



TOWN OF DUMFRIES, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

TOWN OF DUMFRIES, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023



TOWN OF DUMFRIES, VIRGINIA

PRINCIPAL OFFICIALS

TOWN COUNCIL AND EXECUTIVE OFFICERS

Mayor

Derrick R. Wood

Vice-Mayor

Monae S. Nickerson

Town Manager

Tangela Innis

Chief Financial Officer

Kimberly Goodwin

Chief of Police

Vernon Galyen

Town Clerk

Tangi Hill

Town Treasurer

Kiran Uppal

COUNCIL MEMBERS

Tyrone Brown
Brian K. Fields
Selonia B. Miles

Caetrina Peterson
Shaun Peet

TOWN OF DUMFRIES, VIRGINIA

Financial Report
For the Year Ended June 30, 2023

Table of Contents

	Page
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-9
<u>Basic Financial Statements</u>	
<u>Government-wide Financial Statements</u>	
Exhibit 1 Statement of Net Position	10
Exhibit 2 Statement of Activities	11
<u>Fund Financial Statements</u>	
Exhibit 3 Balance Sheet—Governmental Funds	12
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	13
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	14
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities—Governmental Funds	15
Notes to Financial Statements	16-69
<u>Required Supplementary Information</u>	
Exhibit 7 Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual—General Fund	70
Exhibit 8 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	71
Exhibit 9 Schedule of Employer Contributions - Pension Plan	72
Exhibit 10 Notes to Required Supplementary Information - Pension Plan	73
Exhibit 11 Schedule of Employer's Share of Net OPEB Liability - Line of Duty Act Program	74
Exhibit 12 Schedule of Employer Contributions - Line of Duty Act Program	75
Exhibit 13 Notes to Required Supplementary Information - Line of Duty Act Program	76
Exhibit 14 Schedule of Employer's Share of Net OPEB Liability - Group Life Insurance Plan	77
Exhibit 15 Schedule of Employer Contributions - Group Life Insurance Plan	78
Exhibit 16 Notes to Required Supplementary Information - Group Life Insurance Plan	79
Exhibit 17 Schedule of Changes in the Net OPEB Liability and Related Ratios - Health Insurance Credit Plan	80

TOWN OF DUMFRIES, VIRGINIA

Financial Report
For the Year Ended June 30, 2023

Table of Contents

<u>Required Supplementary Information (Continued)</u>		Page
Exhibit 18	Schedule of Employer Contributions - Health Insurance Credit Plan	81
Exhibit 19	Notes to Required Supplementary Information - Health Insurance Credit Plan	82
Exhibit 20	Schedule of Employer's Share of Net OPEB Liability - Virginia Local Disability Program	83
Exhibit 21	Schedule of Employer Contributions - Virginia Local Disability Program	84
Exhibit 22	Notes to Required Supplementary Information - Virginia Local Disability Program	85
 <u>Other Supplementary Information</u>		
<u>Supporting Schedule</u>		
Schedule 1	Schedule of Revenues - Budget and Actual—Governmental Funds	86-87
 <u>Statistical Information</u>		
Table 1	General Fund Expenditures by Function—Last Ten Fiscal Years	88
Table 2	General Fund Revenues by Source—Last Ten Fiscal Years	89
Table 3	Real Property Tax Levies and Collections—Last Ten Fiscal Years	90
Table 4	Assessed Value of Taxable Property—Last Ten Fiscal Years	91
Table 5	Property Tax Rates—Last Ten Fiscal Years	92
Table 6	Legal Debt Margin	93
Table 7	Miscellaneous Statistics—Last Ten Fiscal Years	94
 <u>Compliance</u>		
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 <i>Government Auditing Standards</i>		95-96
Schedule of Findings and Responses		97
Summary Schedule of Prior Audit Findings		98



Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Town of Dumfries, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and each major fund of the Town of Dumfries, Virginia, as of and for the year ended June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Dumfries, Virginia's ability to continue as a going concern for twelve months beyond the June 30, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2024, on our consideration of Town of Dumfries, 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 Dumfries, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Dumfries, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
January 23, 2024

Town of Dumfries Management's Discussion and Analysis

The following discussion provides an overview and analysis of Town of Dumfries's (Town) financial activities for the fiscal year ended June 30, 2023. Please read this information in conjunction with the Town's audited financial statements as reported herein.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Dumfries, on a government-wide basis exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,044,574 (net position). Of that, \$2,807,850 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The total assets of the Town's governmental activities for fiscal year ended June 30, 2023 were \$26,698,166.
- For the year ended June 30, 2023, the Town of Dumfries's governmental activities reported a decrease in net position of \$(1,397,764).
- The Town's bonds had a net decrease by \$363,000 due to debt repayment and the Town's compensated absences liabilities increased by \$89,101.
- Net pension asset as of June 30, 2023 was \$101,389 and there was a net pension asset at June 30, 2022 of \$443,697 resulting in a net increase in liability of \$342,308.
- Net OPEB liabilities as of June 30, 2023 was \$352,450 and there was a net OPEB Liabilities at June 30, 2022 of \$274,151 resulting in a net decrease in liability of \$75,037.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. These basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements

The *government-wide financial statements* are designed to provide the readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The *statement of net position* presents all of the Town's permanent accounts or assets, deferred outflows, liabilities, deferred inflows and the resulting net position. The difference between assets (including deferred outflows of resources) and liabilities (including deferred inflows of resources) is reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Other non-financial factors will also need to be considered to determine the overall financial position of the Town.

The *Statement of Activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the changes occur, *regardless of the timing of related cash flows*. Thus, some transactions reported in this statement will result in cash flows in future fiscal periods.

Government-wide financial statements (Continued)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government administration, public safety, public works, community development, and interest paid on long-term debt.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town only has governmental funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on the *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Notes to the Financial Statements

The notes provide additional information and details that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information including budgetary comparisons for the general fund and progress in funding its obligation to provide pension and other post-employment benefits to its employees.

Government-wide Financial Analysis

The following table reflects the condensed Summary of Net Position as presented in the government-wide financial statements:

Statement of Net Position			
As of June 30, 2023 and 2022			
	Governmental Activities		
	2023	2022	
Current and other assets	\$ 11,875,516	\$ 11,073,623	
Capital assets	14,822,650	14,821,782	
Total assets	\$ 26,698,166	\$ 25,895,405	
Deferred outflows of resources	\$ 564,213	\$ 490,062	
Total assets and deferred outflows	\$ 27,262,379	\$ 26,385,467	
Current and other liabilities	\$ 6,013,506	\$ 1,594,564	
Long-term liabilities	8,264,535	8,883,992	
Total liabilities	\$ 14,278,041	\$ 10,478,556	
Deferred inflows of resources	\$ 2,939,764	\$ 4,464,573	
Net position:			
Net investment in capital assets	\$ 7,134,337	\$ 6,768,702	
Restricted	102,387	446,959	
Unrestricted	2,807,850	4,226,677	
Total net position	\$ 10,044,574	\$ 11,442,338	
Total liabilities, deferred inflows, and net position	\$ 27,262,379	\$ 26,385,467	

The net position for the Town totals \$10,044,574 which is a decrease of \$1,397,764 (12.22%) over the previous fiscal year.

Government-wide Financial Analysis (Continued)

The following table shows the revenue and expenses of government-wide activities:

Statement of Activities		
For the Year Ended June 30, 2023 and 2022		
	Governmental Activities	
	2023	2022
Revenues:		
Program Revenues:		
Charges for services	\$ 1,199,586	\$ 1,068,607
Operating grants & contributions	780,960	3,114,369
General Revenues:		
Real estate taxes	1,422,072	615,875
Other local taxes	3,698,558	3,511,132
Miscellaneous	267,196	170,567
Unrestricted investment earnings	92,300	706,146
Grants and contributions not restricted to specific programs	253,143	241,838
Sale of land	-	169,876
Total revenues	\$ 7,713,815	\$ 9,598,410
Expenses:		
Administration	\$ 4,684,502	\$ 2,598,971
Public safety	1,962,459	1,628,743
Public works	1,740,020	1,210,747
Community development	467,503	500,275
Interest on long-term debt	257,095	312,268
Total expenses	\$ 9,111,579	\$ 6,251,004
Change in net position	\$ (1,397,764)	\$ 3,347,406
Net position beginning of year	11,442,338	8,094,932
Net position end of year	\$ 10,044,574	\$ 11,442,338

Governmental Activities. For fiscal year 2023, the real estate tax rate was \$0.1899 per \$100 of assessed value.

Financial Analysis of the Town's Funds

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirement. In particular *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$3,587,589, a decrease of \$1,973,784 in comparison with the prior year. Of this total amount, \$3,137,655 or 87% constitutes the unassigned fund balance. The remaining \$449,934 consists of the nonspendable, restricted, committed and assigned fund balances designated for various items.

The General Fund is the Town's primary operating fund. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$3,195,575.

Capital Assets and Debt Administration

Capital assets: The Town's investment in capital assets for its governmental activities totaled \$14,822,650 net of accumulated depreciation. This is an increase of \$868 from the previous year. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment, and construction in progress. This increase is primarily due to increases of construction in progress related to roads projects and repayment of related long-term debt.

Additional details on the Town's capital assets can be found in Note 4 of the Notes to Financial Statements.

