obligations:

	Total Amount Due	Amount Due Within One Year
Capital Leases:		
\$430,987 issued July 17, 2019, due in monthly installments of \$906.13, interest at 3.31%, beginning August 17, 2019, through July 17, 2022 for the purchase of a SUV.	\$ 21,846	\$ 10,665
\$27,496 issued July 24, 2017, due in monthly installments of \$819, interest at 4.50%, beginning August 24, 2017, through July 24, 2020 for the purchase of a SUV.	791	791
\$90,456 issued March 15, 2018, due in monthly installments of \$2,708, interest at 4.85%, beginning April 15, 2018, through May 15, 2021 for the purchase of two pickup trucks. \$30,755 allocated to the general fund.	8,103	8,103
\$64,970 issued November 20, 2018, due in monthly installments of \$1,911, interest at 3.70%, beginning December 20, 2018, through November 20, 2021 for the purchase of two SUVs.	31,580	22,168
\$119,521 issued April 4, 2019, due in monthly installments of \$2,164, interest at 4.85%, beginning May 4, 2019, through April 4, 2024 for the purchase of a loader. \$40,637 allocated to the general fund.	31,742	7,898
Total capital leases	\$ 94,062	\$ 49,625
Direct Borrowings and Direct Placements:		
General Obligation Bonds:		
Series 2014A, \$3,315,000 VRA bonds issued May 1 2014, \$663,000 allocated to the general fund, payable in varying semi-annual installments, through April 2035, with interest at 2.6174%.	\$ 543,000	\$ 27,000
Total general obligation bonds	\$ 543,000	\$ 27,000
Unamortized bond premium	\$ 36,537	\$ 2,436
Compensated absences	\$ 155,340	\$ 93,204
Net pension liability	\$ 220,948	\$ -
Net OPEB liabilities	\$ 132,038	\$ -
Total governmental activities	\$ 1,181,925	\$ 172,265

For governmental activities, the liability for compensated absences, net pension liability and the net OPEB liabilities are fully liquidated by the general fund.

# TOWN OF STRASBURG, VIRGINIA

## Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

### NOTE 8 — LONG-TERM OBLIGATIONS: (CONTINUED)

#### Primary Government – Governmental Activities: (Continued)

The Town's outstanding general obligation bonds from direct borrowings and direct placements related to governmental activities of \$543,000 contain a provision that in the event of default the entire unpaid principal and interest become immediately due and payable. The Town has pledged to secure the payment and performance of the Town's obligations under the bonds with the Town's right, title, and interest to all revenue collected by the Town.

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

Year Ending June 30,	Governmental Activities			
	Capital Leases		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2021	\$ 49,625	\$ 2,423	\$ 27,000	\$ 20,958
2022	27,881	972	28,000	19,924
2023	9,312	393	29,000	18,743
2024	7,244	110	30,000	17,421
2025	-	-	31,000	16,053
2026	-	-	33,000	14,503
2027	-	-	35,000	12,861
2028	-	-	36,000	11,196
2029	-	-	38,000	9,780
2030	-	-	39,000	8,569
2031	-	-	40,000	7,278
2032	-	-	42,000	5,858
2033	-	-	43,000	4,304
2034	-	-	45,000	2,639
2035	-	-	47,000	2,096
Total	\$ <u>94,062</u>	\$ <u>3,898</u>	\$ <u>543,000</u>	\$ <u>172,183</u>

#### Primary Government-Business-type Activities:

	Balance July 1, 2019	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2020
Direct Borrowings and Direct Placements:				
General obligation/revenue bonds	\$ 27,354,392	\$ -	\$ 1,073,710	\$ 26,280,682
Unamortized bond premium	155,893	-	9,744	146,149
Total Direct Borrowings and Direct Placements	\$ <u>27,510,285</u>	\$ <u>-</u>	\$ <u>1,083,454</u>	\$ <u>26,426,831</u>
Other Long-Term Obligations:				
Capital leases	\$ 120,086	\$ -	\$ 42,818	\$ 77,268
Compensated absences	105,905	109,575	80,805	134,675
Net pension liability	29,266	686,771	512,326	203,711
Net OPEB liabilities	110,790	43,530	32,584	121,736
Total Other Long-Term Obligations	\$ <u>366,047</u>	\$ <u>839,876</u>	\$ <u>668,533</u>	\$ <u>537,390</u>
Total Long-Term Obligations	\$ <u>27,876,332</u>	\$ <u>839,876</u>	\$ <u>1,751,987</u>	\$ <u>26,964,221</u>

# TOWN OF STRASBURG, VIRGINIA

## Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

### NOTE 8 — LONG-TERM OBLIGATIONS: (CONTINUED)

#### Primary Government-Business-type Activities: (Continued)

##### Capital leases:

\$90,456 issued March 15, 2018, due in monthly installments of 2,708, interest at 4.85%, beginning April 15, 2018, through May 15, 2021 for the purchase of two pickup trucks. \$59,701 allocated to the business-type activities.

\$	15,645	\$	15,645
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\$119,521 issued April 4, 2019, due in monthly installments of \$2,164, interest at 4.85%, beginning May 4, 2019, through April 4, 2024 for the purchase of a loader. \$78,884 allocated to the business-type activities

	61,623		15,333
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Total capital leases

\$	77,268	\$	30,978
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##### Direct Borrowings and Placements:

##### General Obligation Bonds:

Series 2001, \$1,926,000 issued November 2000, payable in semi-annual installments of \$48,150 through September 2022 at 0% interest.

\$	236,271	\$	94,781
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Series 2009, \$9,000,000 bonds issued October 5, 2008 payable in monthly installments of \$31,860 through October 2049, with interest at 2.625%.

7,624,476	176,735
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Series 2009, \$2,554,000 bonds issued October 5, 2008 payable in monthly installments of \$9,042 through October 2049, with interest at 2.625%.

2,157,666	50,320
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Series 2014A, \$3,315,000 VRA bonds issued May 1 2014, \$2,652,000 allocated to the business-type activities, payable in varying semi-annual installments, through April 2035, with interest at 2.6174%.

2,172,000	108,000
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Series 2014, \$16,392,792 VRA loan issued June 17, 2014 payable in semi-annual installments through June 17, 2042 when the principal is due with interest at 0%.

14,090,269	655,362
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Total general obligation bonds

\$	26,280,682	\$	1,085,198
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Unamortized bond premium

\$	146,149	\$	9,744
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Compensated absences

\$	134,675	\$	80,805
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Net pension liability

\$	203,711	\$	-
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Net OPEB liabilities

\$	121,736	\$	-
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Total Business-type Activities

\$	26,964,221	\$	1,206,725
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**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2020 (CONTINUED)**

**NOTE 8 — LONG-TERM OBLIGATIONS: (CONTINUED)**

**Primary Government-Business-type Activities: (Continued)**

The Town's outstanding general obligation bonds from direct borrowings and direct placements related to business-type activities of \$26,280,682 contain a provision that in the event of default the entire unpaid principal and interest become immediately due and payable. The Town has pledged to secure the payment and performance of the Town's obligations under the bonds with the Town's right, title, and interest to all revenue collected by the Town.

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

Year Ending June 30,	Business-type Activities			
	Direct Borrowings and Direct Placements		Capital Lease	
	Principal	Interest	Principal	Interest
2021	\$ 1,085,198	\$ 391,893	\$ 30,978	\$ 2,078
2022	1,095,230	383,723	15,846	1,289
2023	1,057,353	374,808	16,377	758
2024	1,020,999	365,163	14,067	214
2025	1,031,525	355,164	-	-
2026	1,046,225	346,265	-	-
2027	1,061,102	336,817	-	-
2028	1,072,163	325,099	-	-
2029	1,087,411	316,187	-	-
2030	1,098,851	305,904	-	-
2031	1,110,489	295,098	-	-
2032	1,126,330	285,577	-	-
2033	1,138,379	273,313	-	-
2034	1,154,642	262,392	-	-
2035	1,171,125	250,920	-	-
2036	991,833	144,644	-	-
2037	1,000,773	135,705	-	-
2038	1,009,950	126,528	-	-
2039	1,019,370	117,107	-	-
2040	1,029,041	107,436	-	-
2041	1,038,969	97,508	-	-
2042	721,480	87,316	-	-
2043	404,262	76,853	-	-
2044	415,003	66,113	-	-
2045	426,029	55,087	-	-
2046	437,348	43,768	-	-
2047	448,967	32,149	-	-
2048	460,895	20,221	-	-
2049	473,140	7,976	-	-
2050	46,600	135	-	-
Total	\$ 26,280,682	\$ 5,986,869	\$ 77,268	\$ 4,339

**TOWN OF STRASBURG, VIRGINIA****Notes to Financial Statements  
JUNE 30, 2020 (CONTINUED)****NOTE 8 — LONG-TERM OBLIGATIONS: (CONTINUED)****Capital Leases:**

The Town has entered into lease agreements for various equipment and vehicles. These leases are being treated as capital leases in accordance with accounting principles general accepted in the United States of America. The assets acquired through capital leases are as follows:

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>
Asset:		
Machinery and equipment	\$ 348,819	\$ 269,817
Accumulated depreciation	(152,693)	(85,258)
Total	<u>\$ 196,126</u>	<u>\$ 184,559</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2020, were as follows:

<b><u>Fiscal Year Ending June 30,</u></b>	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>
2021	\$ 52,048	\$ 33,056
2022	28,853	17,135
2023	9,705	17,135
2024	7,354	14,281
Total minimum lease payments	\$ 97,960	\$ 81,607
Less: amount representing interest	(3,898)	(4,339)
Present value of minimum lease payments	<u>\$ 94,062</u>	<u>\$ 77,268</u>

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## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

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#### **NOTE 9 — 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 STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

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#### **NOTE 9 — PENSION PLAN: (CONTINUED)**

##### ***Average Final Compensation and Service Retirement Multiplier***

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

	<b>Primary Government</b>
Inactive members or their beneficiaries currently receiving benefits	41
Inactive members:	
Vested inactive members	14
Non-vested inactive members	12
Inactive members active elsewhere in VRS	36
Total inactive members	62
Active members	58
Total covered employees	161

## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

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#### **NOTE 9 — PENSION PLAN: (CONTINUED)**

##### ***Contributions***

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

The Town's contractually required employer contribution rate for the year ended June 30, 2020 was 7.07% 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 \$199,620 and \$194,529 for the years ended June 30, 2020 and June 30, 2019, respectively.

