TOWN OF DAYTON, VIRGINIA

FINANCIAL REPORT

June 30, 2023

TOWN OF DAYTON, VIRGINIA

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TOWN OF DAYTON, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2023

TOWN COUNCIL

Cary Jackson, Mayor
Bradford Dyjak, Vice Mayor
Melody Pannell
Robert Seward
Emily Estes
Susan Mathias
Robert "Bob" Woltz

APPOINTED OFFICIALS

Earl Mathers..Interim Town Manager

INDEPENDENT AUDITORS

Brown, Edwards & Company, L.L.P.

FINANCIAL SECTION

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

Honorable Members of Town Council
Town of Dayton, Virginia
Dayton, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Dayton, Virginia, (the "Town") 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 respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Dayton, Virginia, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Dayton, 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.

Change in Accounting Principle

As described in Note 14 to the financial statements, in 2023, the Town adopted new accounting guidance, *GASB Statement No. 87, Leases.* Our opinion is not modified with respect to this matter

As described in Note 15 to the financial statements, in 2023, the Town adopted new accounting guidance, *GASB Statement No. 96, Subscription-Based Information Technology Arrangements.* Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 the Town of Dayton's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Dayton'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 the Town of Dayton'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 required supplementary information, 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.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory but does not include the basic financial statements and our auditor's 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 whether 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 November 1, 2023 on our consideration of the Town'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 the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 1, 2023

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BASIC FINANCIAL STATEMENTS

EXHIBIT 1

TOWN OF DAYTON, VIRGINIA

STATEMENT OF NET POSITION
June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents (Note 2)	$ 200	$ 1,852,796	$ 1,852,996
Investments (Note 2)	-	3,336,664	3,336,664
Receivables (Note 3)	143,766	458,084	601,850
Due from other governmental units (Note 4)	24,511	-	24,511
Inventories	-	97,495	97,495
Prepaids	15,947	1,982	17,929
Investment in electric cooperative (Note 1)	3,447	108,811	112,258
Net pension asset (Note 8)	105,739	20,141	125,880
Capital assets: (Note 5)			
Nondepreciable	859,916	313,934	1,173,850
Depreciable, net	3,556,086	9,427,120	12,983,206
Lease right-to-use asset, net	27,843	-	27,843
Subscription right-to-use asset, net	17,076	-	17,076
Total assets	4,754,531	15,617,027	20,371,558
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related deferred outflows (Note 8)	233,579	44,491	278,070
OPEB-related deferred outflows (Note 10)	12,729	2,425	15,154
Total deferred outflows of resources	246,308	46,916	293,224
LIABILITIES			
Accounts payable and accrued liabilities	31,279	33,628	64,907
Accrued payroll and related liabilities	35,441	7,105	42,546
Deposits payable	-	8,156	8,156
Unearned revenue (Note 6)	44,725	-	44,725
Noncurrent liabilities:			
Net OPEB liability (Notes 9 and 10)	392,968	74,851	467,819
Other noncurrent liabilities due within one year (Note 7)	20,817	10,008	30,825
Other noncurrent liabilities due in more than one year (Note 7)	104,969	-	104,969
Total liabilities	630,199	133,748	763,947
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferred inflows (Note 8)	125,375	23,881	149,256
OPEB-related deferred inflows (Note 10)	12,131	2,311	14,442
Total deferred inflows of resources	137,506	26,192	163,698
NET POSITION			
Net investment in capital assets	4,406,073	9,741,054	14,147,127
Restricted			
Pension	105,739	20,141	125,880
Unrestricted	(278,678)	5,742,808	5,464,130
Total net position	$ 4,233,134	$ 15,504,003	$ 19,737,137