Long-term obligations: At the end of the current fiscal year, the Town had total outstanding long-term obligations of \$8,678,147. The decrease of \$205,845 from the prior year primarily represents the payment of debt service. Debt service repayments during the year totaled \$632,868. The liability balances for compensated absences increased by \$89,101, and net OPEB liabilities increases by \$75,037.

For towns, the Commonwealth of Virginia limits the amount of debt outstanding to 10% of the locality's assessed value of real property. The Town's outstanding debt is significantly below this limitation representing the Town's historically conservative debt borrowing policy and management approach.

Additional details on the Town's long-term obligations can be found in Notes 6 of the Notes to Financial Statements.

Economic Factors

- The Town of Dumfries has begun the review and update process of its Comprehensive Plan. The Dumfries Comprehensive Plan includes the vision and goals of the town for the next twenty years and a list of actions and policies to achieve those goals. Topics covered by the Comprehensive Plan include, but are not limited to, land use, economic growth, transportation, and community services.
- Economic Vitality is one of the primary areas of focus for the Town of Dumfries. As a dense urban area within the Northern Virginia region there is a finite amount of land available for new construction and, as a result, there continues to be a need to encourage redevelopment options within the Town limits. The Town currently has multiple major development projects underway that will increase the local housing stock and redevelop historically underutilized parcels. These projects will also bring additional commercial business to the Town.
- The Route 1 widening project continues to progress. The project is fully funded through competitive grants and Right of Way acquisition is expected to begin in the Summer of 2022. Once completed, the project will result in all lanes of Route 1 through the Town of Dumfries being located where the northbound only lanes currently run. That will allow the present southbound lanes to revert to a “Main Street” setting that will encourage development and redevelopment. The Town has completed a revision of the local Comprehensive Plan which includes the vision for how this new “Main Street” will look. These updated documents will work to encourage future economic development.
- The Rose resort project will open FY2025. This project will transform the site of the former Potomac landfill into an 80-acre public park and entertainment facilities featuring hotel accommodations, gaming, restaurants, and cultural arts space. The estimated economic impact for the project includes \$10.9 million in annual tax revenue to the Town, and an additional \$6.7 million in annual tax revenue to the region. The Rose will also create 640 new local jobs.

Requests for Information

This financial report is designed to provide a general overview of the Town’s financial condition as of fiscal year ended June 30, 2023. Questions concerning this report or requests for additional information should be directed to the Town Manager, Town of Dumfries, 17739 Main Street, Suite 200 Dumfries, VA 22026.

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position

June 30, 2023

	<u>Primary Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 8,918,048
Receivables (net of allowance for uncollectibles):	
Taxes receivable	887,027
Accounts receivable	116,892
Due from other governmental units	126,336
Leases receivable	1,106,905
Prepaid items	415
Net pension asset	101,389
Net OPEB asset	998
Restricted assets:	
Cash and cash equivalents	390,306
Notes receivable	227,200
Capital assets (net of accumulated depreciation):	
Land	1,889,229
Buildings and improvements	5,936,057
Machinery and equipment	559,769
Lease equipment	6,576
Infrastructure	5,928,324
Construction in progress	502,695
Total assets	<u>\$ 26,698,166</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 274,517
OPEB related items	<u>289,696</u>
Total deferred outflows of resources	<u>\$ 564,213</u>
LIABILITIES	
Accounts payable	\$ 1,433,410
Accrued liabilities	122,280
Escrow and other deposits	156,734
Accrued interest payable	60,514
Unearned revenue	3,826,956
Long-term liabilities:	
Due within one year	413,612
Due in more than one year	8,264,535
Total liabilities	<u>\$ 14,278,041</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 179,587
OPEB related items	215,629
Leases related	1,051,846
Deferred revenue - property taxes	747,902
Unavailable revenue - sale of future lease rights	<u>744,800</u>
Total deferred inflows of resources	<u>\$ 2,939,764</u>
NET POSITION	
Net investment in capital assets	\$ 7,134,337
Restricted	
Pension asset	101,389
OPEB asset	998
Unrestricted	<u>2,807,850</u>
Total net position	<u><u>\$ 10,044,574</u></u>

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

Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	
PRIMARY GOVERNMENT:						
Governmental activities:						
General government administration	\$ 4,684,502	\$ 47,123	\$ 103,810	\$ -	\$	(4,533,569)
Public safety	1,962,459	-	252,919	-		(1,709,540)
Public works	1,740,020	740,201	424,231	-		(575,588)
Community development	467,503	412,262	-	-		(55,241)
Interest on long-term debt	257,095	-	-	-		(257,095)
Total governmental activities	<u>\$ 9,111,579</u>	<u>\$ 1,199,586</u>	<u>\$ 780,960</u>	<u>\$ -</u>	<u>\$</u>	<u>(7,131,033)</u>
General revenues:						
General property taxes					\$	1,422,072
Local sales and use taxes						576,195
Consumers' utility taxes						188,419
Business licenses						601,310
Restaurant food taxes						960,937
Transient occupancy taxes						74,439
Cigarette tax						149,506
Gaming tax						1,081,142
Other local taxes						66,610
Unrestricted revenues from use of money						92,300
Miscellaneous						267,196
Grants and contributions not restricted to specific programs						253,143
Total general revenues					\$	<u>5,733,269</u>
Change in net position					\$	<u>(1,397,764)</u>
Net position - beginning						<u>11,442,338</u>
Net position - ending					\$	<u>10,044,574</u>

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

Fund Financial Statements

Balance Sheet
Governmental Funds
June 30, 2023

	General	Capital Projects	Total
ASSETS			
Cash and cash equivalents	\$ 8,905,990	\$ 12,058	\$ 8,918,048
Receivables (net of allowance for uncollectibles):			
Taxes receivable	887,027	-	887,027
Accounts receivable	116,892	-	116,892
Due from other governmental units	126,336	-	126,336
Lease receivables	1,106,905	-	1,106,905
Prepaid items	415	-	415
Notes receivable	227,200	-	227,200
Restricted assets:			
Cash and cash equivalents	390,306	-	390,306
Total assets	<u>\$ 11,761,071</u>	<u>\$ 12,058</u>	<u>\$ 11,773,129</u>
LIABILITIES			
Accounts payable	\$ 1,363,432	\$ 69,978	\$ 1,433,410
Accrued liabilities	122,280	-	122,280
Escrow and other deposits	156,734	-	156,734
Unearned revenue	3,826,956	-	3,826,956
Total liabilities	<u>\$ 5,469,402</u>	<u>\$ 69,978</u>	<u>\$ 5,539,380</u>
DEFERRED INFLOWS OF RESOURCES			
Leases related	\$ 1,051,846	\$ -	\$ 1,051,846
Unavailable revenue - property taxes	849,514	-	849,514
Unavailable revenue - sale of future lease rights	744,800	-	744,800
Total deferred inflows of resources	<u>\$ 2,646,160</u>	<u>\$ -</u>	<u>\$ 2,646,160</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	\$ 415	\$ -	\$ 415
Leases	55,059	-	55,059
Restricted:			
Asset forfeiture	555	-	555
Courthouse maintenance funds	3,599	-	3,599
Debt reserve funds	390,306	-	390,306
Assigned:			
Capital projects	-	-	-
Unassigned:			
General fund	3,195,575	(57,920)	3,137,655
Total fund balances	<u>\$ 3,645,509</u>	<u>\$ (57,920)</u>	<u>\$ 3,587,589</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,761,071</u>	<u>\$ 12,058</u>	<u>\$ 11,773,129</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2023

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	3,587,589	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			14,822,650
Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds.			
Unavailable revenue - property taxes	\$	101,612	
Net pension asset		101,389	
Net OPEB asset		<u>998</u>	203,999
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	274,517	
OPEB related items		<u>289,696</u>	564,213
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expense when due.			(60,514)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Bonds payable	\$	(8,007,376)	
Bond premium		(64,484)	
Lease liabilities		(6,760)	
Compensated absences		(247,077)	
Net OPEB liabilities		<u>(352,450)</u>	(8,678,147)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(179,587)	
OPEB related items		<u>(215,629)</u>	<u>(395,216)</u>
Net position of governmental activities	\$		<u><u>10,044,574</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2023

	General	Capital Projects	Total
REVENUES			
General property taxes	\$ 1,329,521	\$ -	\$ 1,329,521
Other local taxes	3,698,558	-	3,698,558
Permits, privilege fees, and regulatory licenses	412,262	-	412,262
Fines and forfeitures	47,123	-	47,123
Revenue from the use of money and property	832,501	-	832,501
Miscellaneous	267,196	-	267,196
Intergovernmental:			
Commonwealth	790,878	-	790,878
Federal	243,225	-	243,225
Total revenues	\$ <u>7,621,264</u>	\$ <u>-</u>	\$ <u>7,621,264</u>
EXPENDITURES			
Current:			
General government administration	\$ 4,408,322	\$ -	\$ 4,408,322
Public safety	1,872,230	-	1,872,230
Public works	1,903,134	-	1,903,134
Community development	442,232	-	442,232
Capital projects	51,769	284,493	336,262
Debt service:			
Principal retirement	365,193	-	365,193
Interest and other fiscal charges	267,675	-	267,675
Total expenditures	\$ <u>9,310,555</u>	\$ <u>284,493</u>	\$ <u>9,595,048</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(1,689,291)</u>	\$ <u>(284,493)</u>	\$ <u>(1,973,784)</u>
Net change in fund balances	\$ (1,689,291)	\$ (284,493)	\$ (1,973,784)
Fund balances - beginning	5,334,800	226,573	5,561,373
Fund balances - ending	\$ <u>3,645,509</u>	\$ <u>(57,920)</u>	\$ <u>3,587,589</u>

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

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
For the Year Ended June 30, 2023

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

Net change in fund balances - total governmental funds	\$ (1,973,784)
--------------------------------------------------------	----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation or vice versa in the current period.