##### ***Net Pension Liability***

The net pension liability (NPL) 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 was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability 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 Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

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

## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

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#### **NOTE 9 — PENSION PLAN: (CONTINUED)**

##### ***Actuarial Assumptions – General Employees (Continued)***

Mortality rates:

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

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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 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 STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

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#### **NOTE 9 — 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 STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

#### **NOTE 9 — PENSION PLAN: (CONTINUED)**

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

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

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return*</b>
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 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. From July 1, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2020 (CONTINUED)**

**NOTE 9 — PENSION PLAN: (CONTINUED)**

***Changes in Net Pension Liability (Asset)***

	<b>Primary Government</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2018	\$ 10,820,664	\$ 10,758,587	\$ 62,077
Changes for the year:			
Service cost	\$ 287,428	\$ -	\$ 287,428
Interest	741,685	-	741,685
Changes of assumptions	393,776	-	393,776
Differences between expected and actual experience	(14,309)	-	(14,309)
Contributions - employer	-	194,528	(194,528)
Contributions - employee	-	140,638	(140,638)
Net investment income	-	718,307	(718,307)
Benefit payments, including refunds	(450,333)	(450,333)	-
Administrative expenses	-	(7,022)	7,022
Other changes	-	(453)	453
Net changes	\$ 958,247	\$ 595,665	\$ 362,582
Balances at June 30, 2019	\$ 11,778,911	\$ 11,354,252	\$ 424,659

***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:

	<b>Rate</b>		
	<b>1% Decrease (5.75%)</b>	<b>Current Discount (6.75%)</b>	<b>1% Increase (7.75%)</b>
Town			
Net Pension Liability (Asset)	\$ 2,221,730	\$ 424,659	\$ (987,139)

**TOWN OF STRASBURG, VIRGINIA****Notes to Financial Statements  
JUNE 30, 2020 (CONTINUED)****NOTE 9 — PENSION PLAN: (CONTINUED)*****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 \$321,154. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Primary Government</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 37,868	\$ 16,605
Change of assumptions	272,240	23,224
Net difference between projected and actual earnings on pension plan investments	-	99,898
Employer contributions subsequent to the measurement date	199,620	-
Total	<u>\$ 509,728</u>	<u>\$ 139,727</u>

\$199,620 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<b>Year Ended June 30</b>	<b>Primary Government</b>
2021	\$ 121,217
2022	17,681
2023	25,381
2024	6,102
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.



## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

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#### **NOTE 10 — 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 STRASBURG, VIRGINIA

## Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

### **NOTE 10 — 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 entity were \$15,851 and \$15,187 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 Plan OPEB***

At June 30, 2020, the entity reported a liability of \$242,463 for its 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, 2018, 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 Plan 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 participating employer's proportion was 0.01490% as compared to 0.01478% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$5,287. 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.

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:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 16,125	\$ 3,146
Net difference between projected and actual earnings on GLI OPEB plan investments	-	4,980
Change of assumptions	15,308	7,311
Changes in proportion	3,927	5,699
Employer contributions subsequent to the measurement date	<u>15,851</u>	<u>-</u>
Total	<u>\$ 51,211</u>	<u>\$ 21,136</u>

## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

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#### **NOTE 10 — 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 Group Life Insurance Plan OPEB (Continued)***

\$15,851 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer'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:

<b><u>Year Ended June 30,</u></b>	
2021	\$ 542
2022	542
2023	2,651
2024	4,206
2025	4,794
Thereafter	1,489

##### ***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. Salary increases and mortality rates herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

\*Administrative expenses as a percent of the 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.

## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

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#### **NOTE 10 — GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

##### **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.

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 STRASBURG, VIRGINIA****Notes to Financial Statements  
JUNE 30, 2020 (CONTINUED)****NOTE 10 — 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 disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

***NET GLI OPEB Liability***

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		<b>GLI OPEB Plan</b>
Total GLI OPEB Liability	\$	3,390,238
Plan Fiduciary Net Position		1,762,972
GLI Net 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 STRASBURG, VIRGINIA****Notes to Financial Statements  
JUNE 30, 2020 (CONTINUED)****NOTE 10 — 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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return*</b>
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. 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.

## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

#### **NOTE 10 — GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

##### ***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	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town's proportionate share of the Group Life Insurance Plan			
Net OPEB Liability	\$ 318,529	\$ 242,463	\$ 180,775

##### ***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 11 — HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):**

##### ***Plan Description***

The Political Subdivision Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 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 participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

##### ***Eligible Employees***

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.



## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

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#### **NOTE 11 — HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)**

##### ***Benefit Amounts***

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

##### ***HIC Plan Notes***

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

##### ***Employees Covered by Benefit Terms***

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	<u>7</u>
Total inactive members	7
Active members	<u>58</u>
Total covered employees	<u><u>65</u></u>

##### ***Contributions***

The contribution requirements for active employees is governed by §51.1-1402(E) 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. The Town contractually required employer contribution rate for the year ended June 30, 2020 was 0.12% 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 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 from the Town to the HIC Plan were \$3,658 and \$3,505 for the years ended June 30, 2020 and June 30, 2019, respectively.

##### ***Net HIC OPEB Liability***

The Town's net HIC OPEB liability was measured as of June 30, 2019. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

#### **NOTE 11 — HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)**

##### ***Actuarial Assumptions***

The total HIC 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.

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

\*Administrative expenses as a percent of the 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 the 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 Life Mortality Table 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:

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%



## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

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#### **NOTE 11 — HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)**

##### ***Actuarial Assumptions (Continued)***

##### **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 Life Mortality Table 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:

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%

## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

#### **NOTE 11 — HEALTH INSURANCE CREDIT (HIC) 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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return*</b>
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 Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

##### ***Discount Rate***

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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 HIC 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. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC 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 HIC OPEB liability.

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2020 (CONTINUED)**

**NOTE 11 — HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)**

***Changes in Net HIC OPEB Liability***

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 85,000	\$ 75,000	\$ 10,000
Changes for the year:			
Service cost	\$ 2,486	\$ -	\$ 2,486
Interest	5,797	-	5,797
Differences between expected and actual experience	(5,557)	-	(5,557)
Changes of assumptions	2,393	-	2,393
Contributions - employer	-	3,505	(3,505)
Net investment income	-	4,780	(4,780)
Benefit payments	(3,985)	(3,985)	-
Administrative expenses	-	(104)	104
Other changes	(198)	(483)	285
Net changes	\$ 936	\$ 3,713	\$ (2,777)
Balances at June 30, 2019	\$ 85,936	\$ 78,713	\$ 7,223

***Sensitivity of the Town's HIC Net OPEB Liability to Changes in the Discount Rate***

The following presents the Town's Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the Town's net HIC 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 Net HIC OPEB Liability	\$ 17,905	\$ 7,223	\$ (1,769)

**TOWN OF STRASBURG, VIRGINIA****Notes to Financial Statements  
JUNE 30, 2020 (CONTINUED)****NOTE 11 — HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)*****HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB***

For the year ended June 30, 2020, the Town recognized HIC Plan OPEB expense of \$1,626. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to the Town's HIC Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 6,060
Net difference between projected and actual earnings on HIC OPEB plan investments	-	894
Change of assumptions	2,094	2,311
Employer contributions subsequent to the measurement date	<u>3,658</u>	<u>-</u>
Total	\$ <u><u>5,752</u></u>	\$ <u><u>9,265</u></u>

\$3,658 reported as deferred outflows of resources related to the HIC OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC 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 HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

**Year Ended June 30,**

2021	\$ (1,571)
2022	(1,573)
2023	(993)
2024	(969)
2025	(1,053)
Thereafter	(1,012)

***HIC Plan Plan Data***

Information about the VRS Political Subdivision HIC Plan 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.

## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

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#### **NOTE 12 — VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN):**

##### ***Plan Description***

Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended, to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the Virginia Local Disability Program (VLDP). This is a multiple-employer, cost-sharing plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia.

The specific information for the VLDP OPEB, including eligibility, coverage, and benefits is described below:

##### ***Eligible Employees***

The Political Subdivision VLDP was implemented January 1, 2014 to provide disability benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits. All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision VLDP.

##### ***Benefit Amounts***

The VLDP provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability. Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

The VLDP provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

##### ***VLDP Notes***

Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

##### ***Contributions***

The contribution requirements for active hybrid plan employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2020 was 0.72% of covered employee compensation for employees in the VRS Political Subdivision VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate 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 from the Town to the VRS Political Subdivision VLDP were \$4,698 and \$4,490 for the years ended June 30, 2020 and June 30, 2019, respectively.

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2020 (CONTINUED)**

**NOTE 12 — VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)**

***VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB***

At June 30, 2020, the Town reported a liability of \$4,088 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2019 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The Town's proportion of the Net VLDP OPEB Liability was based on the Town's actuarially determined employer contributions to the VLDP OPEB plan 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 of the VLDP was 0.20180% as compared to 0.19136% at June 30, 2018.

For the year ended June 30, 2020, the Town recognized VLDP OPEB expense of \$4,821. Since there was a change in proportionate share between measurement dates, a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,050	\$ 125
Net difference between projected and actual earnings on VLDP OPEB program investments	14	-
Change of assumptions	117	156
Changes in proportion	81	-
Employer contributions subsequent to the measurement date	<u>4,698</u>	<u>-</u>
Total	<u>\$ 6,960</u>	<u>\$ 281</u>

\$4,698 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP 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 VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

**Year Ended June 30**

2021	\$ 411
2022	408
2023	406
2024	410
2025	393
Thereafter	(47)

## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

#### **NOTE 12 — VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)**

##### ***Actuarial Assumptions***

The total VLDP OPEB liability for the VLDP 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:	
Political Subdivision Employees	3.50%-5.95%
Investment rate of return	6.75%, net of program 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 and Non-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 Life Mortality Table 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:

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 year 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%



**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2020 (CONTINUED)**

**NOTE 12 — VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)**

***Net VLDP OPEB Liability***

The net OPEB liability (NOL) for the Political Subdivision VLDP represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Political Subdivision VLDP is as follows (amounts expressed in thousands):

		<b>Political Subdivision VLDP OPEB Plan</b>
Total Political Subdivision VLDP OPEB Liability	\$	3,989
Plan Fiduciary Net Position		1,962
Political Subdivision net VLDP OPEB Liability (Asset)	\$	<u>2,027</u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability		49.19%

The total Political Subdivision VLDP OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Political Subdivision VLDP 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.

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

The long-term expected rate of return on VRS 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 VRS 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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return</b>
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	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.63%</u>



## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

#### **NOTE 12 — VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)**

##### ***Long-Term Expected Rate of Return (Continued)***

\*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 VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, the rate contributed by the Town for the VLDP 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, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB 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 VLDP OPEB liability.