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 2

TOWN OF DAYTON, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Positior		
					Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Governmental activities							
General government administration	$ 765,404	$ 3,515	$ 156,746	$ -	$ (605,143)	$ -	$ (605,143)
Public safety	875,666	49,590	112,807	-	(713,269)	-	(713,269)
Public works	525,727	160,329	-	50,740	(314,658)	-	(314,658)
Parks, recreation, and cultural	122,599	111,621	-	-	(10,978)	-	(10,978)
Community development	238,800	-	-	-	(238,800)	-	(238,800)
Total governmental activities	2,528,196	325,055	269,553	50,740	(1,882,848)	-	(1,882,848)
Business-type activities							
Water and sewer	2,899,781	4,022,943	-	-	-	1,123,162	1,123,162
Total business-type activities	2,899,781	4,022,943	-	-	-	1,123,162	1,123,162
Total primary government	$ 5,427,977	$ 4,347,998	$ 269,553	$ 50,740	(1,882,848)	1,123,162	(759,686)
		General revenues and transfers:					
		Property taxes			235,864	-	235,864
		Other local taxes			458,912	-	458,912
		Unrestricted revenue from the use of money and property			-	69,126	69,126
		Other			92,027	-	92,027
		Transfers (Note 1)			897,336	(897,336)	-
		Total general revenues and transfers			1,684,139	(828,210)	855,929
		Change in net position			(198,709)	294,952	96,243
		NET POSITION AT JULY 1,			4,431,843	15,209,051	19,640,894
		NET POSITION AT JUNE 30			$ 4,233,134	$ 15,504,003	$ 19,737,137

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 3

TOWN OF DAYTON, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2023

		General
ASSETS		
Cash and cash equivalents (Note 2)	$	200
Receivables, net (Note 3)		143,766
Due from other governmental units (Note 4)		24,511
Prepaids		15,947
Total assets	$	184,424
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	$	31,279
Accrued payroll and related liabilities		35,441
Unearned revenue (Note 6)		44,725
Total liabilities		111,445
Deferred inflows of resources:		
Unavailable revenue (Note 6)		89,351
Total deferred inflows of resources		89,351
Fund balances:		
Nonspendable - prepaids		15,947
Committed - EDA		10,000
Unassigned		(42,319)
Total fund balances		(16,372)
Total liabilities, deferred inflows of resources, and fund balances	$	184,424

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 4

TOWN OF DAYTON, VIRGINIA

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2023

Ending fund balance – governmental fund		$ (16,372)
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the fund.		
Nondepreciable capital assets	$ 859,916	
Depreciable capital assets, net	3,556,086	
Equipment - Leases, net	27,843	
Equipment - SBITA, net	17,076	
		4,460,921
Investment in electric cooperatives is not available in the current period and therefore is not reported in the fund.		3,447
Certain revenues are not available to pay for current period expenditures and are not reported in the fund.		89,351
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the fund.		
Deferred outflows of resources related to pension	233,579	
Deferred inflows of resources related to pension	(125,375)	
Deferred outflows of resources related to OPEB	12,729	
Deferred inflows of resources related to OPEB	(12,131)	
		108,802
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund.		
Compensated absences and service benefits	(70,938)	
Net pension asset	105,739	
Net OPEB liability	(392,968)	
Long-term debt	(54,848)	
		(413,015)
Total net position – governmental activities		$ 4,233,134

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 5

TOWN OF DAYTON, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2023

	General
REVENUES	
General property taxes	$ 164,081
Other local taxes	458,912
Permits, privilege fees, and regulatory licenses	3,050
Fines and forfeitures	53,400
Revenues from the use of money and property	465
Charges for services	160,329
Intergovernmental	320,293
Recovered costs	23,600
Other	156,934
Total revenues	1,341,064
EXPENDITURES	
Current:	
General government administration	634,535
Public safety	718,123
Public works	431,176
Parks, recreation, and cultural	83,458
Community development	212,662
Capital outlay	169,881
Debt Service	
Principal retirement	12,984
Interest and other fiscal charges	1,222
Total expenditures	2,264,041
Deficiency of revenues over expenditures	(922,977)
OTHER FINANCING SOURCES	
Proceeds from sale of capital assets	19,260
Lease and SBITA proceeds	52,939
Transfers in (Note 1)	897,336
Total other financing sources	969,535
Net change in fund balance	46,558
FUND BALANCE AT JULY 1	(62,930)
FUND BALANCE AT JUNE 30	$ (16,372)

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 6

TOWN OF DAYTON, VIRGINIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

Net change in fund balance – total governmental fund		$ 46,558
Amounts reported for governmental activities in the statement of activities are different because:		
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.		
Capital outlays	$ 127,655	
Depreciation expense	(337,116)	
Amortization expense	(8,020)	
		(217,481)
Governmental funds report employer pension and OPEB contributions as expenditures. However, in the statement of activities, the cost of pension and OPEB benefits earned net of employee contributions are reported as pension and OPEB expense.		
Change in employer pension contributions	16,567	
Pension expense	18,444	
Change in employer OPEB contributions	245	
OPEB expense	(92,125)	
		(56,869)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		71,825
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has an effect on net position.		
Lease and SBITA proceeds	(52,939)	
Principal repayments	12,984	
		(39,955)
Long-term compensated absences and service benefits are reported in the statement of activities but they do not require the use of current financial resources and, therefore are not recorded as expenditures in governmental funds.		(2,787)
Change in net position of governmental activities		$ (198,709)