Capital outlay	\$ 703,292	
Depreciation expense	<u>(702,424)</u>	868

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	92,551
----------------	--------

The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations 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 obligations and related items.

Principal repayments	365,193
----------------------	---------

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 compensated absences	\$ (89,101)	
Change in pension related items	210,755	
Change in OPEB related items	(14,826)	
Amortization of bond premium	4,790	
Change in interest payable	<u>5,790</u>	<u>117,408</u>

Change in net position of governmental activities	\$ <u><u>(1,397,764)</u></u>
---------------------------------------------------	------------------------------

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

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile:

Town of Dumfries received its charter in 1749. The Town has a population of 5,755 and a land area of 1.63 square miles.

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

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

A. Financial Reporting Entity

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

Statement of Net Position: The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

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

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

A. Financial Reporting Entity: (Continued)

Budgetary Comparison Schedules: (Continued)

The budgetary comparison schedules present the original budget, the final budget and the actual activity of the major governmental funds.

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

B. Government-wide and Fund Financial Statements

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

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

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

Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

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

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

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

The following is a brief description of the specific funds used by the Town in FY 2023.

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

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

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

C. Measurement Focus and Basis of Accounting

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

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

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

C. Measurement Focus and Basis of Accounting: (Continued)

Governmental funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts, except that property taxes not collected within 45 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the State or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the State or utility, which is generally in the month preceding receipt by the Town. Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of State and other grants for the purpose of funding specific expenditures, are recognized when measurable and available or at the time of the specific expenditure and all other grant requirements have been satisfied.

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

D. Budgets and Budgetary Accounting

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

1. Budgets and Budgetary Accounting

- a. The Town Manager submits a proposed operating and capital budget to the Town Council prior to June 30 of each year. The budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain citizen comments.
- c. Prior to June 30, the budget is legally enacted through Council vote.
- d. The Town Manager is authorized to transfer budgeted amounts between line items within a department without prior approval from the Town Council.
- e. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

2. Legally Adopted Budgets

The general fund has a legally adopted annual budget.

E. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

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

F. Investments

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

G. Property Taxes

Real estate is assessed annually on January 1st by the County of Prince William at fair market value. Real estate taxes attach as an enforceable lien on the property as of January 1st. Taxes are payable semi-annually on June 5th and December 5th. The Town bills and collects its own property taxes. Penalties accrue on real estate taxes beginning June 6th and December 6th. Interest accrues on real estate taxes beginning July 1st.

H. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes for the General Fund was \$12,038 at June 30, 2023.

I. Capital Assets

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

Such assets are recorded at historical cost (except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below). Donated capital assets are recorded at acquisition value at the date of donation. Capital assets are depreciated/amortized over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	20-30 years
Machinery and equipment	5-7 years
Infrastructure	30 years
Lease equipment	5 years

J. Compensated Absences and Other Employee Benefit Amounts

Vested vacation, sick pay and other related employee benefit amounts are accrued when earned in all funds.

K. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities. Bonds payable are reported net of the applicable bond premium or discount.

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

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

L. 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 either not in spendable form (such as inventory and prepaids) or are legally or contractually required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget or a motion to commit funds. A fund balance commitment, which does not lapse at year end, is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council or the Town Manager as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

M. Credit Risk

Concentrations of credit risk with respect to receivables are limited due to the large number of customers comprising the Town's customer base. As of June 30, 2023, the Town had no significant concentrations of credit risk.

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

N. Use of Estimates

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

O. Deferred Outflows/Inflows of Resources

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

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

P. Net Position

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

Q. Net Position Flow Assumption

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

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

R. Pensions

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

S. Other Postemployment Benefits

For purposes of measuring the net VRS related OPEB asset, 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, LODA, VLDP and HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The LODA program also provides health insurance benefits. The health benefits are modeled after the State Employee Health Benefit Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members.

T. Leases

The Town leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessee

The Town recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of \$5,000, individually or in the aggregate in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Lessor

The Town recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

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

T. Leases: (Continued)

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee) or lease receivable (lessor).

The Town monitors changes in circumstances that would require a remeasurement or modification of its leases. The Town will remeasure the lease asset and liability (lessee) or the lease receivable and deferred inflows of resources (lessor) if certain changes occur that are expected to significantly affect the amount of the lease liability or lease receivable.

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard & Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments):

The Town’s investments at June 30, 2023 were held by the Town or in the Town’s name by the Town’s custodial banks.

Credit Risk of Debt Securities:

The Town does not have a policy related to credit risk of debt securities. The Town’s rated debt investments as of June 30, 2023 were rated by Standard & Poor’s and the ratings are presented below using the Standard & Poor’s rating scale.

Town's Rated Debt Investments' Values			
Rated Debt Investments	Fair Quality Rating		
	AAAm	AA+	
VML/VACO Virginia Investment Pool Bond Fund	\$ -	\$ 1,057,156	
VML/VACO Virginia Investment Liquidity Pool	390,306	-	
Total	\$ 390,306	\$ 1,057,156	

Fair Value Measurements:

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. The Town has measured fair value of the VML/VACO Virginia Investment Pool investments at the net asset value (NAV).

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (Continued)

Redemption Restrictions:

VML/VACO Virginia Investment Pool allows the Authority to have the option to have access to withdrawal funds twice a month, with a five day period notice. Additionally, funds are available to meet unexpected needs such as fluctuations in revenue sources, one-time outlays (disasters, immediate capital needs, state budget cuts and etc.).

Interest Rate Risk:

The Town does not have a policy related to interest rate risk. Investments subject to interest rate risk are presented below along with their corresponding maturities:

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 year</u>
VML/VACO Virginia Investment Pool Bond Fund	\$ 1,057,156	\$ 1,057,156
VML/VACO Virginia Investment Liquidity Pool	390,306	390,306
Total	\$ <u>1,447,462</u>	\$ <u>1,447,462</u>

NOTE 3—DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2023 the Town has receivables from other governments as follows:

	<u>General Fund</u>
Commonwealth of Virginia:	
Communications tax	\$ 20,619
Automobile rental tax	20,846
Department of transportation	31,523
Prince William County	
Court fees	3,653
Sales tax	<u>49,695</u>
Totals	\$ <u>126,336</u>

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements June 30, 2023 (Continued)

NOTE 4—CAPITAL ASSETS:

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

Governmental Activities:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 1,889,229	\$ -	\$ -	\$ 1,889,229
Construction in progress	502,695	-	-	502,695
Total capital assets not being depreciated	<u>\$ 2,391,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,391,924</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 7,622,016	\$ 243,375	\$ -	\$ 7,865,391
Machinery and equipment	2,001,149	91,121	-	2,092,270
Infrastructure	8,186,148	368,796	-	8,554,944
Lease equipment	11,086	-	-	11,086
Total capital assets being depreciated	<u>\$ 17,820,399</u>	<u>\$ 703,292</u>	<u>\$ -</u>	<u>\$ 18,523,691</u>
Accumulated depreciation:				
Buildings and improvements	\$ 1,672,213	\$ 257,121	\$ -	\$ 1,929,334
Machinery and equipment	1,374,618	157,883	-	1,532,501
Infrastructure	2,341,455	285,165	-	2,626,620
Lease equipment	2,255	2,255	-	4,510
Total accumulated depreciation	<u>\$ 5,390,541</u>	<u>\$ 702,424</u>	<u>\$ -</u>	<u>\$ 6,092,965</u>
Total capital assets being depreciated, net	<u>\$ 12,429,858</u>	<u>\$ 868</u>	<u>\$ -</u>	<u>\$ 12,430,726</u>
Governmental activities capital assets, net	<u>\$ 14,821,782</u>	<u>\$ 868</u>	<u>\$ -</u>	<u>\$ 14,822,650</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$ 365,709
Public Safety	150,209
Public Works	150,299
Community Development	<u>36,207</u>
Total	<u>\$ 702,424</u>

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 5—COMPENSATED ABSENCES:

The Town has accrued the liability arising from outstanding compensated absences. Town employees earn vacation and sick leave at rates determined by length of service. Accumulated amounts paid upon termination vary with the length of service. The Town had outstanding compensated absences as follows:

Governmental Funds	\$ <u>247,077</u>
--------------------	-------------------

NOTE 6—LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term obligation transactions for the fiscal year ended June 30, 2023:

	Balance at July 1, 2022	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2023	Amounts Due Within One Year
Direct Borrowings and Direct Placements:					
General obligation bonds	\$ 7,515,376	\$ -	\$ 213,000	\$ 7,302,376	\$ 227,000
Revenue bonds	855,000	-	150,000	705,000	155,000
Other Liabilities:					
Premium on bonds	69,274	-	4,790	64,484	4,654
Net OPEB liabilities	277,413	486,767	411,730	352,450	-
Lease liability	8,953	-	2,193	6,760	2,250
Compensated absences	157,976	104,899	15,798	247,077	24,708
Total Governmental Activities	\$ <u>8,883,992</u>	<u>591,666</u>	\$ <u>797,511</u>	\$ <u>8,678,147</u>	\$ <u>413,612</u>