##### ***Sensitivity of the Town's Proportionate Share of the VLDP Net OPEB Liability to Changes in the Discount Rate***

The following presents the Town's proportionate share of the net VLDP OPEB liability using the discount rate of 6.75%, as well as what the Town's proportionate share of the net VLDP 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	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
Town's				
proportionate share of the				
Net VLDP OPEB Liability	\$	4,701	\$ 4,088	\$ 3,552

##### ***VLDP OPEB Fiduciary Net Position***

Detailed information about the VRS Political Subdivision VLDP'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.

## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

#### **NOTE 13 — SUMMARY OF OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS:**

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liabilities</u>	<u>OPEB Expense</u>
VRS OPEB Plans:				
Group Life Insurance Plan (Note 10):	\$ 51,211	\$ 21,136	\$ 242,463	\$ 5,287
Town Health Insurance Credit Plan (Note 11)	5,752	9,265	7,223	1,626
Virginia Local Disability Program (Note 12)	6,960	281	4,088	4,821
Totals	<u>\$ 63,923</u>	<u>\$ 30,682</u>	<u>\$ 253,774</u>	<u>\$ 11,734</u>

#### **NOTE 14 — SURETY BONDS:**

	<u>Amount</u>
VRSA Insurance - Surety	
Public Employees Blanket Bond	<u>\$ 550,000</u>

#### **NOTE 15 — RISK MANAGEMENT:**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town also provides a risk management program for workers' compensation. Premiums are paid by the general fund and all other funds and are available to pay claims, claim reserves and administrative costs of the program.

The Town is a member of the Virginia Risk Sharing Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays Virginia Risk Sharing Association contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

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#### **NOTE 16 — CONTINGENCIES:**

The Town is obligated to the Shenandoah County School Board under an agreement dated September 4, 1973, whereby the Town has agreed to pay to the School Board \$200 for each water and sewer connection made to the primary school water and sewer lines until such time as seventy-percent of their investment is realized. The agreement does not state the method of determining the School Board's investment nor the duration of the agreement.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditure which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Under an agreement dated August 27, 1996 the Town is obligated to reimburse a developer for availability fees collected for connections to a sewer line paid for by the developer. The reimbursement shall not, in the aggregate, exceed \$250,000.

#### **NOTE 17 — DEFERRED, UNAVAILABLE, AND UNEARNED REVENUE:**

Deferred and unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred, unavailable, and unearned revenue in the government-wide financial statements and fund financial statements totaling \$897,785, \$1,081,176, and \$599,807, respectively, is comprised of the following:

- A. Prepaid Property Taxes -Property taxes due subsequent to June 30, 2020 but paid in advance by the taxpayers totaled \$50,494 at June 30, 2020.
- B. Unbilled Property Taxes –Property taxes for the second half of 2020 that had not been billed as of June 30, 2020 amounted to \$847,291.
- C. Unavailable Property Taxes – Uncollected tax billings not available for funding of current expenditures totaled \$183,391.
- D. Unearned Revenue – VDOT carryover – unearned revenue representing VDOT highway maintenance funds not available to fund current expenditures totaled \$599,807.

#### **NOTE 18 — SEGMENT INFORMATION FOR BUSINESS-TYPE ACTIVITIES:**

	Water Fund	Sewer Fund	Trash Funds	Total Enterprise Funds
Operating revenue	\$ 2,278,199	\$ 2,266,520	\$ 316,616	\$ 4,861,335
Depreciation and amortization	521,479	750,526	-	1,272,005
Operating income (loss)	111,061	(289,744)	(7,146)	(185,829)
Current connection fees	186,829	175,500	-	362,329
Property, plant and equipment additions, net of retirements	(287,584)	(155,587)	-	(443,171)
Net working capital	3,071,822	809,679	35,046	3,916,547
Total assets	20,793,781	31,183,623	44,366	52,021,770
Long-term liabilities	11,475,123	15,832,739	9,320	27,317,182
Net position	9,419,641	15,444,488	35,046	24,899,175

## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

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#### **NOTE 19 — LITIGATION:**

At June 30, 2020, there were no matters of litigation involving the Town or which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to such entities.

#### **NOTE 20 — UPCOMING PRONOUNCEMENTS:**

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

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

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

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

#### **NOTE 21 — COVID-19 PANDEMIC SUBSEQUENT DISCLOSURE:**

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

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic. Among the CARES Act key provisions was \$339.8 billion designated for programs for state and local government, which included \$150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID-19 pandemic.

## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2020 (CONTINUED)

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#### **NOTE 21 — COVID-19 PANDEMIC SUBSEQUENT DISCLOSURE: (CONTINUED)**

The Commonwealth of Virginia received approximately \$3.1 billion from the CRF, of which \$1.3 billion was allocated for localities with fewer than 500,000 people. Localities with populations greater than 500,000 could apply to receive funds directly. All other CRF funds were distributed to the states to determine the allocations to localities.

On May 12, 2020, the first round of the allocations to local governments was authorized by the Commonwealth. On June 1, 2020, each locality received its share of the first half, or fifty (50) percent, of the locally based allocations. The County of Shenandoah received the CRF allocation and the Town of Strasburg, Virginia will request reimbursement for these funds as they are expended. Like the first round, the second round of allocations was based on population and was for the same total amount distributed in the first round.

The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. CRF funds are considered one-time funds and should not be used for ongoing services or base operations. As a condition of receiving CRF funds, any funds unexpended as of December 30, 2020 will be returned to the federal government

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## **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.

## General Fund

## Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual

For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 1,796,923	\$ 1,796,923	\$ 1,930,881	\$ 133,958
Other local taxes	1,712,237	1,712,237	2,150,571	438,334
Permits, privilege fees and regulatory licenses	28,000	28,000	36,262	8,262
Fines and forfeitures	35,000	35,000	22,778	(12,222)
Revenue from the use of money and property	84,000	84,000	98,813	14,813
Charges for services	119,880	119,880	69,274	(50,606)
Miscellaneous	26,100	26,100	87,157	61,057
Intergovernmental:				
Commonwealth	1,338,993	1,338,993	805,279	(533,714)
Federal	4,506,000	4,506,000	1,116,929	(3,389,071)
Total revenues	<u>\$ 9,647,133</u>	<u>\$ 9,647,133</u>	<u>\$ 6,317,944</u>	<u>\$ (3,329,189)</u>
EXPENDITURES				
Current:				
General government administration	\$ 743,480	\$ 810,980	\$ 505,917	\$ 305,063
Public safety	1,896,120	1,896,120	1,937,711	(41,591)
Public works	1,737,207	1,737,207	1,308,049	429,158
Health and welfare	-	-	11,613	(11,613)
Parks, recreation and cultural	195,420	195,420	158,722	36,698
Community development	272,095	272,095	183,898	88,197
Capital outlay:				
Administrative	4,506,000	5,066,000	2,476,442	2,589,558
Public safety	33,000	33,000	31,007	1,993
Parks, recreation and cultural	10,000	10,000	-	10,000
Community development	-	630,000	103,479	526,521
Debt service:				
Principal	261,004	261,004	129,218	131,786
Interest	25,807	25,807	25,807	-
Total expenditures	<u>\$ 9,680,133</u>	<u>\$ 10,937,633</u>	<u>\$ 6,871,863</u>	<u>\$ 4,065,770</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (33,000)</u>	<u>\$ (1,290,500)</u>	<u>\$ (553,919)</u>	<u>\$ 736,581</u>
OTHER FINANCING SOURCES (USES)				
Issuance of capital leases	<u>\$ 33,000</u>	<u>\$ 33,000</u>	<u>\$ 30,987</u>	<u>\$ (2,013)</u>
Total other financing sources (uses)	<u>\$ 33,000</u>	<u>\$ 33,000</u>	<u>\$ 30,987</u>	<u>\$ (2,013)</u>
Net change in fund balances	\$ -	\$ (1,257,500)	\$ (522,932)	\$ 734,568
Fund balances - beginning	-	-	3,124,063	3,124,063
Fund balances - ending	<u>\$ -</u>	<u>\$ (1,257,500)</u>	<u>\$ 2,601,131</u>	<u>\$ 3,858,631</u>



**Town of Strasburg, Virginia**

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
Pension Plan  
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016
<b>Total pension liability</b>				
Service cost	\$ 287,428	\$ 294,693	\$ 315,556	\$ 290,071
Interest	741,685	703,570	655,845	618,895
Changes of assumptions	393,776	-	(193,159)	-
Differences between expected and actual experience	(14,309)	(16,806)	314,951	(44,972)
Benefit payments	(450,333)	(423,595)	(399,205)	(273,073)
<b>Net change in total pension liability</b>	<b>\$ 958,247</b>	<b>\$ 557,862</b>	<b>\$ 693,988</b>	<b>\$ 590,921</b>
<b>Total pension liability - beginning</b>	<b>10,820,664</b>	<b>10,262,802</b>	<b>9,568,814</b>	<b>8,977,893</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 11,778,911</b>	<b>\$ 10,820,664</b>	<b>\$ 10,262,802</b>	<b>\$ 9,568,814</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 194,528	\$ 185,164	\$ 187,961	\$ 208,363
Contributions - employee	140,638	137,868	138,404	154,447
Net investment income	718,307	748,589	1,108,684	160,669
Benefit payments	(450,333)	(423,595)	(399,205)	(273,073)
Administrative expense	(7,022)	(6,418)	(6,345)	(5,402)
Other	(453)	(668)	(989)	(67)
<b>Net change in plan fiduciary net position</b>	<b>\$ 595,665</b>	<b>\$ 640,940</b>	<b>\$ 1,028,510</b>	<b>\$ 244,937</b>
<b>Plan fiduciary net position - beginning</b>	<b>10,758,587</b>	<b>10,117,647</b>	<b>9,089,137</b>	<b>8,844,200</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 11,354,252</b>	<b>\$ 10,758,587</b>	<b>\$ 10,117,647</b>	<b>\$ 9,089,137</b>
<b>Town's net pension liability (asset) - ending (a) - (b)</b>	<b>\$ 424,659</b>	<b>\$ 62,077</b>	<b>\$ 145,155</b>	<b>\$ 479,677</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>96.39%</b>	<b>99.43%</b>	<b>98.59%</b>	<b>94.99%</b>
<b>Covered payroll</b>	<b>\$ 2,920,517</b>	<b>\$ 2,809,635</b>	<b>\$ 2,810,614</b>	<b>\$ 2,686,938</b>
<b>Town's net pension liability (asset) as a percentage of covered payroll</b>	<b>14.54%</b>	<b>2.21%</b>	<b>5.16%</b>	<b>17.85%</b>