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 7

TOWN OF DAYTON, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
General property taxes	$ 166,000	$ 166,000	$ 164,081	$ (1,919)
Other local taxes	435,950	435,450	458,912	23,462
Permits, privilege fees, and regulatory licenses	550	550	3,050	2,500
Fines and forfeitures	43,000	43,000	53,400	10,400
Revenues from the use of money and property	2,500	2,500	465	(2,035)
Charges for services	160,000	160,000	160,329	329
Intergovernmental	1,022,657	1,022,657	320,293	(702,364)
Recovered costs	23,500	23,500	23,600	100
Other	115,000	115,000	156,934	41,934
Total revenues	1,969,157	1,968,657	1,341,064	(627,593)
EXPENDITURES				
Current:				
General government administration	626,550	626,550	634,535	(7,985)
Public safety	749,750	749,750	718,123	31,627
Public works	466,100	466,100	431,176	34,924
Parks, recreation and cultural	171,750	171,750	83,458	88,292
Community development	181,300	181,300	212,662	(31,362)
Capital outlay	404,312	404,312	169,881	234,431
Total expenditures	2,599,762	2,599,762	2,249,835	349,927
Excess (deficiency) of revenues over expenditures	(630,605)	(631,105)	(908,771)	(277,666)
OTHER FINANCING SOURCES				
Transfers in	231,793	231,793	897,336	665,543
Proceeds from sale of assets	19,500	19,500	19,260	(240)
Lease and SBITA proceeds	-	-	52,939	52,939
Total other financing sources	251,293	251,293	969,535	718,242
Net change in fund balance	$ (379,312)	$ (379,812)	$ 60,764	$ 440,576

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 8

TOWN OF DAYTON, VIRGINIA

STATEMENT OF NET POSITION –
PROPRIETARY FUND
June 30, 2023

	Enterprise Fund
	Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	$ 1,852,796
Investments (Note 2)	3,336,664
Accounts receivable (Note 3)	458,084
Inventories	97,495
Prepaids	1,982
Total current assets	5,747,021
Noncurrent assets:	
Investment in electric cooperative (Note 1)	108,811
Net pension asset (Note 8)	20,141
Capital assets (Note 5)	
Nondepreciable	313,934
Depreciable, net	9,427,120
Total noncurrent assets	9,870,006
Total assets	15,617,027
DEFERRED OUTFLOWS OF RESOURCES	
Pension-related deferred outflows (Note 8)	44,491
OPEB-related deferred outflows (Note 10)	2,425
Total deferred outflows of resources	46,916
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	33,628
Accrued payroll and related liabilities	7,105
Deposits payable	8,156
Total current liabilities	48,889
Noncurrent liabilities:	
Net OPEB liability (Notes 9 and 10)	74,851
Compensated absences and service benefits (Note 7)	10,008
Total noncurrent liabilities	84,859
Total liabilities	133,748
DEFERRED INFLOWS OF RESOURCES	
Pension-related deferred inflows (Note 8)	23,881
OPEB-related deferred inflows (Note 10)	2,311
Total deferred inflows of resources	26,192
NET POSITION	
Net investment in capital assets	9,741,054
Restricted	
Pension	20,141
Unrestricted	5,742,808
Total net position	$ 15,504,003

The Notes to Financial Statements are an integral part of this statement.

TOWN OF DAYTON, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUND
Year Ended June 30, 2023

	Enterprise Fund Water and Sewer
OPERATING REVENUES	
Charges for services	$ 3,988,918
Connection availability fees	34,025
Total operating revenues	4,022,943
OPERATING EXPENSES	
Salaries and fringe benefits	276,370
Maintenance	27,958
Utilities	160,093
Materials and supplies	107,982
Regional Sewer Authority assessment (Note 11)	1,721,318
Other	35,463
Depreciation	570,597
Total operating expenses	2,899,781
Operating income	1,123,162
NONOPERATING REVENUES	
Investment income	69,126
Income before transfers	1,192,288
TRANSFERS OUT (NOTE 1)	(897,336)
Change in net position	294,952
NET POSITION AT JULY 1	15,209,051
NET POSITION AT JUNE 30	$ 15,504,003

The Notes to Financial Statements are an integral part of this statement.