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Obligations:

	<u>Amount Outstanding</u>	<u>Amounts Due Within One Year</u>
<u>Revenue Bonds:</u>		
\$1,615,000 Revenue Refunding Bonds, issued May 2010, maturing annually in installments ranging from \$15,000 to \$135,000 through October 1, 2026, interest ranging from 2.20% to 5.20% payable semiannually (1)	\$ 500,000	\$ 115,000
\$485,000 Revenue Refunding Bonds, issued July 2012, maturing annually in installments ranging from \$5,000 to \$45,000 through October 1, 2027, interest ranging from 2.125% to 5.125% payable semiannually (1)	<u>205,000</u>	<u>40,000</u>
Total revenue bonds	\$ <u>705,000</u>	\$ <u>155,000</u>
<u>General Obligation Bonds:</u>		
\$1,850,000 General Refunding Bond, issued May 2020, maturing annually in installments ranging from \$99,000 to \$167,000 through Feb 1, 2041 interest at 2.80% payable semiannually (1)	\$ 2,377,376	\$ 107,000
\$1,850,000 General Obligation Public Improvement Bond, issued April 2018, maturing annually in installments ranging from \$30,000 to \$100,000 through April 1, 2048 interest ranging from 3.625% to 5.125% payable semiannually (1)	1,680,000	40,000
\$3,610,000 General Obligation Public Improvement Bond, issued April 2018, maturing annually in installments ranging from \$70,000 to \$205,000 through April 1, 2048, interest ranging from 2.300% to 4.190% payable semiannually (1)	<u>3,245,000</u>	<u>80,000</u>
Total general obligation bonds	\$ <u>7,302,376</u>	\$ <u>227,000</u>
Premium on bonds	\$ <u>64,484</u>	\$ <u>4,654</u>
Net OPEB liabilities	\$ <u>352,450</u>	\$ <u>-</u>
<u>Lease liability:</u>		
Secured by equipment through 2026 at discount rate of 2.80%	\$ <u>6,760</u>	\$ <u>2,250</u>
Compensated absences	\$ <u>247,077</u>	\$ <u>24,708</u>
Total Governmental Activities	\$ <u><u>8,678,147</u></u>	\$ <u><u>413,612</u></u>

(1) Represents direct borrowings and direct placements

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year	Direct Borrowings and Direct Placement General Obligation and Revenue Bonds		Lease Liability	
	Principal	Interest	Principal	Interest
2024	\$ 382,000	291,962	\$ 2,250	\$ -
2025	386,000	276,744	2,314	-
2026	415,000	260,790	2,196	-
2027	419,000	244,162	-	-
2028	297,000	230,488	-	-
2029	266,000	220,403	-	-
2030	269,000	210,923	-	-
2031	281,000	201,084	-	-
2032	289,000	191,290	-	-
2033	306,000	181,357	-	-
2034	313,000	170,855	-	-
2035	325,000	160,047	-	-
2036	336,000	148,523	-	-
2037	347,000	136,675	-	-
2038	362,000	124,368	-	-
2039	372,000	111,494	-	-
2040	382,000	98,399	-	-
2041	360,376	84,958	-	-
2042	240,000	70,967	-	-
2043	250,000	61,251	-	-
2044	260,000	51,146	-	-
2045	270,000	40,596	-	-
2046	280,000	29,600	-	-
2047	295,000	18,108	-	-
2048	305,000	6,103	-	-
	<u>\$ 8,007,376</u>	<u>\$ 3,622,293</u>	<u>\$ 6,760</u>	<u>\$ -</u>

NOTE 7—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.

- Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 7—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, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	39
Inactive members:	
Vested inactive members	12
Non-vested inactive members	21
Inactive members active elsewhere in VRS	21
Total inactive members	54
Active members	27
Total covered employees	120

NOTE 7—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, 2023 was 11.55% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 \$274,517 and \$214,904 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Asset

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. The Town’s net pension asset were measured as of June 30, 2022. The total pension liabilities used to calculate the net pension asset were determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022.

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, 2021, 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, 2022.

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

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return: (Continued)

*The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

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, 2023, 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, 2021 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2022, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 5,594,911	\$ 6,038,608	\$ (443,697)
Changes for the year:			
Service cost	\$ 271,235	\$ -	\$ 271,235
Interest	381,061	-	381,061
Differences between expected and actual experience	(13,192)	-	(13,192)
Assumption changes	-	-	-
Contributions - employer	-	214,904	(214,904)
Contributions - employee	-	91,014	(91,014)
Net investment income	-	(5,484)	5,484
Benefit payments, including refunds	(441,588)	(441,588)	-
Administrative expenses	-	(3,777)	3,777
Other changes	-	139	(139)
Net changes	\$ 197,516	\$ (144,792)	\$ 342,308
Balances at June 30, 2022	\$ 5,792,427	\$ 5,893,816	\$ (101,389)

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

The following presents the net pension liability of the Town using the discount rate of 6.75%, as well as what the Town's net pension 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 Net Pension Liability (Asset)	\$ 582,465	\$ (101,389)	\$ (665,662)

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2023, the Town recognized pension expense of \$63,762. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 6,461
Net difference between projected and actual earnings on pension plan investments	-	173,126
Employer contributions subsequent to the measurement date	<u>274,517</u>	<u>-</u>
Total	<u>\$ 274,517</u>	<u>\$ 179,587</u>

\$274,517 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2024	\$ (74,331)
2025	(70,593)
2026	(116,339)
2027	81,676
2028	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2022-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 8—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 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, seatbelt 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 \$8,984 as of June 30, 2023.

NOTE 8—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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$13,944 and \$10,850 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

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, 2023, the entity reported a liability of \$111,259 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 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, 2020, and rolled forward to the measurement date of June 30, 2022 as of that date. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was .00920% as compared to .00800% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$9,050. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 8—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,810	\$ 4,463
Net difference between projected and actual earnings on GLI OPEB plan investments	-	6,952
Change in assumptions	4,150	10,837
Changes in proportionate share	31,355	4,720
Employer contributions subsequent to the measurement date	<u>13,944</u>	<u>-</u>
Total	<u>\$ 58,259</u>	<u>\$ 26,972</u>

\$13,944 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2024	\$ 6,017
2025	4,870
2026	(1,194)
2027	5,701
2028	1,949
Thereafter	-

NOTE 8—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be retained in the VRS Annual Report.

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

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

- Pre-Retirement:
 - Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years
- Post-Retirement:
 - Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year
- Post-Disablement:
 - Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years
- Beneficiaries and Survivors:
 - Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally
- Mortality Improvement Scale:
 - Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 8—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 8—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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, 2022, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	3,672,085
Plan Fiduciary Net Position		2,467,989
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,204,096</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.21%

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 DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 8—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:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategy	6.00%	3.73%	0.22%
PIP - Private Investment Partner	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>7.83%</u>

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

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 employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, 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, 2022 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 DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 8—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 (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town's Proportionate share of the GLI Plan			
Net OPEB Liability	\$ 161,894	\$ 111,259	\$ 70,338

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 9—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.

NOTE 9—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 Plan (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, 2021 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	7
Inactive members:	
Vested inactive members	2
Total inactive members	<u>2</u>
Active members	<u>27</u>
Total covered employees	<u><u>36</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 of Dumfries, Virginia’s contractually required employer contribution rate for the year ended June 30, 2023 was .14% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$3,585 and \$3,167 for the years ended June 30, 2023 and June 30, 2022, respectively.

NOTE 9—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Net HIC OPEB Liability

The Town’s net HIC OPEB liability was measured as of June 30, 2022. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

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

- Pre-Retirement:
 Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years
- Post-Retirement:
 Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years
- Post-Disablement:
 Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
- Beneficiaries and Survivors:
 Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
- Mortality Improvement Scale:
 Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 9—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 9—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 9—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return: (Continued)

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

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, 2022, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2022 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.

Changes in Net HIC OPEB Liability (Asset)

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 29,541	\$ 31,064	\$ (1,523)
Changes for the year:			
Service cost	\$ 1,842	\$ -	\$ 1,842
Interest	1,924	-	1,924
Differences between expected and actual experience	5,313	-	5,313
Assumption changes	881	-	881
Contributions - employer	-	3,167	(3,167)
Net investment income	-	92	(92)
Benefit payments	(5,751)	(5,751)	-
Administrative expenses	-	(53)	53
Other changes	-	2,316	(2,316)
Net changes	\$ 4,209	\$ (229)	\$ 4,438
Balances at June 30, 2022	\$ 33,750	\$ 30,835	\$ 2,915

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 9—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Sensitivity of the Town's HIC Net OPEB Liability (Asset) to Changes in the Discount Rate

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
Town's				
Net HIC OPEB Liability (Asset)	\$	6,274	\$ 2,915	\$ 41

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, 2023, the Town recognized HIC Plan OPEB expense of \$57. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to the Town's HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,763	\$ 1,660
Net difference between projected and actual earnings on HIC OPEB plan investments	-	833
Change in assumptions	1,397	8
Employer contributions subsequent to the measurement date	3,585	-
Total	\$ 11,745	\$ 2,501

NOTE 9—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: (Continued)*

\$3,585 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, 2024. 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:

<u>Year Ended June 30</u>	
2024	\$ 727
2025	1,440
2026	529
2027	1,632
2028	1,035
Thereafter	296

HIC Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 10—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 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.