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Exhibit 11

<u>2015</u>		<u>2014</u>	
\$	309,266	\$	286,988
	558,470		521,309
	-		-
	296,203		-
	<u>(328,372)</u>		<u>(226,479)</u>
\$	835,567	\$	581,818
	8,142,326		7,560,508
\$	<u>8,977,893</u>	\$	<u>8,142,326</u>
\$	201,363	\$	243,570
	127,682		146,184
	390,762		1,147,301
	<u>(328,372)</u>		<u>(226,479)</u>
	(5,273)		(5,980)
	<u>(83)</u>		60
\$	386,079	\$	1,304,656
	8,458,121		7,153,465
\$	<u>8,844,200</u>	\$	<u>8,458,121</u>
\$	133,693	\$	(315,795)
	98.51%		103.88%
\$	2,573,711	\$	2,637,833
	5.19%		-11.97%

## Schedule of Employer Contributions

## Pension Plan

For the Years Ended June 30, 2011 through June 30, 2020

Date	Contributions in Relation to Contractually Required Contribution					Contributions as a % of Covered Payroll
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Employer's Covered Payroll (5)	
2020	\$ 199,620	\$ 199,620	\$ -	\$ 3,048,350		6.548%
2019	194,529	194,529	-	2,920,517		6.661%
2018	185,413	185,413	-	2,809,635		6.599%
2017	187,962	187,962	-	2,810,614		6.688%
2016	208,363	208,363	-	2,686,938		7.755%
2015	201,363	201,363	-	2,573,711		7.824%
2014	243,570	243,570	-	2,637,833		9.234%
2013	225,728	225,728	-	2,440,299		9.250%
2012	167,000	167,000	-	2,511,276		6.650%
2011	167,097	167,097	-	2,512,735		6.650%

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

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

**Changes of assumptions** – The actuarial assumptions used in the June 30, 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 through June 30, 2019

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2019	0.01490% \$	242,463 \$	2,920,517	8.30%	52.00%
2018	0.01478%	224,000	2,809,635	7.97%	51.22%
2017	0.01524%	229,000	2,810,614	8.15%	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

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)		
	(1)	(2)	(3)	(4)	(5)
2020	\$ 15,851	\$ 15,851	\$ -	\$ 3,048,350	0.52%
2019	15,187	15,187	-	2,920,517	0.52%
2018	14,615	14,615	-	2,809,635	0.52%
2017	14,615	14,615	-	2,810,614	0.52%
2016	12,897	12,897	-	2,686,938	0.48%
2015	12,354	12,354	-	2,573,711	0.48%
2014	12,662	12,662	-	2,637,833	0.48%
2013	11,713	11,713	-	2,440,299	0.48%
2012	7,032	7,032	-	2,509,449	0.28%
2011	7,036	7,036	-	2,513,113	0.28%

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

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

**Changes of assumptions** – The actuarial assumptions used in the June 30, 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%

Schedule of Changes in the Town's Net OPEB Liability and Related Ratios  
Health Insurance Credit (HIC) Plan  
For the Measurement Dates of June 30, 2017 through June 30, 2019

	2019	2018	2017
<b>Total HIC OPEB Liability</b>			
Service cost	\$ 2,486	\$ 3,000	\$ 3,000
Interest	5,797	6,000	6,000
Differences between expected and actual experience	(5,557)	(2,000)	-
Changes of assumptions	2,393	-	(4,000)
Benefit payments	(3,985)	(5,000)	(2,000)
Other changes	(198)	-	-
<b>Net change in total HIC OPEB liability</b>	\$ 936	\$ 2,000	\$ 3,000
<b>Total HIC OPEB Liability - beginning</b>	85,000	83,000	80,000
<b>Total HIC OPEB Liability - ending (a)</b>	<u>\$ 85,936</u>	<u>\$ 85,000</u>	<u>\$ 83,000</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 3,505	\$ 4,000	\$ 4,000
Net investment income	4,780	5,000	7,000
Benefit payments	(3,985)	(5,000)	(2,000)
Administrator charges	(104)	-	-
Other	(483)	-	-
<b>Net change in plan fiduciary net position</b>	\$ 3,713	\$ 4,000	\$ 9,000
<b>Plan fiduciary net position - beginning</b>	75,000	71,000	62,000
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 78,713</u>	<u>\$ 75,000</u>	<u>\$ 71,000</u>
<b>Town's net HIC OPEB liability - ending (a) - (b)</b>	\$ 7,223	\$ 10,000	\$ 12,000
<b>Plan fiduciary net position as a percentage of the total HIC OPEB liability</b>	91.59%	88.24%	85.54%
<b>Covered payroll</b>	\$ 2,920,517	\$ 2,809,635	\$ 2,810,614
<b>Town's net HIC OPEB liability as a percentage of covered payroll</b>	0.25%	0.36%	0.43%

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  
 Health Insurance Credit (HIC) Plan  
 For the Years Ended June 30, 2011 through June 30, 2020

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Date	Contributions in Relation to		Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)			
2020	\$ 3,658	\$ 3,658	\$ -	\$ 3,048,350	0.12%
2019	3,505	3,505	-	2,920,517	0.12%
2018	3,653	3,653	-	2,809,635	0.13%
2017	3,653	3,653	-	2,810,614	0.13%
2016	3,224	3,224	-	2,686,938	0.12%
2015	3,088	3,088	-	2,573,711	0.12%
2014	4,484	4,484	-	2,637,833	0.17%
2013	4,149	4,149	-	2,440,299	0.17%
2012	4,266	4,266	-	2,509,449	0.17%
2011	4,272	4,272	-	2,513,113	0.17%

Notes to Required Supplementary Information  
 Health Insurance Credit (HIC) Plan  
 For the Year Ended June 30, 2020

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

**Changes of assumptions** – The actuarial assumptions used in the June 30, 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%

## Schedule of Town's Share of Net OPEB Liability

Virginia Local Disability Program (VLDP)

For the Measurement Dates of June 30, 2017 through June 30, 2019

Date (1)	Employer's Proportion of the Net VLDP OPEB Liability (2)	Employer's Proportionate Share of the Net VLDP OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net VLDP OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6)
2019	0.20180% \$	4,088 \$	623,632	0.66%	49.19%
2018	0.19136%	1,000	464,636	0.22%	51.39%
2017	0.20940%	1,000	384,513	0.26%	38.40%

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

Virginia Local Disability Program (VLDP)

For the Years Ended June 30, 2015 through June 30, 2020

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2020	\$ 4,698	\$ 4,698	\$ -	\$ 652,494	0.72%
2019	4,490	4,490	-	623,632	0.72%
2018	2,788	2,788	-	464,636	0.60%
2017	2,307	2,307	-	384,513	0.60%
2016	1,304	1,304	-	217,359	0.60%
2015	718	718	-	119,629	0.60%

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.

Notes to Required Supplementary Information  
 Virginia Local Disability Program (VLDP)  
 For the Year Ended June 30, 2020

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

**Changes of assumptions** – The actuarial assumptions used in the June 30, 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 of the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**Non-Largest Ten Locality Employers - General and Non-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	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 year 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%

## **STATISTICAL SECTION**

## STATISTICAL SECTION

This part of the Town of Strasburg's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the Town's overall financial health. This information has not been audited by the independent auditors.

### **Contents**

### **Tables**

#### **Financial Trends**

These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

1-4

#### **Revenue Capacity**

These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.

5-9

#### **Debt Capacity**

These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue debt in the future.

10-13

#### **Demographic and Economic Information**

This table offers demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.

14

#### **Operating Information**

These tables contain information about the Town's operations and resources to help the reader understand how the Town's financial information relate to the services the Town provides and the activities it performs.

15-17

#### **Sources:**

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

# **Town of Strasburg, Virginia**

Net Position by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities				
Net investment in capital assets	\$ 2,421,573	\$ 3,008,739	\$ 3,595,924	\$ 4,855,784
Restricted	66,616	67,389	67,857	69,420
Unrestricted	<u>1,679,705</u>	<u>1,905,170</u>	<u>1,340,874</u>	<u>1,524,614</u>
Total governmental activities net position	<u>\$ 4,167,894</u>	<u>\$ 4,981,298</u>	<u>\$ 5,004,655</u>	<u>\$ 6,449,818</u>
Business-type activities				
Net investment in capital assets	\$ 7,411,042	\$ 7,868,785	\$ 8,725,596	\$ 12,310,772
Restricted	1,322,620	-	-	-
Unrestricted	<u>1,377,831</u>	<u>4,144,733</u>	<u>5,464,303</u>	<u>4,600,322</u>
Total business-type activities net position	<u>\$ 10,111,493</u>	<u>\$ 12,013,518</u>	<u>\$ 14,189,899</u>	<u>\$ 16,911,094</u>
Primary government				
Net investment in capital assets	\$ 9,832,615	\$ 10,877,524	\$ 12,321,520	\$ 17,166,556
Restricted	1,389,236	67,389	67,857	69,420
Unrestricted	<u>3,057,536</u>	<u>6,049,903</u>	<u>6,805,177</u>	<u>6,124,936</u>
Total primary government net position	<u>\$ 14,279,387</u>	<u>\$ 16,994,816</u>	<u>\$ 19,194,554</u>	<u>\$ 23,360,912</u>



Table 1

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 5,738,149	\$ 5,783,452	\$ 6,277,653	\$ 6,369,543	\$ 7,262,064	\$ 9,518,783
70,166	104,765	111,629	120,864	133,117	157,765
1,878,675	2,249,153	2,330,229	3,009,846	2,969,903	2,321,707
<u>\$ 7,686,990</u>	<u>\$ 8,137,370</u>	<u>\$ 8,719,511</u>	<u>\$ 9,500,253</u>	<u>\$ 10,365,084</u>	<u>\$ 11,998,255</u>
\$ 14,889,482	\$ 17,755,091	\$ 21,167,424	\$ 19,953,063	\$ 20,182,125	\$ 19,676,465
-	-	-	246,480	252,414	250,458
5,727,679	5,953,491	3,998,422	4,811,769	4,639,621	4,972,252
<u>\$ 20,617,161</u>	<u>\$ 23,708,582</u>	<u>\$ 25,165,846</u>	<u>\$ 25,011,312</u>	<u>\$ 25,074,160</u>	<u>\$ 24,899,175</u>
\$ 20,627,631	\$ 23,538,543	\$ 27,445,077	\$ 26,322,606	\$ 27,444,189	\$ 29,195,248
70,166	104,765	111,629	367,344	385,531	408,223
7,606,354	8,202,644	6,328,651	7,821,615	7,609,524	7,293,959
<u>\$ 28,304,151</u>	<u>\$ 31,845,952</u>	<u>\$ 33,885,357</u>	<u>\$ 34,511,565</u>	<u>\$ 35,439,244</u>	<u>\$ 36,897,430</u>