TOWN OF DAYTON, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year Ended June 30, 2023

	Enterprise Fund Water and Sewer
OPERATING ACTIVITIES	
Receipts from customers	$ 4,697,814
Payments to suppliers	(2,242,306)
Payments to employees	(231,892)
Net cash provided by operating activities	2,223,616
NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers to other funds	(897,336)
CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(2,218,486)
INVESTING ACTIVITIES	
Purchase of investments	(2,115,181)
Interest received	69,126
Net cash used in investing activities	(2,046,055)
Net decrease in cash and cash equivalents	(2,938,261)
CASH AND CASH EQUIVALENTS	
Beginning at July 1	4,791,057
Ending at June 30	$ 1,852,796
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 1,123,162
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	570,597
Pension and OPEB expense net of employer contributions	48,154
Change in certain assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	674,596
Prepaids	1,204
Inventory	(43,368)
Investment in electric cooperative	(862)
Increase (decrease) in:	
Accounts payable and accrued liabilities	(146,466)
Accrued payroll and related liabilities	(3,676)
Deposits payable	275
Net cash provided by operating activities	$ 2,223,616

The Notes to Financial Statements are an integral part of this statement.

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

The Town of Dayton (the "Town") was established in 1852. It is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. Town Council consists of a mayor, a vice mayor, and five other council members. The Town is part of Rockingham County and has taxing powers subject to statewide restrictions and tax limits.

The Town provides a full range of municipal services including police, refuse collection, public improvements, planning and zoning, general administrative services, recreation, and water and sewer services. Fire and emergency medical services are provided by Rockingham County and supplemented by volunteer departments and agencies.

The Town established an Economic Development Authority (the "EDA") to promote greater economic vitality and prosperity for Town residents. The EDA is excluded from this report as activity has not commenced.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual government funds and enterprise funds are reported as separate columns in the fund financial statements.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary fund:

> The *water and sewer fund* accounts for the financing of services to the general public where all or most of the operating expenses involved are intended to be recovered in the form of user charges. The water and sewer enterprise fund consists of activities relating to water and sewer services.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting

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

1) Prior to June 30th, the Town Manager submits to Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1st. This budget includes proposed expenditures and the means of financing them.
2) Public hearings are conducted to obtain citizen comments.
3) Prior to June 30th, the budget is legally enacted through the passage of an appropriations ordinance. Town Council may, from time to time, amend the budget, providing for additional expenditures and the means for financing them.
4) The appropriations ordinance places legal restrictions on expenditures at the function level. The appropriation for each function can be revised only by Town Council.
5) Formal budgetary integration is employed as a management control device during the year.
6) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7) Appropriations lapse on June 30th for all Town units.
8) All budget data presented in the accompanying financial statements includes the original and revised budgets as of June 30th.

The Town spent funds in excess of budgeted amounts in two functional areas but did not exceed the budget for the general fund as illustrated in Exhibit 7.

E. Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term highly liquid investments with an original maturity of three months or less when purchased. Certificates of deposit with a maturity greater than three months are considered investments.

F. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes, meals taxes, and utility taxes. Governmental funds report receivables that are both earned and available. Business-type activities report utility services as the major receivable. The Town grants credit to the customers of its water and sewer systems.

The Town does not have an allowance for uncollectible accounts as historically there has not been difficulty in collecting payments. Management believes any allowance would be immaterial.

Note 1. Summary of Significant Accounting Policies (Continued)

G. Property Taxes

Real estate taxes are assessed annually by Rockingham County, Virginia, for all property of record as of January 1st. Property taxes are attached as an enforceable lien on property as of January 1. The Town collects real estate taxes on an annual basis (due in full by December 5th). The portion of the tax receivable that is not collected within 45 days after year-end is shown as unavailable revenue in the fund financial statements. The tax rate assessed for the year ended June 30th was \$.08 per \$100 valuation. A penalty of five percent of the tax is assessed after the applicable payment date. Interest is charged to all unpaid accounts at an annual rate of ten percent.