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

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, 2023 was 0.85% of covered employee compensation for employees in the VRS Political Subdivision VDLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 VDLDP were \$9,577 and \$6,599 for the years ended June 30, 2023 and June 30, 2022, respectively.

VLDP OPEB Liabilities (Asset), VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB

At June 30, 2023, the Town reported a liability (asset) of (\$998) for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2022 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward to the measurement date of June 30, 2021. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the Town's proportion of the VLDP was .16970% as compared to .17182% at June 30, 2021.

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 10—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: (CONTINUED)

For the year ended June 30, 2023, the Town recognized VLDP OPEB expense of \$5,599. 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, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,403	\$ 2,135
Net difference between projected and actual earnings on VLDP OPEB plan investments	-	4
Change in assumptions	38	358
Changes in proportionate share	610	23
Employer contributions subsequent to the measurement date	9,577	-
Total	\$ 11,628	\$ 2,520

\$9,577 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, 2024. 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 the future reporting periods as follows:

Year Ended June 30

2024	\$ 70
2025	53
2026	(319)
2027	102
2028	(36)
Thereafter	(339)

Actuarial Assumptions

The total VLDP OPEB liability for the VLDP was based on an actuarial valuation as of June 30, 2021, 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, 2022.

NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (CONTINUED)

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

Mortality Rates - Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

- Pre-Retirement:
Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years
- Post-Retirement:
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year
- Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years
- Beneficiaries and Survivors:
Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally
- Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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, 2022, NOL amounts for the VRS Political Subdivision VLDP is as follows (amounts expressed in thousands):

	Political Subdivision Employee VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	\$ 7,360
Plan Fiduciary Net Position	7,948
Political Subdivision VLDP Net OPEB Liability (Asset)	\$ (588)
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability	107.99%

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.

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

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:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategy	6.00%	3.73%	0.22%
PIP - Private Investment Partner	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>7.83%</u>

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

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, 2022, 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, 2022 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.

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 10—VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

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				
VLDP Net OPEB Liability	\$	106	\$ (998)	\$ (1,956)

Political Subdivision VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision VLDP’s Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Annual Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 11—LINE OF DUTY ACT (LODA) PROGRAM (OPEB PLAN):

Plan Description

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System). Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System’s actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

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

Eligible Employees

All paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers’ Retirement System (SPORS), or the Virginia Law Officers’ Retirement System (VaLORS) are automatically covered by the LODA Program. As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program.

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 11—LINE OF DUTY ACT (LODA) PROGRAM (OPEB PLAN): (CONTINUED)

Benefit Amounts

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date; or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. The health benefits are modeled after the State Employee Health Benefit Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members.

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2023 was \$681.84 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$9,546 and \$8,671 for the years ended June 30, 2023 and June 30, 2022, respectively.

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2023, the entity reported a liability of \$238,276 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2022 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2022, the entity's proportion was .06300% as compared to .04170% at June 30, 2021.

For the year ended June 30, 2023, the entity recognized LODA OPEB expense of \$39,584. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 11—LINE OF DUTY ACT (LODA) PROGRAM (OPEB PLAN): (CONTINUED)

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB: (Continued)

At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 18,306	\$ 44,533
Net difference between projected and actual earnings on LODA OPEB program investments	-	1,019
Change in assumptions	66,448	58,770
Changes in proportionate share	113,764	79,314
Employer contributions subsequent to the measurement date	<u>9,546</u>	<u>-</u>
Total	<u>\$ 208,064</u>	<u>\$ 183,636</u>

\$9,546 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year Ended June 30

2024	\$ 7,540
2025	7,561
2026	7,585
2027	4,343
2028	1,934
Thereafter	(14,080)

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 11—LINE OF DUTY ACT (LODA) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality employees	N/A
Medical cost trend rates assumption:	
Under age 65	7.00%-4.75%
Ages 65 and older	5.25%-4.75%
Year of ultimate trend rate	
Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	3.69%, including inflation*

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return.

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 11—LINE OF DUTY ACT (LODA) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net LODA OPEB Liability

The net OPEB liability (NOL) for the LODA Program represents the program'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, 2022, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 385,669
Plan Fiduciary Net Position	7,214
Employers' Net OPEB Liability (Asset)	<u>\$ 378,455</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.87%

The total LODA 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 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 DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 11—LINE OF DUTY ACT (LODA) PROGRAM (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.69% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2022.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.69%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.69%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.69%) or one percentage point higher (4.69%) than the current rate:

	Discount Rate		
	1% Decrease (2.69%)	Current (3.69%)	1% Increase (4.69%)
Town's proportionate share of the LODA Net OPEB Liability	\$ 271,989	\$ 238,276	\$ 210,694

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the LODA Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.00% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.00% decreasing to 3.75%)	Current (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Town's proportionate share of the total LODA Net OPEB Liability	\$ 200,799	\$ 238,276	\$ 285,314

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 12—SUMMARY OF NET OPEB LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, DEFERRED INFLOWS OF RESOURCES AND OPEB EXPENSE:

LODA OPEB Plan Fiduciary Net Position

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

	<u>Net OPEB Liabilities (Asset)</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
LODA	\$ 238,276	\$ 208,064	\$ 183,636	\$ 39,584
Group Life	111,259	58,259	26,972	9,050
HIC	2,915	11,745	2,501	57
VLDP	<u>(998)</u>	<u>11,628</u>	<u>2,520</u>	<u>5,599</u>
Total	\$ <u>351,452</u>	\$ <u>289,696</u>	\$ <u>215,629</u>	\$ <u>54,290</u>

NOTE 13—FIDELITY BOND:

Fidelity bond coverage with Virginia Municipal League during the fiscal year 2023 was as follows:

	<u>Coverage</u>
Fidelity and Crime	\$ 20,000

NOTE 14—COMMITMENTS AND CONTINGENCIES:

State and Federal Programs

Federal programs in which the Town participates were audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations (CFR) part 200, *Uniform Administrative Requirements Cost Principles*, and Audit Requirements for Federal Awards. Pursuant to the provisions of this guidance all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Construction Commitments

At June 30, 2023, the Town has no outstanding construction contracts and commitments.

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 15—LITIGATION:

At June 30, 2023, the Town was involved in various matters of litigation, including court decisions settled unfavorable to the Town subsequent to year-end. The liability incurred by the Town was accrued as of June 30, 2023.

NOTE 16—DEFERRED/UNAVAILABLE/UNEARNED REVENUE:

Deferred/unavailable/unearned revenue represents amounts for which asset recognition have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. Unavailable/unearned/deferred revenue is comprised of the following:

	Unearned Revenue	
	Balance Sheet	Statement of Net Position
Grant revenue received in advance	\$ 482,604	\$ 482,604
American rescue plan	3,310,606	3,310,606
Other	33,746	33,746
Total unearned revenue	\$ 3,826,956	\$ 3,826,956

	Deferred/Unavailable Revenue	
	Balance Sheet Governmental Funds	Statement of Net Position Governmental Activities
2nd half assessments representing uncollected property tax which has not been billed but for which an enforceable lien is in effect.	\$ 849,514	\$ 740,208
Prepaid property tax revenues representing collections for property taxes that are applicable to the subsequent budget year.	-	7,694
Sale of future lease rights	744,800	744,800
Total deferred/unavailable revenue	\$ 1,594,314	\$ 1,492,702

NOTE 17—TOWN HALL MUNICIPAL BUILDING:

On the September 5, 2018, the Town entered into an agreement with a property management agent to establish and maintain files and records related to leases, subleases, rental records, cash-receipts, cash disbursements, service contracts, maintenance records, insurance policies, correspondence, and all other activity pertaining to the new Town Hall Municipal building.

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements
June 30, 2023 (Continued)

NOTE 18—SUBSEQUENT EVENTS:

On November 28, 2023, the Town issued \$6,625,000 of General Obligation Bond Anticipation Notes. This debt has a final maturity date of January 1, 2029.

NOTE 19—SALE OF FUTURE REVENUE:

On November 16, 2020, the Town entered into an agreement to sell and assign all rights to receive rents for lease on a Town owned property in the amount of \$784,000. Of which, \$500,000 was paid at closing and \$28,400 each year thereafter for 10 consecutive years. The term of the agreement is for 40 years commencing on the closing date. The balance of the Note Receivable at June 30, 2023 was \$227,200.

NOTE 20—LEASE RECEIVABLE:

The Town leases property to third parties. The following summarized the balances related to these leases for the year ended June 30, 2023:

Lease Description	Governmental Activities		
	Discount	Lease	Deferred
	Rate	Receivable June 30, 2023	Inflow of Resources June 30, 2023
Greater Prince William Area Community Health Center	2.50%	\$ 517,507	\$ 493,383
J2 Engineers, Inc.	3.00%	72,480	68,401
Young Marines	3.00%	229,948	219,193
Whitney, Bradley & Brown, Inc.	4.00%	16,465	15,262
Fairway Independent Mortgage Corporation	3.00%	95,619	86,231
The Future Kings	2.50%	31,837	29,292
Christopher Brown CPA PLLC	2.00%	13,824	13,420
Powell Enterprise	2.00%	47,612	45,857
Sentara Medical Group	3.00%	81,613	80,807
		\$ 1,106,905	\$ 1,051,846

Lease revenue totaled \$740,201 for the Governmental Activities respectively for the year ended June 30, 2023. Lease interest revenue totaled \$39,267 for the Governmental for the year ended June 30, 2023.