# **Town of Strasburg, Virginia**

## Changes in Net Position Last Ten Fiscal Years (accrual basis of accounting)

	2011	2012	2013	2014
<b>Expenses</b>				
Governmental activities:				
General government administration	\$ 662,672	\$ 505,436	\$ 532,547	\$ 473,961
Public safety	1,623,621	1,723,170	1,773,475	1,870,902
Public works	1,148,847	1,210,481	1,247,980	1,181,572
Health and welfare	7,305	9,272	9,399	9,661
Parks and recreation	27,500	40,116	55,221	52,258
Community development	43,115	179,400	177,249	211,906
Interest on long-term debt	52,218	45,836	38,526	43,664
Total governmental activities expenses	\$ 3,565,278	\$ 3,713,711	\$ 3,834,397	\$ 3,843,924
Business-type activities:				
Water	\$ 1,897,287	\$ 1,437,482	\$ 1,725,249	\$ 1,931,953
Sewer	1,406,216	1,547,325	1,554,539	1,692,520
Trash	301,737	295,362	301,194	314,263
Recreation	146,956	-	-	-
Total business-type activities expenses	\$ 3,752,196	\$ 3,280,169	\$ 3,580,982	\$ 3,938,736
Total primary government expenses	\$ 7,317,474	\$ 6,993,880	\$ 7,415,379	\$ 7,782,660
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government administration	\$ 45,872	\$ 40,318	\$ 43,845	\$ 45,298
Parks and recreation	-	70,523	57,886	57,706
Operating grants and contributions:				
Public safety	103,424	99,792	99,792	241,820
Public works	-	-	-	532,424
Parks and recreation	-	-	-	-
Community development	-	-	-	-
Capital grants and contributions:				
General government administration	-	-	-	953,814
Public works	501,435	521,818	709,684	11,712
Community development	-	-	-	-
Total governmental activities program revenues	\$ 650,731	\$ 732,451	\$ 911,207	\$ 1,842,774
Business-type activities:				
Charges for services:				
Water	\$ 1,748,177	\$ 2,005,028	\$ 2,340,205	\$ 2,497,474
Sewer	1,817,680	2,314,599	2,639,755	2,562,664
Trash	295,864	285,855	292,404	292,585
Recreation	65,140	-	-	-
Capital grants and contributions:				
Water	261,500	951,349	423,208	862,974
Sewer	273,000	77,300	-	359,159
Total business-type activities program revenues	\$ 4,461,361	\$ 5,634,131	\$ 5,695,572	\$ 6,574,856
Total primary government program revenues	\$ 5,112,092	\$ 6,366,582	\$ 6,606,779	\$ 8,417,630
Net (expense)/revenue				
Governmental activities	\$ (2,914,547)	\$ (2,981,260)	\$ (2,923,190)	\$ (2,001,150)
Business-type activities	709,165	2,353,962	2,114,590	2,636,120
Total primary government net (expense) revenue	\$ (2,205,382)	\$ (627,298)	\$ (808,600)	\$ 634,970

Table 2

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 627,706	\$ 732,892	\$ 842,138	\$ 823,092	\$ 641,716	\$ 651,290
1,829,034	1,734,851	1,742,668	1,722,076	1,807,172	2,038,606
848,525	1,538,358	1,015,530	2,136,644	1,144,775	1,537,002
10,265	10,109	10,236	10,569	11,721	11,613
54,697	39,561	85,929	139,839	171,641	203,543
209,150	148,674	244,311	166,666	181,478	218,608
68,012	39,749	33,567	27,573	20,347	23,193
<u>\$ 3,647,389</u>	<u>\$ 4,244,194</u>	<u>\$ 3,974,379</u>	<u>\$ 5,026,459</u>	<u>\$ 3,978,850</u>	<u>\$ 4,683,855</u>
\$ 2,223,318	\$ 2,123,742	\$ 2,402,888	\$ 2,390,787	\$ 2,512,248	\$ 2,590,736
1,673,529	1,639,280	1,847,774	2,525,810	2,572,113	2,616,985
278,159	296,281	311,124	313,627	326,688	323,762
-	-	-	-	-	-
<u>\$ 4,175,006</u>	<u>\$ 4,059,303</u>	<u>\$ 4,561,786</u>	<u>\$ 5,230,224</u>	<u>\$ 5,411,049</u>	<u>\$ 5,531,483</u>
<u>\$ 7,822,395</u>	<u>\$ 8,303,497</u>	<u>\$ 8,536,165</u>	<u>\$ 10,256,683</u>	<u>\$ 9,389,899</u>	<u>\$ 10,215,338</u>
\$ 50,025	\$ 40,034	\$ 40,989	\$ 65,704	\$ 57,085	\$ 59,040
53,954	43,849	55,907	43,483	48,358	69,274
177,667	142,022	123,766	129,523	133,107	141,115
389,713	750,277	149,304	1,196,347	291,290	517,279
-	-	-	-	-	-
-	60,000	-	-	-	-
444,196	-	169,492	398,529	79,979	52,000
397,570	17,364	-	-	-	1,043,755
-	-	-	-	-	-
<u>\$ 1,513,125</u>	<u>\$ 1,053,546</u>	<u>\$ 539,458</u>	<u>\$ 1,833,586</u>	<u>\$ 609,819</u>	<u>\$ 1,882,463</u>
\$ 2,436,912	\$ 2,387,365	2,373,740	2,316,231	\$ 2,329,302	\$ 2,266,984
2,374,755	2,136,257	2,159,970	2,226,086	2,280,585	2,259,977
274,757	261,927	299,265	300,991	310,135	316,616
-	-	-	-	-	-
558,257	102,350	52,000	162,223	161,151	186,829
<u>2,265,896</u>	<u>2,106,372</u>	<u>1,067,131</u>	<u>433,480</u>	<u>118,299</u>	<u>175,500</u>
<u>\$ 7,910,577</u>	<u>\$ 6,994,271</u>	<u>\$ 5,952,106</u>	<u>\$ 5,439,011</u>	<u>\$ 5,199,472</u>	<u>\$ 5,205,906</u>
<u>\$ 9,423,702</u>	<u>\$ 8,047,817</u>	<u>\$ 6,491,564</u>	<u>\$ 7,272,597</u>	<u>\$ 5,809,291</u>	<u>\$ 7,088,369</u>
\$ (2,134,264)	\$ (3,190,648)	\$ (3,434,921)	\$ (3,192,873)	\$ (3,369,031)	\$ (2,801,392)
<u>3,735,571</u>	<u>2,934,968</u>	<u>1,390,320</u>	<u>208,787</u>	<u>(211,577)</u>	<u>(325,577)</u>
<u>\$ 1,601,307</u>	<u>\$ (255,680)</u>	<u>\$ (2,044,601)</u>	<u>\$ (2,984,086)</u>	<u>\$ (3,580,608)</u>	<u>\$ (3,126,969)</u>

# **Town of Strasburg, Virginia**

Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

	2011	2012	2013	2014
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes:				
Property taxes	\$ 1,494,641	\$ 1,401,461	\$ 1,408,679	\$ 1,551,809
Other local taxes:				
Local sales tax	257,470	267,608	338,067	336,230
Franchise tax	112,760	73,739	80,662	120,473
Business licenses	108,129	107,798	102,633	108,961
Meals tax	532,016	527,138	554,176	553,157
Utility tax	50,010	57,970	60,111	62,063
Motor vehicle licenses	119,202	139,039	137,955	132,468
Other local taxes	317,383	350,241	336,494	351,910
Revenues from use of money and property	71,389	72,216	67,610	65,900
Loss on disposal of assets	(1,696)	-	-	-
Miscellaneous	85,346	57,580	83,481	57,458
Grants and contributions not restricted to specific programs	218,961	206,826	153,531	105,884
Transfers	(86,084)	533,048	(29,076)	-
Total governmental activities	\$ <u>3,279,527</u>	\$ <u>3,794,664</u>	\$ <u>3,294,323</u>	\$ <u>3,446,313</u>
Business-type activities:				
Revenues from use of money and property	\$ 43,333	\$ 41,627	\$ 31,174	\$ 36,229
Loss on disposal of assets	(12,017)	-	(3,234)	-
Insurance proceeds	-	-	1,625	-
Miscellaneous	8,860	39,486	3,150	48,846
Transfers	86,084	(533,048)	29,076	-
Total business-type activities	\$ <u>126,260</u>	\$ <u>(451,935)</u>	\$ <u>61,791</u>	\$ <u>85,075</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 364,980	\$ 813,404	\$ 371,133	\$ 1,445,163
Business-type activities	835,425	1,902,027	2,176,381	2,721,195
Total primary government	\$ <u>1,200,405</u>	\$ <u>2,715,431</u>	\$ <u>2,547,514</u>	\$ <u>4,166,358</u>

Table 2

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 1,653,993	\$ 1,728,462	\$ 1,749,159	\$ 1,774,648	\$ 1,795,837	\$ 1,929,963
342,601	342,955	375,711	388,597	394,025	460,590
149,687	90,889	104,147	111,074	123,756	127,035
112,537	121,515	122,849	131,925	137,475	141,739
583,465	597,419	713,532	735,500	803,566	770,085
72,204	61,165	142,684	165,133	155,648	144,462
135,976	152,316	125,751	185,071	158,497	160,004
352,562	353,132	385,251	389,570	391,920	346,656
59,172	70,882	80,640	108,020	108,463	98,813
-	-	-	-	-	-
70,403	58,341	55,647	3,749	90,000	87,157
140,921	146,609	161,691	159,829	157,961	168,059
-	(82,657)	-	(40,647)	(83,286)	-
<u>\$ 3,673,521</u>	<u>\$ 3,641,028</u>	<u>\$ 4,017,062</u>	<u>\$ 4,112,469</u>	<u>\$ 4,233,862</u>	<u>\$ 4,434,563</u>
\$ 23,968	\$ 57,304	\$ 45,539	\$ 45,946	\$ 172,097	\$ 132,834
-	-	-	(41,923)	-	-
-	-	-	-	-	-
13,829	16,492	21,405	13,461	19,042	17,758
-	82,657	-	40,647	83,286	-
<u>\$ 37,797</u>	<u>\$ 156,453</u>	<u>\$ 66,944</u>	<u>\$ 58,131</u>	<u>\$ 274,425</u>	<u>\$ 150,592</u>
\$ 1,539,257	\$ 450,380	\$ 582,141	\$ 919,596	\$ 864,831	\$ 1,633,171
<u>3,773,368</u>	<u>3,091,421</u>	<u>1,457,264</u>	<u>266,918</u>	<u>62,848</u>	<u>(174,985)</u>
<u>\$ 5,312,625</u>	<u>\$ 3,541,801</u>	<u>\$ 2,039,405</u>	<u>\$ 1,186,514</u>	<u>\$ 927,679</u>	<u>\$ 1,458,186</u>