H. Inventories

Inventories consist of expendable supplies held for consumption. Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

I. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30th are reported as prepaids using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

J. Investment in Electric Cooperative

Investment in electric cooperative reflects the Town's member equity in a cooperative. The Town receives an allocation each year based on patronage. The current policy of the cooperative Board of Directors is to retire allocations on a 15-year schedule, and thus the investment is considered long-term.

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are assets with an initial, individual cost of more than \$5,000 and a useful life of more than one year. Infrastructure assets capitalized have an original cost of \$25,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Assets received in a service concession arrangement are reported at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

L. Capital Assets (Continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and land improvements	10-50 years
Utility systems	10-35 years
Machinery, equipment, vehicles	5-15 years
Infrastructure	20-35 years

Leased assets and SBITAs are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statements that present financial position report a separate section for deferred outflows of resources which represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements that represent financial condition report a separate section for deferred inflows of resources. This separate financial element represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The Town has the following items that qualify for reporting as deferred inflows or outflows:

- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over a closed five-year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes of assumptions. This difference will be recognized in pension or OPEB expense over a closed five-year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes in a proportionate share that will be recognized in OPEB expense over the average expected remaining service lives of all employees provided with benefits. This may be reported as a deferred outflow or a deferred inflow as appropriate.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

M. Deferred Outflows/Inflows of Resources (Continued)

- Unavailable revenue occurs only under the modified accrual basis of accounting and is reported only in the governmental fund balance sheet. The governmental fund reports unavailable revenue from property taxes and other receivables not collected within 45 days of year-end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

N. Pensions and Other Postemployment Benefits (OPEB)

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

O. Compensated Absences

The Town has policies that allow for the accumulation and vesting of limited amounts of paid time off until termination or retirement. The amounts of such absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds when the leave is due and payable.

P. Long-Term Debt

All long-term debt to be repaid from governmental and business-type resources is reported as a liability in the government-wide statements. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest is reported as an expenditure. The accounting for the proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

Q. Net Position/Fund Balance

Net position in the government-wide and proprietary financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through state statute.

Fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental fund.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Q. Net Position/Fund Balance (Continued)

The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of inter-fund loans.
- **Restricted** – 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** – Amounts constrained to specific purposes by the Town, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** – Amounts the Town intends to use for a specified purpose; intent can be expressed by Council.
- **Unassigned –** Amounts that are available for any purpose; positive amounts are reported only in the general fund.

Council establishes fund balance commitments by passage of an ordinance or resolution. This is typically done through the adoption and amendment of the budget. The assigned fund balance is established by Council through the adoption or amendment of the budget as intended for a specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes). The fund balance is restricted to the net pension asset.

R. Restricted Resources

Unless stipulated by grant or other governmental restriction, the Town applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

S. Cash Reserve Policy

Town Council has formally adopted by resolution a requirement to establish and maintain a reserve equal to a minimum of $2,400,000 to provide the Town adequate funds to pay sewer authority fees and six months of budgeted general fund expenditures. The purpose of the safety net reserve is to protect the Town from unplanned changes at its major utility customer. Funds are currently held in the water and sewer fund.

Funds to be used from the reserve must be appropriated through the annual budget ordinance or by a budget amendment ordinance approved and adopted by Town Council. The Town is required to restore the minimum balance within the following three fiscal years.

Note 1. Summary of Significant Accounting Policies (Continued)

T. Interfund Transfers

The composition of inter-fund transfers is as follows:

Transfer Out Fund	Transfer In Fund	Amount
Water and Sewer	General Fund	$ 897,336

The transfer from the water and sewer fund to the general fund is to support the general operating expenditures of the Town.

U. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. The Town does not have any encumbrances as of year-end.

V. Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

Note 2. Deposits and Investments

Deposits

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

Note 2. Deposits and Investments

Investments

Investment Policy:

Statutes authorize the Town to invest in obligations of the United States or agencies thereof; obligations of the Commonwealth of Virginia or political subdivisions thereof; obligations of the International Bank for Reconstruction and Development (World Bank); the Asian Development Bank; the African Development Bank; "prime quality" commercial paper and certain corporate notes; banker's acceptances; repurchase agreements; the Virginia State Non-Arbitrage Program (SNAP); and the State Treasurer's Local Government Investment Pool (LGIP).