NOTE 21—COVID-19:

ARPA Funding

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

As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$3,310,606 from the initial allocation are reported as unearned revenue as of June 30.

NOTE 22—UPCOMING PRONOUNCEMENTS

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

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

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

Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.

Implementation Guide No. 2023-1, *Implementation Guidance Update—2023*, effective for fiscal years beginning after June 15, 2023.

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

Required Supplementary Information

Note to Required Supplementary Information:

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

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended June 30, 2023

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 1,280,000	\$ 1,280,000	\$ 1,329,521	\$ 49,521
Other local taxes	3,471,176	3,471,176	3,698,558	227,382
Permits, privilege fees, and regulatory licenses	396,500	396,500	412,262	15,762
Fines and forfeitures	75,000	75,000	47,123	(27,877)
Revenue from the use of money and property	638,107	638,107	832,501	194,394
Miscellaneous	176,500	176,500	267,196	90,696
Intergovernmental:				
Commonwealth	693,415	693,415	790,878	97,463
Federal	470,000	3,519,959	243,225	(3,276,734)
Total revenues	\$ 7,200,698	\$ 10,250,657	\$ 7,621,264	\$ (2,629,393)
Expenditures:				
General government administration:				
Legislative:				
Governing body	\$ 202,636	\$ 202,636	\$ 216,476	\$ (13,840)
General and financial administration:				
Administration	\$ 2,121,853	\$ 5,632,129	\$ 3,825,748	\$ 1,806,381
Information technology	200,000	189,683	366,098	(176,415)
Total general and financial administration	\$ 2,321,853	\$ 5,821,812	\$ 4,191,846	\$ 1,629,966
Total general government administration	\$ 2,524,489	\$ 6,024,448	\$ 4,408,322	\$ 1,616,126
Public safety:				
Law enforcement and traffic control:				
Police	\$ 1,744,872	\$ 1,744,872	\$ 1,872,230	\$ (127,358)
Public works:				
Maintenance of general buildings and grounds	\$ 292,412	\$ 292,412	\$ 318,362	\$ (25,950)
Facilities and other public works	1,213,338	1,213,338	1,471,317	(257,979)
Stormwater management	175,588	175,588	113,455	62,133
Total public works	\$ 1,681,338	\$ 1,681,338	\$ 1,903,134	\$ (221,796)
Community development:				
Planning and community development:				
Community development	\$ 419,106	\$ 419,106	\$ 437,042	\$ (17,936)
Boards and commissions	17,500	17,500	5,190	12,310
Total community development	\$ 436,606	\$ 436,606	\$ 442,232	\$ (5,626)
Capital projects	\$ -	\$ -	\$ 51,769	\$ (51,769)
Debt service:				
Principal retirement	\$ 365,193	\$ 365,193	\$ 365,193	\$ -
Interest and other fiscal charges	298,200	298,200	267,675	30,525
Total debt service	\$ 663,393	\$ 663,393	\$ 632,868	\$ 30,525
Total expenditures	\$ 7,050,698	\$ 10,550,657	\$ 9,310,555	\$ 1,240,102
Excess (deficiency) of revenues over (under) expenditures	\$ 150,000	\$ (300,000)	\$ (1,689,291)	\$ (1,389,291)
Other financing sources (uses):				
Transfers out	\$ (150,000)	\$ (420,000)	\$ -	\$ 420,000
Total other financing sources (uses)	\$ (150,000)	\$ (420,000)	\$ -	\$ 420,000
Net change in fund balance	\$ -	\$ (720,000)	\$ (1,689,291)	\$ (969,291)
Fund balances at beginning of year	-	720,000	5,334,800	4,614,800
Fund balances at end of year	\$ -	\$ -	\$ 3,645,509	\$ 3,645,509

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2015 through June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability								
Service cost	\$ 271,235	\$ 207,855	\$ 213,340	\$ 203,408	\$ 153,291	\$ 176,675	\$ 174,120	\$ 165,663
Interest	381,061	356,418	337,710	369,045	378,661	358,946	366,051	357,672
Differences between expected and actual experience	(13,192)	(278,624)	180,891	(558,057)	(353,267)	51,421	(292,740)	(56,086)
Changes of assumptions	-	222,857	-	134,170	-	35,659	-	-
Benefit payments	(441,588)	(387,710)	(521,861)	(313,191)	(318,934)	(363,196)	(334,656)	(360,452)
Net change in total pension liability	\$ 197,516	\$ 120,796	\$ 210,080	\$ (164,625)	\$ (140,249)	\$ 259,505	\$ (87,225)	\$ 106,797
Total pension liability - beginning	<u>5,594,911</u>	<u>5,474,115</u>	<u>5,264,035</u>	<u>5,428,660</u>	<u>5,568,909</u>	<u>5,309,404</u>	<u>5,396,629</u>	<u>5,289,832</u>
Total pension liability - ending (a)	<u>\$ 5,792,427</u>	<u>\$ 5,594,911</u>	<u>\$ 5,474,115</u>	<u>\$ 5,264,035</u>	<u>\$ 5,428,660</u>	<u>\$ 5,568,909</u>	<u>\$ 5,309,404</u>	<u>\$ 5,396,629</u>
Plan fiduciary net position								
Contributions - employer	\$ 214,904	\$ 180,446	\$ 188,649	\$ 196,608	\$ 178,082	\$ 124,388	\$ 201,857	\$ 186,470
Contributions - employee	91,014	74,935	68,566	72,842	67,221	46,753	64,864	56,470
Net investment income	(5,484)	1,313,597	101,546	317,689	330,673	498,400	72,174	186,026
Benefit payments	(441,588)	(387,710)	(521,861)	(313,191)	(318,934)	(363,196)	(334,656)	(360,452)
Administrator charges	(3,777)	(3,303)	(3,385)	(3,099)	(2,856)	(2,999)	(2,610)	(2,627)
Other	139	124	(110)	(201)	(295)	(440)	(31)	(40)
Net change in plan fiduciary net position	\$ (144,792)	\$ 1,178,089	\$ (166,595)	\$ 270,648	\$ 253,891	\$ 302,906	\$ 1,598	\$ 65,847
Plan fiduciary net position - beginning	<u>6,038,608</u>	<u>4,860,519</u>	<u>5,027,114</u>	<u>4,756,466</u>	<u>4,502,575</u>	<u>4,199,669</u>	<u>4,198,071</u>	<u>4,132,224</u>
Plan fiduciary net position - ending (b)	<u>\$ 5,893,816</u>	<u>\$ 6,038,608</u>	<u>\$ 4,860,519</u>	<u>\$ 5,027,114</u>	<u>\$ 4,756,466</u>	<u>\$ 4,502,575</u>	<u>\$ 4,199,669</u>	<u>\$ 4,198,071</u>
Town's net pension liability (asset) - ending (a) - (b)	\$ (101,389)	\$ (443,697)	\$ 613,596	\$ 236,921	\$ 672,194	\$ 1,066,334	\$ 1,109,735	\$ 1,198,558
Plan fiduciary net position as a percentage of the total pension liability	101.75%	107.93%	88.79%	95.50%	87.62%	80.85%	79.10%	77.79%
Covered payroll	\$ 1,979,300	\$ 1,633,090	\$ 1,465,786	\$ 1,461,581	\$ 1,386,322	\$ 974,616	\$ 1,238,898	\$ 1,134,812
Town's net pension liability (asset) as a percentage of covered payroll	-5.12%	-27.17%	41.86%	16.21%	48.49%	109.41%	89.57%	105.62%

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

Schedule of Employer Contributions - Pension Plan
 For the Years Ended June 30, 2014 through June 30, 2023

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)		
2023	\$ 274,517	\$ 274,517	\$ -	\$ 2,561,046	11%
2022	214,904	214,904	-	1,979,300	11%
2021	179,839	179,839	-	1,633,090	11%
2020	188,877	188,877	-	1,465,786	13%
2019	189,784	189,784	-	1,461,581	13%
2018	177,737	177,737	-	1,386,322	13%
2017	126,700	126,700	-	974,616	13%
2016	204,790	204,790	-	1,238,898	17%
2015	187,584	187,584	-	1,134,812	17%
2014	218,931	218,931	-	1,146,836	19%

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

Notes to Required Supplementary Information
Pension Plans
For the Year Ended June 30, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

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

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

Schedule of Employer's Share of Net OPEB Liability
Line of Duty Act (LODA) Program
For the Measurement Dates of June 30, 2017 through June 30, 2022

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2022	0.06300% \$	238,276	Not Applicable	Not Applicable	1.87%
2021	0.41700%	183,805	Not Applicable	Not Applicable	1.68%
2020	0.57130%	239,269	Not Applicable	Not Applicable	1.02%
2019	0.07362%	264,138	Not Applicable	Not Applicable	0.79%
2018	0.05860%	184,000	Not Applicable	Not Applicable	0.60%
2017	0.05261%	138,000	Not Applicable	Not Applicable	1.30%

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.