**Town of Strasburg, Virginia**

Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

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	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Undesignated	-	-	-	-
Nonspendable	3,146	7,635	8,700	11,858
Restricted	66,616	67,389	67,857	738,605
Committed	-	-	-	47,375
Unassigned	<u>1,635,854</u>	<u>1,883,741</u>	<u>1,341,011</u>	<u>1,499,513</u>
Total general fund	\$ <u>1,705,616</u>	\$ <u>1,958,765</u>	\$ <u>1,417,568</u>	\$ <u>2,297,351</u>
 Total governmental funds	 \$ <u>1,705,616</u>	 \$ <u>1,958,765</u>	 \$ <u>1,417,568</u>	 \$ <u>2,297,351</u>

Note: The Town implemented GASB Statement 54 beginning with fiscal year 2011-see Note 1 in the Notes to Basic Financial Statements section of the report.

Table 3

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
15,848	19,712	14,601	15,831	15,831	44,844
776,143	734,493	241,111	120,864	133,117	157,765
70,672	71,803	27,141	891,350	1,257,500	400,000
<u>1,776,510</u>	<u>2,012,068</u>	<u>2,133,018</u>	<u>2,113,065</u>	<u>1,717,615</u>	<u>1,998,522</u>
\$ <u>2,639,173</u>	\$ <u>2,838,076</u>	\$ <u>2,415,871</u>	\$ <u>3,141,110</u>	\$ <u>3,124,063</u>	\$ <u>2,601,131</u>
\$ <u>2,639,173</u>	\$ <u>2,838,076</u>	\$ <u>2,415,871</u>	\$ <u>3,141,110</u>	\$ <u>3,124,063</u>	\$ <u>2,601,131</u>

## Town of Strasburg, Virginia

Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Revenues</b>			
General property taxes	\$ 1,509,841	\$ 1,428,349	\$ 1,416,634
Other local taxes	1,501,187	1,525,357	1,614,343
Permits, privilege fees and regulatory licenses	13,715	11,351	9,065
Fines and forfeitures	32,157	28,967	34,780
Revenue from the use of money and property	71,389	72,216	67,610
Charges for service	-	70,523	57,886
Miscellaneous	85,346	57,580	83,481
Intergovernmental:			
Commonwealth	752,856	763,402	926,210
Federal	<u>66,747</u>	<u>63,210</u>	<u>32,552</u>
<b>Total revenues</b>	<u>\$ 4,033,238</u>	<u>\$ 4,020,955</u>	<u>\$ 4,242,561</u>
<b>Expenditures</b>			
General government administration	\$ 717,365	\$ 492,867	\$ 584,702
Public safety	1,603,911	1,705,800	1,731,835
Public works	976,895	1,051,948	1,095,096
Health and welfare	7,305	9,272	9,399
Parks and recreation	43,115	141,934	150,335
Community development	27,500	40,116	55,221
Capital projects	98,730	58,560	543,984
Debt service:			
Principal	236,038	235,646	226,512
Interest and other fiscal charges	<u>52,856</u>	<u>46,541</u>	<u>39,284</u>
<b>Total expenditures</b>	<u>\$ 3,763,715</u>	<u>\$ 3,782,684</u>	<u>\$ 4,436,368</u>
Excess of revenues over (under) expenditures	<u>\$ 269,523</u>	<u>\$ 238,271</u>	<u>\$ (193,807)</u>
Other financing sources (uses)			
Transfers out	\$ (86,084)	\$ (9,445)	\$ (29,076)
Issuance of bonds	-	-	-
Issuance of capital leases	<u>33,750</u>	<u>24,323</u>	<u>29,462</u>
Total other financing sources (uses)	<u>\$ (52,334)</u>	<u>\$ 14,878</u>	<u>\$ 386</u>
Net change in fund balances	<u>\$ 217,189</u>	<u>\$ 253,149</u>	<u>\$ (193,421)</u>
Debt service as a percentage of noncapital expenditures	7.68%	7.46%	5.99%



Table 4

Fiscal Year						
2014	2015	2016	2017	2018	2019	2020
\$ 1,539,495	\$ 1,660,060	\$ 1,609,642	\$ 1,719,391	\$ 1,845,728	\$ 1,797,419	\$ 1,930,881
1,665,262	1,749,032	1,719,391	1,969,925	2,106,870	2,164,887	2,150,571
16,316	8,504	10,727	18,469	34,991	24,803	36,262
28,982	41,521	29,307	22,520	30,713	32,282	22,778
65,900	59,172	70,882	80,640	108,020	108,463	98,813
57,706	53,954	43,849	55,907	43,483	48,358	69,274
57,458	70,403	58,341	55,647	124,811	90,000	87,157
825,916	663,285	1,082,232	427,858	1,478,849	577,129	805,279
1,019,738	886,782	34,040	176,395	405,379	85,208	1,116,929
<u>\$ 5,276,773</u>	<u>\$ 5,192,713</u>	<u>\$ 4,658,411</u>	<u>\$ 4,526,752</u>	<u>\$ 6,178,844</u>	<u>\$ 4,928,549</u>	<u>\$ 6,317,944</u>
\$ 615,777	\$ 603,203	\$ 622,318	\$ 626,031	\$ 556,163	\$ 591,782	\$ 505,917
1,799,586	1,753,368	1,747,335	1,683,359	1,675,417	1,782,529	1,937,711
1,040,866	1,225,170	1,406,917	887,546	1,916,320	1,079,742	1,308,049
9,661	10,265	10,109	10,236	10,569	11,721	11,613
177,049	180,424	160,597	209,759	148,837	177,662	158,722
52,258	54,697	39,561	85,674	136,152	173,773	183,898
1,284,192	680,275	148,549	1,240,872	753,157	892,441	2,610,928
191,725	198,051	219,039	237,074	232,368	227,225	129,218
44,456	64,946	49,842	43,745	38,226	31,039	25,807
<u>\$ 5,215,570</u>	<u>\$ 4,770,399</u>	<u>\$ 4,404,267</u>	<u>\$ 5,024,296</u>	<u>\$ 5,467,209</u>	<u>\$ 4,967,914</u>	<u>\$ 6,871,863</u>
<u>\$ 61,203</u>	<u>\$ 422,314</u>	<u>\$ 254,144</u>	<u>\$ (497,544)</u>	<u>\$ 711,635</u>	<u>\$ (39,365)</u>	<u>\$ (553,919)</u>
\$ -	\$ -	\$ (82,657)	\$ -	\$ (40,647)	\$ (83,286)	\$ -
714,152	12,523	-	-	-	105,604	30,987
104,428	112,898	27,416	75,339	58,251	-	-
<u>\$ 818,580</u>	<u>\$ 125,421</u>	<u>\$ (55,241)</u>	<u>\$ 75,339</u>	<u>\$ 17,604</u>	<u>\$ 22,318</u>	<u>\$ 30,987</u>
<u>\$ 879,783</u>	<u>\$ 547,735</u>	<u>\$ 198,903</u>	<u>\$ (422,205)</u>	<u>\$ 729,239</u>	<u>\$ (17,047)</u>	<u>\$ (522,932)</u>
4.53%	5.51%	6.11%	5.59%	5.56%	6.63%	3.60%

## Town of Strasburg, Virginia

General Governmental Revenues by Source  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

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Fiscal Year	Property Taxes	Local Sales Tax	Consumer Utility Tax	Tele- communications Tax	Franchise Tax	Cigarette Tax
2020	\$ 1,930,881	\$ 460,590	\$ 144,462	\$ 69,057	\$ 127,035	\$ 102,457
2019	1,797,419	394,025	155,648	70,668	123,756	121,020
2018	1,845,728	388,597	165,133	76,175	111,074	117,549
2017	1,719,391	375,711	142,684	78,633	104,147	118,674
2016	1,609,642	342,955	61,165	80,615	90,889	128,240
2015	1,660,060	342,601	72,204	90,102	149,687	121,681
2014	1,539,495	336,230	62,063	76,778	120,473	121,452
2013	1,416,634	338,067	60,111	85,256	80,662	121,359
2012	1,428,349	267,608	57,970	85,030	73,739	142,424
2011	1,509,841	257,470	50,010	86,796	112,760	124,705

**Table 5**


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Meals Tax	Transient Occupancy Tax	Public Right- of-Way Fees	Motor Vehicle Licenses	Business Licenses	Total
\$ 770,085	\$ 144,944	\$ 30,198	\$ 160,004	\$ 141,739	\$ 4,081,452
803,566	182,577	17,655	158,497	137,475	3,962,306
735,500	195,846	-	185,071	131,925	3,952,598
713,532	187,944	-	125,751	122,849	3,689,316
597,419	144,277	-	152,316	121,515	3,329,033
583,465	136,059	-	135,976	112,537	3,404,372
553,157	138,719	-	132,468	108,961	3,189,796
554,176	129,429	-	137,955	102,633	3,026,282
527,138	110,514	-	139,039	107,798	2,939,609
532,016	103,205	-	119,202	108,129	3,004,134

## Town of Strasburg, Virginia

Assessed Value of Taxable Property  
Last Ten Fiscal Years  
(in thousands)

Fiscal Year			Personal Property	Machinery and Tools	Public Service Corporation	
					Real Estate	Personal Property
2020	\$	615,361	\$ 54,510	\$ 41,158	\$ 32,970	\$ -
2019		606,910	51,026	36,559	16,284	-
2018		602,606	48,698	40,632	21,332	-
2017		601,362	46,781	46,977	21,332	-
2016		600,385	47,253	33,332	21,786	-
2015		606,784	43,443	30,369	21,544	-
2014		604,013	43,492	32,588	21,201	-
2013		555,327	40,461	17,530	20,076	-
2012		552,866	40,134	21,105	22,843	-
2011		550,613	39,038	28,703	22,845	-

Note: Real and personal property tax assessments are made by the Commissioner of Revenue for the County of Shenandoah, Virginia. Real and personal property taxes of public service corporations are assessed by the State Corporation Commission.