As of June 30th, the Town had the following deposits and investments:

Type	Fair Value	Credit Rating	Percent of Portfolio
Demand deposits	$ 1,159,306	N/A	22.35 %
Certificates of deposit maturing in:			
Three months or less	693,690	N/A	13.36
More than three months	3,336,664	N/A	64.29
	$ 5,189,660		100.00 %

Reconciliation of deposits and investments to Exhibit 1:	
Cash and cash equivalents	$ 1,852,996
Investments	3,336,664
Total deposits and investments	$ 5,189,660

Credit Risk:

As required by state statute, commercial paper must have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following; Moody's Investors Service, Standard & Poor's, and Fitch Investor's Service, provided that the issuing corporation has a net worth of $50 million and its long-term debt is rated A or better by Moody's and Standard & Poor's. Bankers acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service and a rating of at least AA by Standard & Poor's and AA by Moody's Investor Service for maturities over one year and not exceeding five years. Open-end investment funds must be registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein. Commonwealth of Virginia and Virginia Local Government Obligations secured by debt service reserve funds not subject to annual appropriation must be rated AA or higher by Moody's or Standard & Poor's. Repurchase agreements require that the counterparty be rated "A" or better by Moody's and Standard & Poor's.

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Concentration of Credit Risk:

Although the intent of the Policy is for the Town to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity, the Policy places no limit on the amount the Town may invest in any one issuer.

Interest Rate Risk:

As of June 30th, all certificates of deposit have original maturities ranging from August 2023 through March 2026. The Town does not have a formal policy limiting investment maturities.

Custodial Credit Risk:

As required by the *Code of Virginia*, all security holdings with maturities over 30 days must be registered in the Town's name. As of June 30th, the Town has no investments subject to custodial credit risk.

Note 3. Receivables

Receivables are as follows:

	General	Water and Sewer	Total
Taxes	$ 84,527	$ -	$ 84,527
Accounts	59,239	458,084	517,323
	$ 143,766	$ 458,084	$ 601,850

Note 4. Due from Other Governmental Units

Amounts due from other governmental units are as follows:

Commonwealth of Virginia:	
Department of Taxation	$ 2,868
County of Rockingham, Virginia:	
Sales tax collected for the Town	21,643
	$ 24,511

Note 5. Capital Assets

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Capital assets, not depreciated					
Land	$ 859,916	$ -	$ -	$ -	$ 859,916
Total capital assets, Not depreciated	859,916	-	-	-	859,916
Capital assets, depreciated					
Buildings and improvements	2,929,973	-	-	-	2,929,973
Machinery and equipment	701,134	-	23,954	12,135	712,953
Vehicles	665,717	-	39,110	90,523	614,304
Land improvements	962,302	-	11,652	-	973,954
Infrastructure	1,645,944	-	-	-	1,645,944
Total capital assets, depreciated	6,905,070	-	74,716	102,658	6,877,128
Less accumulated depreciation:					
Buildings and improvements	962,803	-	67,481	-	1,030,284
Machinery and equipment	610,070	-	61,882	12,135	659,817
Vehicles	529,464	-	64,614	90,523	503,555
Land improvements	412,845	-	58,075	-	470,920
Infrastructure	571,402	-	85,064	-	656,466
Total accumulated depreciation	3,086,584	-	337,116	102,658	3,321,042
Total capital assets, depreciated, net	3,818,486	-	(262,400)	-	3,556,086
Lease Assets:					
Equipment	-	-	34,313	-	34,313
Less accumulated amortization	-	-	6,470	-	6,470
Total lease assets, net	-	-	27,843	-	27,843

(Continued)

Note 5. Capital Assets (Continued)

Governmental Activities (Continued)	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Subscription Assets:					
Subscriptions	-	-	18,626	-	18,626
Less accumulated amortization	-	-	1,550	-	1,550
Total lease assets, net	-	-	17,076	-	17,076
Governmental activities capital assets, net	$ 4,678,402	$ -	$ (217,481)	$ -	$ 4,460,921

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	$ 303,047	$ 10,887	$ -	$ 313,934
Construction in progress	1,597,779	-	1,597,779	-
Total capital assets, not depreciated	1,900,826	10,887	1,597,779	313,934
Capital assets, depreciated				
Utility systems	14,958,063	3,805,378	-	18,763,441
Total capital assets, depreciated	14,958,063	3,805,378	-	18,763,441
Less accumulated depreciation	8,765,724	570,597	-	9,336,321
Total capital assets, depreciated, net	6,192,339	3,234,781	-	9,427,120
Business-type activities capital assets, net	$ 8,093,165	$ 3,245,668	$ 1,597,779	$ 9,741,054