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

Line of Duty Act (LODA) Program

For the Years Ended June 30, 2017 through June 30, 2023

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2023	\$ 9,546	\$ 9,546	\$ -	Not Applicable	Not Applicable
2022	8,671	8,671	-	Not Applicable	Not Applicable
2021	5,738	5,738	-	Not Applicable	Not Applicable
2020	7,763	7,763	-	Not Applicable	Not Applicable
2019	10,000	10,000	-	Not Applicable	Not Applicable
2018	6,000	6,000	-	Not Applicable	Not Applicable
2017	5,000	5,000	-	Not Applicable	Not Applicable

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan.

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information

Line of Duty Act (LODA) Program

For the Year Ended June 30, 2023

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, 2021 valuation were based on results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

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

Schedule of Employer's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2022

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2022	0.009200% \$	111,259 \$	2,009,300	5.54%	67.21%
2021	0.008000%	93,608	1,659,090	5.64%	67.45%
2020	0.007120%	118,821	1,465,786	8.11%	52.64%
2019	0.007460%	121,394	1,461,581	8.31%	52.00%
2018	0.007290%	111,000	1,386,321	8.01%	51.22%
2017	0.005280%	79,000	974,616	8.11%	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, 2014 through June 30, 2023

Date	Contributions in Relation to				Contributions as a % of
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Covered Payroll (5)
2023	\$ 13,944	\$ 13,944	\$ -	\$ 2,582,304	0.54%
2022	10,850	10,850	-	2,009,300	0.54%
2021	8,959	8,959	-	1,659,090	0.54%
2020	7,622	7,622	-	1,465,786	0.52%
2019	7,600	7,600	-	1,461,581	0.52%
2018	7,209	7,209	-	1,386,321	0.52%
2017	5,068	5,068	-	974,616	0.52%
2016	5,947	5,947	-	1,238,898	0.48%
2015	5,447	5,447	-	1,134,812	0.48%
2014	5,505	5,505	-	1,146,836	0.48%

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 For the Year Ended June 30, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2022

	2022	2021	2020	2019	2018	2017
Total HIC OPEB Liability						
Service cost	\$ 1,842	\$ 2,309	\$ 2,167	\$ 1,880	\$ 1,259	\$ 1,304
Interest	1,924	1,761	1,911	1,646	1,975	1,985
Differences between expected and actual experience	5,313	1,071	(1,824)	4,420	(4,446)	-
Changes of assumptions	881	631	-	641	-	(446)
Benefit payments	(5,751)	(4,637)	(4,321)	(3,270)	(3,706)	(2,251)
Net change in total HIC OPEB liability	\$ 4,209	\$ 1,135	\$ (2,067)	\$ 5,317	\$ (4,918)	\$ 592
Total HIC OPEB Liability - beginning	29,541	28,406	30,473	25,156	30,074	29,482
Total HIC OPEB Liability - ending (a)	\$ 33,750	\$ 29,541	\$ 28,406	\$ 30,473	\$ 25,156	\$ 30,074
Plan fiduciary net position						
Contributions - employer	\$ 3,167	\$ 2,618	\$ 1,612	\$ 1,665	\$ 1,530	\$ 1,071
Net investment income	92	6,689	534	1,793	2,007	3,081
Benefit payments	(5,751)	(4,637)	(4,321)	(3,270)	(3,706)	(2,251)
Administrator charges	(53)	(74)	(51)	(38)	(45)	(48)
Other	2,316	-	-	(2)	(161)	161
Net change in plan fiduciary net position	\$ (229)	\$ 4,596	\$ (2,226)	\$ 148	\$ (375)	\$ 2,014
Plan fiduciary net position - beginning	31,064	26,468	28,694	28,546	28,921	26,907
Plan fiduciary net position - ending (b)	\$ 30,835	\$ 31,064	\$ 26,468	\$ 28,694	\$ 28,546	\$ 28,921
Net HIC OPEB liability (asset)- ending (a) - (b)	\$ 2,915	\$ (1,523)	\$ 1,938	\$ 1,779	\$ (3,390)	\$ 1,153
Plan fiduciary net position as a percentage of the total HIC OPEB liability	91.36%	105.16%	93.18%	94.16%	113.48%	96.17%
Covered payroll	\$ 1,979,300	\$ 1,633,090	\$ 1,465,786	\$ 1,461,581	\$ 1,386,321	\$ 974,616
Net HIC OPEB liability (asset) as a percentage of covered payroll	0.15%	-0.09%	0.13%	0.12%	-0.24%	0.12%

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, 2014 through June 30, 2023

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2023	\$ 3,585	\$ 3,585	\$ -	\$ 2,561,046		0.14%
2022	3,167	3,167	-	1,979,300		0.16%
2021	2,613	2,613	-	1,633,090		0.16%
2020	1,612	1,612	-	1,465,786		0.11%
2019	1,608	1,608	-	1,461,581		0.11%
2018	1,525	1,525	-	1,386,321		0.11%
2017	1,072	1,072	-	974,616		0.11%
2016	1,239	1,239	-	1,238,898		0.10%
2015	1,135	1,135	-	1,134,812		0.10%
2014	1,376	1,376	-	1,146,836		0.12%

Notes to Required Supplementary Information
Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2023

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, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Schedule of Employer's Share of Net OPEB Liability

Virginia Local Disability Program (VLDP)

For the Measurement Dates of June 30, 2017 through June 30, 2022

Date (1)	Employer's Proportion of the Net VLDP OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6)
2022	0.16970%	\$ (998)	\$ 795,077	-0.13%	107.99%
2021	0.17182%	(1,739)	690,286	-0.25%	119.59%
2020	0.12676%	1,265	472,309	0.27%	76.84%
2019	0.09263%	1,877	286,206	0.66%	49.19%
2018	0.09541%	1,000	231,658	0.43%	51.39%
2017	0.10507%	1,000	192,930	0.52%	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, 2023

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2023	\$ 9,577	\$ 9,577	\$ -	\$ 1,126,752		0.85%
2022	6,599	6,599	-	795,077		0.83%
2021	5,729	5,729	-	690,286		0.83%
2020	3,401	3,401	-	472,309		0.72%
2019	2,061	2,061	-	286,206		0.72%
2018	1,390	1,390	-	231,658		0.60%
2017	1,158	1,158	-	192,930		0.60%
2016	1,123	1,123	-	187,129		0.60%
2015	462	462	-	77,075		0.60%

Schedule is intended to show information for 10 years. Information prior to 2015 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, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Supporting Schedule

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 1,250,000	\$ 1,250,000	\$ 1,298,923	\$ 48,923
Real and personal public service corporation taxes	30,000	30,000	14,967	(15,033)
Penalties	-	-	2,641	2,641
Interest	-	-	12,990	12,990
Total general property taxes	<u>\$ 1,280,000</u>	<u>\$ 1,280,000</u>	<u>\$ 1,329,521</u>	<u>\$ 49,521</u>
Other local taxes:				
Local sales and use taxes	\$ 725,000	\$ 725,000	\$ 576,195	\$ (148,805)
Consumers' utility taxes	170,000	170,000	188,419	18,419
Business license taxes	335,000	335,000	601,310	266,310
Motor vehicle licenses	-	-	48	48
Bank stock taxes	36,176	36,176	42,291	6,115
Transient occupancy taxes	80,000	80,000	74,439	(5,561)
Cigarette tax	200,000	200,000	149,506	(50,494)
Meals taxes	875,000	875,000	960,937	85,937
Gaming tax	1,000,000	1,000,000	1,081,142	81,142
Other	50,000	50,000	24,271	(25,729)
Total other local taxes	<u>\$ 3,471,176</u>	<u>\$ 3,471,176</u>	<u>\$ 3,698,558</u>	<u>\$ 227,382</u>
Permits, privilege fees, and regulatory licenses:				
Building and related permits	\$ 150,000	\$ 150,000	\$ 255,595	\$ 105,595
Stormwater management fees	175,000	175,000	142,983	(32,017)
Other permits and licenses	71,500	71,500	13,684	(57,816)
Total permits, privilege fees, and regulatory licenses	<u>\$ 396,500</u>	<u>\$ 396,500</u>	<u>\$ 412,262</u>	<u>\$ 15,762</u>
Fines and forfeitures:				
Court and other fines and forfeitures	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 47,123</u>	<u>\$ (27,877)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 8,000	\$ 8,000	\$ 92,300	\$ 84,300
Revenue from use of property	630,107	630,107	740,201	110,094
Total revenue from use of money and property	<u>\$ 638,107</u>	<u>\$ 638,107</u>	<u>\$ 832,501</u>	<u>\$ 194,394</u>
Miscellaneous:				
VML risk management grant	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
DMV select revenue	72,000	72,000	205,285	133,285
Miscellaneous	102,500	102,500	61,911	(40,589)
Total miscellaneous	<u>\$ 176,500</u>	<u>\$ 176,500</u>	<u>\$ 267,196</u>	<u>\$ 90,696</u>
Total revenue from local sources	<u>\$ 6,037,283</u>	<u>\$ 6,037,283</u>	<u>\$ 6,587,161</u>	<u>\$ 549,878</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	\$ 90,000	\$ 90,000	\$ 123,288	\$ 33,288
Rolling stock tax	20	20	-	(20)
Telecommunications sales tax	142,140	142,140	129,855	(12,285)
Total noncategorical aid	<u>\$ 232,160</u>	<u>\$ 232,160</u>	<u>\$ 253,143</u>	<u>\$ 20,983</u>
Categorical aid:				
Other categorical aid:				
Street and highway maintenance	\$ 279,074	\$ 279,074	\$ 325,788	\$ 46,714
State fire funds	20,080	20,080	22,785	2,705
Public safety grants	150,101	150,101	165,031	14,930
DEQ Grants	12,000	12,000	24,131	12,131
Total other categorical aid	<u>\$ 461,255</u>	<u>\$ 461,255</u>	<u>\$ 537,735</u>	<u>\$ 76,480</u>
Total categorical aid	<u>\$ 461,255</u>	<u>\$ 461,255</u>	<u>\$ 537,735</u>	<u>\$ 76,480</u>
Total revenue from the Commonwealth	<u>\$ 693,415</u>	<u>\$ 693,415</u>	<u>\$ 790,878</u>	<u>\$ 97,463</u>
Revenue from the federal government:				
Noncategorical aid:				
American Rescue Plan	\$ 450,000	\$ 3,499,959	\$ 189,352	\$ (3,310,607)
Total noncategorical aid	<u>\$ 450,000</u>	<u>\$ 3,499,959</u>	<u>\$ 189,352</u>	<u>\$ (3,310,607)</u>
Categorical aid:				
DMV grants	\$ 20,000	\$ 20,000	\$ 50,624	\$ 30,624
Justice Assistance Act Grant Program	-	-	3,249	3,249
Total categorical aid	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 53,873</u>	<u>\$ 33,873</u>
Total revenue from the federal government	<u>\$ 470,000</u>	<u>\$ 3,519,959</u>	<u>\$ 243,225</u>	<u>\$ (3,276,734)</u>
Total General Fund	<u>\$ 7,200,698</u>	<u>\$ 10,250,657</u>	<u>\$ 7,621,264</u>	<u>\$ (2,629,393)</u>
Total Governmental Funds	<u>\$ 7,200,698</u>	<u>\$ 10,250,657</u>	<u>\$ 7,621,264</u>	<u>\$ (2,629,393)</u>