**Table 6**

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<u>Total Taxable Assessed Total</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>	<u>Total Direct Rate</u>
\$ 743,999	\$ 743,999	100%	2.29
710,779	710,779	100%	2.29
713,268	713,268	100%	2.29
716,452	716,452	100%	2.29
702,756	702,756	100%	2.29
702,140	702,140	100%	2.29
701,294	701,294	100%	2.29
633,394	633,394	100%	2.29
636,948	636,948	100%	2.29
641,199	641,199	100%	2.29

**Town of Strasburg, Virginia**

Property Tax Rates (1)  
Direct and Overlapping Governments  
Last Ten Fiscal Years

Fiscal Year	Direct Rates					Overlapping Rates				
						County of Shenandoah, Virginia				
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools		Real Estate	Personal Property	Mobile Homes	Machinery and Tools	
2020	\$ 0.16	\$ 1.11	\$ 0.16	\$ 0.86	\$	0.64	\$ 3.90	\$ 0.64	\$ 3.15	
2019	0.16	1.11	0.16	0.86		0.64	3.90	0.64	3.15	
2018	0.16	1.11	0.16	0.86		0.64	3.90	0.64	3.15	
2017	0.16	1.11	0.16	0.86		0.60	3.60	0.60	3.15	
2016	0.16	1.11	0.16	0.86		0.57	3.50	0.57	3.15	
2015	0.16	1.11	0.16	0.86		0.57	3.50	0.57	3.15	
2014	0.16	1.11	0.16	0.86		0.57	3.50	0.57	3.15	
2013	0.16	1.11	0.16	0.86		0.51/0.54	3.50	0.51/0.54	3.15	
2012	0.16	1.11	0.16	0.86		0.47/0.51	3.15	0.47/0.51	3.15	
2011	0.16	1.11	0.16	0.86		0.47	3.15	0.47	3.15	

(1) Rates are based on \$100 per assessed value

Table 7

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Combined Rates				
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
\$	0.80	\$ 4.80	\$ 0.80	\$ 4.05
	0.80	4.80	0.80	4.05
	0.80	4.80	0.80	4.05
	0.76	4.50	0.76	4.05
	0.72	4.40	0.72	4.05
	0.72	4.40	0.72	4.05
	0.72	4.40	0.72	4.05
	0.66/0.69	4.40	0.66/0.69	4.05
	0.62/0.66	4.05	0.62/0.66	4.05
	0.62	4.05	0.62	4.05

Principal Property Taxpayers  
Current Year and the Period Nine Years Prior

Taxpayer	Type of Business	Fiscal Year 2020	
		2019 Assessed Valuation	% of Total Assessed Valuation
EIP 495 Radio Station Road LLC	Rental Property/Commercial	\$ 20,428,900	3.32%
Art Mortgage Borrower	Real Estate	12,357,400	2.01%
294 Front Royal Road LLC	Manufacturing	8,522,300	1.38%
Walter Enterprises	Rental Property/Commercial	5,208,900	0.85%
Strasburg Hotel Group	Hotel	4,849,800	0.79%
Massanutten Preservation LP	Real Estate	4,545,200	0.74%
Sanwood Hospitality LLC	Real Estate	4,162,400	0.68%
IAC Strasburg LLC	Manufacturing	4,143,200	0.67%
Homewood at the Shenandoah Valley	Real Estate	3,629,700	0.59%
SFC Properties	Real Estate	3,197,200	0.52%
		<u>\$ 71,045,000</u>	<u>11.55%</u>

Taxpayer	Type of Business	Fiscal Year 2011	
		2010 Assessed Valuation	% of Total Assessed Valuation
294 Front Royal LLC	Manufacturing	\$ 11,454,700	2.08%
King Plumbing	Rental Property & Recreation Ctr.	10,652,100	1.93%
IAC Corp	Manufacturing	8,763,800	1.59%
Toothman Investments	Real Estate/ Rental Property	5,837,400	1.06%
Massanutten Elderly	Rental Property	5,037,500	0.91%
Sunlight Properties	Real Estate/ Rental Property	4,692,000	0.85%
Homewood Retirement	Rental & Shopping	4,177,100	0.76%
Taylor Grace	Rental Property	4,055,700	0.74%
Frank Yeakle III	Rental Property	3,580,100	0.65%
Greenfield Ass. Living/Reflections	Residential	3,927,800	0.71%
		<u>\$ 62,178,200</u>	<u>11.29%</u>

Source: Assessed values per the Commissioner of Revenue for the County of Shenandoah, Virginia



Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Total Tax Collections	Percentage of Levy
2020	\$	1,846,891	\$ 1,815,213	98.28%	\$ -	\$ 1,815,213	98.28%
2019		1,739,312	1,688,776	97.09%	17,407	1,706,183	98.10%
2018		1,739,692	1,647,491	94.70%	79,792	1,727,283	99.29%
2017		1,715,312	1,625,964	94.79%	77,953	1,703,917	99.34%
2016		1,630,544	1,546,964	94.87%	74,141	1,621,105	99.42%
2015		1,612,273	1,567,292	97.21%	37,416	1,567,292	97.21%
2014		1,615,808	1,571,938	97.28%	42,025	1,613,963	99.89%
2013		1,510,934	1,480,446	97.98%	28,881	1,509,327	99.89%
2012		1,539,343	1,455,015	94.52%	83,046	1,538,061	99.92%
2011		1,597,836	1,517,593	94.98%	79,028	1,596,621	99.92%

Source: Department of Finance

# **Town of Strasburg, Virginia**

## Ratios of Outstanding Debt by Type Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>General Obligation Bonds</b>	<b>Capital Leases</b>	<b>General Obligation Bonds</b>	<b>Capital Leases</b>
2020	\$ 579,537	\$ 94,062	\$ 26,426,831	\$ 77,268
2019	633,664	140,602	27,510,285	120,086
2018	801,565	103,689	28,727,122	87,074
2017	916,706	118,325	28,561,830	55,572
2016	1,070,425	126,341	26,288,079	65,478
2015	1,217,333	171,056	19,913,636	102,054
2014	1,374,504	114,238	15,796,871	41,456
2013	874,226	38,813	13,954,938	10,432
2012	1,066,946	43,142	14,511,890	24,000
2011	1,256,015	65,396	12,922,362	14,232

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 14

Table 10

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	<b>Total Primary Government</b>	<b>Percentage of Personal Income (1)</b>		<b>Per Capita (1)</b>
\$	27,177,698	1.33%	\$	4,071
	28,404,637	1.40%		4,255
	29,719,450	1.72%		4,486
	29,652,433	1.75%		4,515
	27,550,323	1.67%		4,200
	21,404,079	1.31%		3,271
	17,327,069	1.11%		2,662
	14,878,409	0.96%		2,285
	15,645,978	1.07%		2,417
	14,258,005	1.03%		2,229

Ratio of Net General Bonded Debt to  
Assessed Value and Net Bonded Debt Per Capita  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Gross Bonded Debt</b>	<b>Less: Amounts Reserved for Debt Service</b>	<b>Net Bonded Debt (3)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value (2)</b>	<b>Net Bonded Debt per Capita (1)</b>
2020	\$ 27,006,368	\$ 250,458	\$ 26,755,910	3.60%	\$ 4,008
2019	28,143,949	246,480	27,897,469	3.92%	4,179
2018	29,528,687	246,480	29,282,207	4.11%	4,420
2017	29,478,536	-	29,478,536	4.11%	4,489
2016	27,358,504	-	27,358,504	3.89%	4,171
2015	21,130,969	-	21,130,969	3.01%	3,230
2014	17,171,375	-	17,171,375	2.45%	2,638
2013	14,829,164	-	14,829,164	2.34%	2,277
2012	15,578,836	-	15,578,836	2.45%	2,407
2011	14,178,377	1,258,395	12,919,982	2.01%	2,019

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 13

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 6

(3) Includes all long-term general obligation debt. Excludes notes payable, capital leases and compensated absences.

**Town of Strasburg, Virginia**

Legal Debt Margin Information  
Last Ten Fiscal Years

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Assessed Valuations</b>				
Assessed value of taxed real property	\$ <u>550,613,000</u>	\$ <u>552,866,000</u>	\$ <u>555,327,000</u>	\$ <u>604,013,000</u>
<b>Legal debt margin</b>				
Debt limit - 10 percent of total assessed value	\$ <u>55,061,300</u>	\$ <u>55,286,600</u>	\$ <u>55,532,700</u>	\$ <u>60,401,300</u>
Debt applicable to limitation:				
Total bonded debt	\$ 12,919,982	\$ 15,578,836	\$ 14,829,164	\$ 17,171,375
Less: Business-type activities bonds	<u>(12,922,362)</u>	<u>(14,511,890)</u>	<u>(13,954,938)</u>	<u>(15,796,871)</u>
Total amount of debt applicable to debt limitation	\$ <u>(2,380)</u>	\$ <u>1,066,946</u>	\$ <u>874,226</u>	\$ <u>1,374,504</u>
<b>Legal debt margin</b>	\$ <u>55,063,680</u>	\$ <u>54,219,654</u>	\$ <u>54,658,474</u>	\$ <u>59,026,796</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	1.93%	1.57%	2.28%

Table 12

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ <u>606,784,000</u>	\$ <u>600,385,000</u>	\$ <u>601,362,000</u>	\$ <u>602,606,000</u>	\$ <u>606,910,000</u>	\$ <u>615,361,000</u>
\$ <u>60,678,400</u>	\$ <u>60,038,500</u>	\$ <u>60,136,200</u>	\$ <u>60,260,600</u>	\$ <u>60,691,000</u>	\$ <u>61,536,100</u>
\$ 21,130,969	\$ 27,358,504	\$ 29,478,536	\$ 29,282,207	\$ 27,891,535	\$ 26,755,910
<u>(19,913,636)</u>	<u>(26,288,079)</u>	<u>(28,561,830)</u>	<u>(28,727,122)</u>	<u>(27,510,285)</u>	<u>(26,426,831)</u>
\$ <u>1,217,333</u>	\$ <u>1,070,425</u>	\$ <u>916,706</u>	\$ <u>555,085</u>	\$ <u>381,250</u>	\$ <u>329,079</u>
\$ <u>59,461,067</u>	\$ <u>58,968,075</u>	\$ <u>59,219,494</u>	\$ <u>59,705,515</u>	\$ <u>60,309,750</u>	\$ <u>61,207,021</u>
2.01%	1.78%	1.52%	0.92%	0.63%	0.53%

Direct and Overlapping Governmental Activities Debt  
June 30, 2020

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage</u>	<u>Amount applicable to Primary Government</u>
County of Shenandoah, Virginia	\$ 43,243,294	15.31%	\$ 6,618,952
Town of Strasburg, Virginia direct debt			<u>673,599</u>
Total direct and overlapping debt			<u>\$ 7,292,551</u>

Sources: Outstanding debt and applicable percentages provided by the County of Shenandoah, Virginia

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the Town of Strasburg, Virginia. This process recognizes that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Demographic and Economic Statistics  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (000's) (2)</b>	<b>Per Capita Personal Income (3)</b>	<b>Unemployment Rate (4)</b>
2020	6,676	\$ 2,035,995	\$ 46,680	6.90%
2019	6,658	1,974,201	45,387	2.60%
2018	6,625	1,724,404	39,940	3.32%
2017	6,567	1,696,997	39,291	3.60%
2016	6,559	1,647,658	37,896	3.60%
2015	6,543	1,630,305	36,627	4.99%
2014	6,509	1,565,050	35,016	5.90%
2013	6,512	1,550,472	35,016	6.20%
2012	6,473	1,464,248	35,016	6.60%
2011	6,398	1,390,234	31,909	7.30%

(1) The population numbers came from the University of Virginia - Weldon Cooper Center for Public Service.