Note 5. Capital Assets (Continued)

Depreciation and amortization expense was charged to functions/programs as follows:

Governmental activities		
General government administration	$	135,932
Public safety		90,429
Public works		83,060
Parks, recreation, and cultural		35,714
Total depreciation and amortization expense – governmental activities	$	345,135
Business-type activities		
Water and sewer	$	570,597

Note 6. Unavailable and Unearned Revenue

The following is a summary of unavailable and unearned revenue:

Autumn Celebration deposits (unearned)	$	44,725
Total unearned	$	44,725
Vehicle license tax (unavailable)	$	3,430
Communications tax (unavailable)		1,394
Real Estate tax (unavailable)		84,527
Total unavailable	$	89,351

Note 7. Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Financed Purchase	$ 14,893	$ -	$ 4,964	$ 9,929	$ 4,964
Leases	-	34,313	6,470	27,843	6,710
Subscriptions	-	18,626	1,550	17,076	9,143
Compensated absences and service benefits	68,151	2,787	-	70,938	-
Total governmental activities	$ 83,044	$ 55,726	$ 12,984	$ 125,786	$ 20,817

Note 7. Long-Term Liabilities (Continued)

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

Governmental Activities

Fiscal Year	Leases Principal	Leases Interest	Subscriptions Principal	Subscriptions Interest	Financed Purchases Principal
2024	$ 6,710	$ 925	$ 9,143	$ 499	$ 4,964
2025	6,958	677	7,933	158	4,965
2026	7,215	419	-	-	-
2027	6,960	150	-	-	-
	$ 27,843	$ 2,171	$ 17,076	$ 657	$ 9,929

Details of outstanding long-term debt are as follows:

On May 25, 2021 the Town entered into a purchase agreement with Axon for the acquisition of seven police tasers. Payments of $4,964 are being made annually, with the agreement ending on May 25, 2025.

The only long-term liabilities in the water and sewer fund consist of compensated absences and service benefits all due within one year.

Note 8. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the Town of Dayton, Virginia (the "Political Subdivision") are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is 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.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

- https://www.varetire.org/members/benefits/defined-benefit/plan1.asp,
- https://www.varetire.org/members/benefits/defined-benefit/plan2.asp,
- https://www.varetirement.org/hybrid.html.

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:

	Members
Inactive members or their beneficiaries currently receiving benefits	16
Inactive members:	
Vested inactive members	4
Non-Vested inactive members	3
Inactive members active elsewhere in VRS	20
Total inactive members	27
Active members	16
Total covered employees	59

(Continued)

Note 8. Defined Benefit 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 political subdivision's contractually required contribution rate for the year ended June 30, 2023 was 11.83% 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 political subdivision were $95,968 and $79,401 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Liability/(Asset)

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

(Continued)

Note 8. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability for General Employees and Public Safety Employees with hazardous duty benefits in the Political Subdivision'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%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service-related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Mortality Table with various setbacks or set forwards for both males and females.

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:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rates; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rate to better-fit experience and increased final retirement age to 70; decreased rates of withdrawal; no change to disability rates; no changes to salary scale; no change to line of duty disability; and no change to discount rate.

Note 8. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	5.71 %	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 %

* The above allocation provides for 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 rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.5%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Note 8. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in the FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of currently active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability/(Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability/(Asset) (a) – (b)**
Balances at June 30, 2021	$ 3,162,265	$ 3,804,427	$ (642,162)
Changes for the year:			
Service cost	122,564	-	122,564
Interest	214,728	-	214,728
Change in Assumptions	-	-	-
Differences between expected and actual experience	291,907	-	291,907
Contributions – employer	-	79,358	(79,358)
Contributions – employee	-	38,991	(38,991)
Net investment income	-	(3,145)	3,145
Benefit payments, including refunds of employee contributions	(207,345)	(207,345)	-
Administrative expenses	-	(2,374)	2,374
Other changes	-	87	(87)
Net changes	421,854	(94,428)	516,282
Balances at June 30, 2022	$ 3,584,119	$ 3,709,999	$ (125,880)

Note 8. Defined Benefit Pension Plan (Continued)

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's net pension liability/(asset)	$ 316,798	$ (125,880)	$ (491,070)

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

For the year ended June 30, 2023, the political subdivision recognized a pension expense of $56,812. At June 30, 2023, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 162,745	$ 39,283
Change in assumptions	19,357	-
Net difference between projected and actual earnings on pension plan investments	-	109,973
Employer contributions subsequent to the measurement date	95,968	-
Total	$ 278,070	$ 149,256

Note 8. Defined Benefit Pension Plan (Continued)

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

The $95,968 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Increase (Reduction) to Pension Expense
2024	$ 66,329
2025	(10,961)
2026	(73,893)
2027	51,371
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans 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 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.