Statistical Information

General Fund Expenditures by Function
Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>General Government Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Community Development</u>	<u>Non- Departmental</u>	<u>Debt Service</u>	<u>Capital Outlays</u>	<u>Total</u>
2023	\$ 4,408,322	\$ 1,872,230	\$ 1,903,134	\$ 442,232	\$ -	\$ 632,868	\$ 51,769	\$ 9,310,555
2022	4,448,105	1,583,182	1,278,894	443,402	-	707,691	35,646	8,496,920
2021	1,941,341	1,183,839	1,267,058	450,069	-	691,014	80,677	5,613,998
2020	1,306,869	1,141,688	1,123,045	398,165	-	877,109	215,206	5,062,082
2019	1,179,368	1,258,438	1,174,072	305,150	-	745,966	454,461	5,117,455
2018	1,133,917	1,547,818	1,177,787	218,306	-	546,928	5,793,908	10,418,664
2017	1,157,458	1,000,511	1,417,674	183,444	-	383,893	348,049	5,167,764
2016	1,058,433	1,159,248	1,283,106	258,288	-	388,108	1,020,581	4,353,347
2015	1,027,429	1,034,409	1,387,421	304,127	-	388,609	211,352	3,867,778
2014	1,298,958	1,135,714	911,123	125,704	8,150	388,129	-	3,758,443

General Fund Revenue by Source
Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Property Taxes	Other Local Taxes	Licenses Permits, and Privilege Fees	Fines and Penalties	Use of Money and Property	Miscel- laneous	Inter- Govern- mental	Total
2023	\$ 1,329,521	\$ 3,698,558	\$ 412,262	\$ 47,123	\$ 832,501	\$ 267,196	\$ 1,034,103	\$ 7,621,264
2022	692,665	3,511,132	1,027,694	40,913	706,146	170,567	3,356,207	9,505,324
2021	902,874	2,705,861	609,422	64,105	624,924	44,162	1,527,941	6,479,289
2020	931,169	2,086,465	443,515	25,232	599,094	42,611	924,825	5,052,911
2019	868,244	2,257,866	542,743	79,335	678,495	132,747	708,230	5,267,660
2018	843,439	2,264,138	322,266	95,116	41,332	12,604	931,653	4,510,548
2017	816,258	2,254,710	307,373	32,012	26,323	81,217	1,216,221	4,734,114
2016	785,006	2,076,084	198,635	74,223	39,264	73,194	1,144,938	4,391,344
2015	906,071	2,082,798	195,261	118,058	26,775	15,265	2,057,401	5,401,629
2014	1,066,225	1,934,150	709,415	62,117	31,412	21,367	622,864	4,447,550

TOWN OF DUMFRIES, VIRGINIA

Table 3

Real Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Total Tax Levy [1]	Total Tax Collections [2]	Percent of Levy Collected	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2023	\$ 1,431,698	\$ 1,313,890	91.77%	\$ 158,857	11.10%
2022	1,264,352	623,452	49.31%	42,574	3.37%
2021	1,014,770	889,646	87.67%	77,419	7.63%
2020	910,981	925,549	101.60%	97,191	10.67%
2019	858,496	861,676	100.37%	63,325	7.38%
2018	823,413	834,352	101.33%	40,601	4.93%
2017	771,530	806,502	104.53%	45,638	5.92%
2016	761,100	775,967	101.95%	59,775	7.85%
2015	901,736	893,814	99.12%	65,258	7.24%
2014	954,205	962,884	100.91%	83,233	8.72%

[1] Figures may not include all abatements or supplements.

[2] Penalties and interest not included.

TOWN OF DUMFRIES, VIRGINIA**Table 4**

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year		Real Estate
2023	\$	738,473,400
2022		703,979,600
2021		534,089,470
2020		482,929,105
2019		451,840,205
2018		433,375,267
2017		406,068,190
2016		404,117,855
2015		388,811,330
2014		359,345,592

Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	Real Estate
2023	\$.1899/\$100
2022	\$.1899/\$100
2021	\$.1899/\$100
2020	\$.1899/\$100
2019	\$.1899/\$100
2018	\$.1899/\$100
2017	\$.1899/\$100
2016	\$.1899/\$100
2015	\$.2333/\$100
2014	\$.2733/\$100

TOWN OF DUMFRIES, VIRGINIA

Table 6

Legal Debt Margin
June 30, 2023

Total assessed value of taxed real property	\$ <u>738,473,400</u>
Debt limit - 10% of total assessed value	\$ 73,847,340
Less: Amount of debt applicable to debt limit - gross debt	<u>8,007,376</u>
Legal debt margin	\$ <u><u>65,839,964</u></u>

TOWN OF DUMFRIES, VIRGINIA**Table 7****Miscellaneous Statistics
Last Ten Fiscal Years**

Fiscal Year	Population
2023	5,755
2022	5,631
2021	5,687
2020	5,679
2019	5,234
2018	5,230
2017	5,186
2016	5,217
2015	4,961
2014	5,207

Compliance



ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

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

**To the Honorable Members of Town Council
Town of Dumfries, Virginia
Dumfries, 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 and each major fund of Town of Dumfries, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Dumfries, Virginia's basic financial statements, and have issued our report thereon dated January 23, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2023-001 to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Dumfries, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Dumfries, Virginia's Response to Findings

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

Purpose of This Report

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
January 23, 2024

TOWN OF DUMFRIES, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

2023-001: Fiscal Year-end Financial Closing Procedures (Material Weakness)

Criteria:

There are no processes, policies and procedures for identifying and recording year-end accruals.

Condition:

During fiscal year 2023 the Town did not have processes, policies and procedures for fiscal year-end closing procedures in place to identify and record year-end accruals to the financial statements.

Cause:

The Town's internal controls in place to capture and record all necessary balances in the automated accounting system were not adequate for the year ended June 30, 2023.

Effect:

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

Recommendation:

We recommend that the Town strengthen internal controls to capture and record all balances accurately in accordance with General Accepted Accounting Principles by implementing fiscal year-end processes, policies and procedures for identifying and recording year-end accruals.

Management's Response:

Management agrees with the recommendation. Currently in the process of developing policies and procedures for the year-end process, which will be completed by the end of Fiscal Year 2024.

TOWN OF DUMFRIES, VIRGINIA

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023

Section IV - Prior Audit Findings

2022-001: Bank Reconciliations (Material Weakness)

Corrective action was taken and this finding is not repeated in 2023.

2022-002: Fiscal Year-end Financial Closing Procedures (Material Weakness)

Condition:

During fiscal year 2022 the Town did not have processes, policies and procedures for fiscal year-end closing procedures in place to identify and record year-end accruals to the financial statements.

Current Status:

Corrective action was not taken on Finding 2022-002 and has been reported in fiscal year 2023 as 2023-001.

Planned Corrective Action:

Currently in the process of developing policies and procedures for the year-end process, which will be completed by the end of Fiscal Year 2024.

2022-003: Filing of Employer Quarterly 941 Federal Tax Returns (Compliance)

Corrective action was taken and this finding is not repeated in 2023.