(2) This information is not maintained for the towns in Virginia. The amounts used here are for the County of Shenandoah, Virginia, which the Town lies within. Information provided came from the US. Bureau of Economic Analysis, Personal Income in Shenandoah County, VA [PI51171], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PI51171>, October 4, 2016.

(3) This information is not maintained for the towns in Virginia. The amounts used here are for the County of Shenandoah, Virginia, which the Town lies within. Information provided came from the US. Bureau of Economic Analysis, Per Capita Personal Income in Shenandoah County, VA [PCPI51171], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PCPI51171>, October 4, 2016.

(4) Unemployment rate is for the County of Shenandoah, Virginia, which the Town lies within. Information provided came from the Virginia Employment Commission.

Data that is unavailable for a more recent year is noted as the prior year's amount.



## Town of Strasburg, Virginia

Full-time Equivalent Town Government Employees by Function/Program  
Last Ten Fiscal Years

Function	Fiscal Year				
	2011	2012	2013	2014	2015
<b>General government</b>					
General administration	3.0	2.0	2.0	2.0	1.0
Financial administration	5.0	5.0	5.0	5.0	5.0
Planning Office	1.0	1.0	1.0	1.0	1.0
<b>Public safety</b>					
Sworn Officers	20.0	18.0	18.0	15.0	18.0
Administrative	1.0	1.0	1.0	1.0	1.0
<b>Public works</b>	20.0	18.0	18.0	19.0	18.0
<b>Economic/Community development</b>	0.0	0.0	0.0	1.0	1.0
<b>Parks and recreation</b>	0.0	0.0	0.0	0.0	0.0
<b>Water and sewer</b>	12.0	11.0	11.0	12.0	12.0
<b>Totals</b>	62.0	56.0	56.0	56.0	57.0

Source: Department of Finance; Staffing Reports

Table 15

Fiscal Year				
2016	2017	2018	2019	2020
2.0	1.5	2.0	2.0	2.0
5.0	4.5	5.0	5.0	5.0
1.0	1.0	1.0	1.0	1.0
18.0	17.0	17.0	17.0	18.0
1.0	1.0	1.0	1.0	1.0
19.0	19.0	19.0	19.0	22.0
1.0	1.0	1.0	2.0	2.0
0.0	0.0	0.0	0.0	0.0
11.0	11.0	13.0	13.0	13.0
58.0	56.0	59.0	60.0	64.0

## Town of Strasburg, Virginia

Operating Indicators by Function  
Last Ten Fiscal Years

Function	2011	2012	2013	2014
<b>Public safety</b>				
Police department				
Number of complaints investigated	8,863	8,471	9,080	8,659
Number of vehicle accidents investigated	127	125	149	138
Number of traffic summons (adult & juvenile)	494	491	466	665
Number of criminal arrests (adult)	*	*	*	290
Number of criminal arrests (juvenile)	18	47	42	35
<b>Public works</b>				
Streets	128	128	128	128
Streets resurfaced (miles per year)	1.04	3.17	0.12	1.79
Refuse				
Refuse collected (tons per year)	1,785	1,794	1,820	1,777
Recycling				
Recycling collected (tons per year)	236	200	200	207
<b>Community development</b>				
Planning and zoning				
Zoning permits issued	75	78	30	116
<b>Water</b>				
Number of water main break repairs	*	*	*	*
Average daily finished water production (mgd)	0.7873	0.7272	0.7333	0.7307
<b>Sewer</b>				
Number of sewer line repairs	*	*	*	*
Average daily effluent wastewater treatment (mgd)	0.7987	0.6876	0.7982	0.9092

\*Information not available. It is the goal of the Town to achieve ten fiscal years of this information in the future.

Source: Town individual departments

Note: All statistical data is based on the previous calendar year of the fiscal year indicated.

Table 16

Fiscal Year					
2015	2016	2017	2018	2019	2020
8,403	8,882	8,120	8,001	7,502	6,650
146	142	109	124	138	84
557	407	502	589	664	181
410	408	314	380	380	383
45	24	8	38	26	14
128	128	128	128	130	130
0.33	3.34	1.17	11.38	0.00	0.00
2,094	2,207	2,329	2,469	2,327	2,327
188	193	218	206	191	191
129	106	135	177	113	196
9	6	5	10	9	6
0.7357	0.7128	0.7140	0.6698	0.7283	0.6880
4	6	3	4	5	5
0.7078	0.7052	0.7488	1.2956	1.0459	0.8524

## Town of Strasburg, Virginia

### Capital Asset and Infrastructure Statistics by Function/Program Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2011	2012	2013	2014	2015
<b>Public safety</b>					
Police department					
Stations	1	1	1	1	1
Law enforcement vehicles	*	*	*	*	*
<b>Public works</b>					
Streets department					
Number of streets	128	128	128	128	128
Number of street lights	485	485	485	516	516
<b>Parks and recreation</b>					
			7		
Number of parks	2	2	2	2	2
Number of swimming pools	1	1	1	1	1
Number of picnic shelters	7	7	8	8	8
Number of tennis courts	2	2	2	2	2
<b>Water</b>					
Miles of water distribution lines	40.39	40.39	40.39	40.39	40.39
Storage capacity (mg)	3.4	3.4	3.4	3.4	3.4
<b>Sewer</b>					
Miles of sanitary sewer lines	40.48	40.48	40.48	40.48	40.48
Number of sewer lift/pumping station:	11	11	11	11	11

Information is not available prior to fiscal year 2006; it is the goal of the Town to achieve ten fiscal years of this information in the future.

\* Information is not available.

Source: Town individual departments

Table 17

Fiscal Year				
2016	2017	2018	2019	2020
1 *	1 12	1 12	1 13	1 13
128 516	128 516	128 522	130 522	130 542
2 1 8 2	2 1 8 2	2 1 8 2	3 1 8 2	3 1 8 2
40.39 3.4	40.39 3.4	40.39 3.4	40.39 3.4	40.39 3.4
40.48 11	40.48 12	40.48 12	40.48 12	40.48 12

## **COMPLIANCE SECTION**



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

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**To the Honorable Members of the Town Council  
Town of Strasburg, 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, and each major fund of the Town of Strasburg, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Strasburg, Virginia's basic financial statements, and have issued our report thereon dated December 1, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Strasburg, 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 the Town of Strasburg, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Strasburg, 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 Strasburg, 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*

Staunton, Virginia  
December 1, 2020

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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**To the Honorable Members of the Town Council  
Town of Strasburg, Virginia**

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Strasburg, 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 Strasburg, Virginia's major federal programs for the year ended June 30, 2020. Town of Strasburg, 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 Strasburg, 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 Town of Strasburg, 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 Town of Strasburg, Virginia's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Town of Strasburg, 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 Strasburg, 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 Strasburg, 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 Town of Strasburg, 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*

Staunton, Virginia  
December 1, 2020

**Town of Strasburg, Virginia**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

<b>Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	Not available	\$ <u>52,000</u>
Total Department of Housing and Urban Development			\$ <u>52,000</u>
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Service:			
Equitable Sharing Program	16.922	Not available	\$ <u>6,832</u>
Total Department of Justice			\$ <u>6,832</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	Not available	\$ <u>1,341</u>
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	Not available	<u>1,043,755</u>
Total Department of Transportation			\$ <u>1,045,096</u>
Department of Treasury:			
Pass Through Payments:			
Virginia Department of Accounts			
COVID-19 Coronavirus Relief Fund	21.019	STL0022	\$ <u>13,001</u>
Total Department of Treasury			\$ <u>13,001</u>
Total Expenditures of Federal Awards			\$ <u><u>1,116,929</u></u>

**Town of Strasburg, Virginia**

**Schedule of Expenditures of Federal Awards (Continued)**

Year Ended June 30, 2020

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Notes to Schedule of Expenditures of Federal Awards:

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Strasburg, 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 Strasburg, Virginia, it is not intended to and does not present the financial position, change in net position, or cash flows of the Town of Strasburg, Virginia.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The Town of Strasburg, Virginia has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Pass-through identifying numbers are presented where available.

**NOTE C - SUBRECIPIENTS**

No awards were passed through to subrecipients.

**NOTE D - LOANS**

The Town did not have any loans or loan guarantees which are subject to reporting requirements in the current year.

**NOTE E - 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:

Primary government:

Governmental funds

Total primary government

\$ 1,116,929

\$ 1,116,929

Total federal expenditures per the Schedule of Expenditures of

Federal awards

\$ 1,116,929

**Town of Strasburg, Virginia**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2020**

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**Section I-Summary of Auditors' Results**

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Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting:

- Material weakness(es) identified?      yes   x   no

- Significant deficiency(ies) identified?      yes   x   none reported

Noncompliance material to financial statements noted?      yes   x   no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?      yes   x   no

- Significant deficiency(ies) identified?      yes   x   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 200.516(a)?      yes   x   no

Identification of major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
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20.205	..... Highway Planning and Construction
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Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?      yes   x   no

**Section II-Financial Statement Findings**

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None

**Section III-Federal Award Findings and Questioned Costs**

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None

**Section IV-Summary of Prior Year Findings**

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There were no prior year findings.