Payables to the Pension Plan

At June 30, 2023, approximately $7,300 was payable to the Virginia Retirement System for the legally required contributions related to June 2023 payroll.

Note 9. Other Postemployment Benefits Liability – Local Plan

Plan Description

The Town provides post-employment medical coverage for retired employees through a single-employer defined benefit plan. The plan is established under the authority of Town Council, which may also amend the plan as deemed appropriate.

Note 9. Other Postemployment Benefits Liability – Local Plan (Continued)

Plan Description (Continued)

Participants in the Town's OPEB plan must meet eligibility requirements based on service earned with the Town to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are not eligible for the benefit. Participants must meet eligibility for retirement or disability retirement with VRS to be eligible for health benefits.

Benefits Provided

Health benefits include medical, dental, and vision insurance. Retirees may also elect to cover eligible spouses and/or dependents. Participating retirees pay 100% of the monthly premium cost to continue with the Town's insurance plans. Benefits end at the earlier of the retiree's death or attainment of age 65.

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	Members
Active plan members	23

Total OPEB Liability

The Town's total OPEB liability of $420,739 was measured as of June 30, 2023 and was determined based on an actuarial valuation performed as of June 30, 2023.

(Continued)

Note 9. Other Postemployment Benefits Liability – Local Plan (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement unless otherwise specified:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll
Inflation (Discount Rate)	3.65%
Salary increases, including inflation	4.00%
Healthcare cost trend rates	Vision 3.00% Dental 3.00-3.50% Medical 4.20-4.80% Pharmacy 4.20-5.20%
Retirees' share of benefit-related costs	100%

Mortality rates: Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for ten years.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an internal analysis performed during 2023.

Changes in the Total OPEB Liability

Balance at June 30, 2022	$ 271,256
Changes for the prior year	
Service cost	51,055
Interest on Total OPEB Liability	11,281
Benefit payments	-
Effect of Economic/Demographic Gains or Losses	95,421
Effect of Assumptions Changes or Inputs	(8,274)
Net changes	149,483
Balance at June 30, 2023	$ 420,739

Note 9. Other Postemployment Benefits Liability – Local Plan (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.65%) or one percentage point higher (4.65%) than the current discount rate:

	1.00% Decrease (2.65%)	Current Discount Rate (3.65%)	1.00% Increase (4.65%)
Total OPEB liability	$ 480,808	$ 420,739	$ 371,117

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1.00% Decrease (2.00% - 4.20%)	Current Healthcare Cost Trend Rates (3.00%- 5.20%)	1.00% Increase (4.00%- 6.20%)
Total OPEB liability	$ 360,206	$ 420,739	$ 494,641

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the Town recognized OPEB expense of $149,483. At June 30, 2023, the political subdivision did not have deferred outflows of resources and deferred inflows of resources related to OPEB to report.

Note 10. Other Postemployment Benefits Liability – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Town also participates in one cost-sharing other post-employment benefit plan, described as follows.

Plan Description

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. 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 program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp

The GLI is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple-employer, cost-sharing plan.

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as June 30, 2021. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	*Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2023 Contribution	$4,811
June 30, 2022 Contribution	$4,550

Note 10. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Contributions (Continued)

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 the Chapter 1 of the 2022 Appropriation Act.

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

The net OPEB liabilities were measured as of June 30, 2022 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the net OPEB liabilities was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2023 proportionate share of liability	$47,080
June 30, 2022 proportion	0.00391%
June 30, 2021 proportion	0.00377%
June 30, 2023 expense (income)	($695)

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

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

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,728	$ 1,889
Changes of assumptions	1,756	4,586
Net difference between projected and actual earnings on OPEB plan investments	-	2,942
Change in proportionate share	4,859	5,025
Employer contributions subsequent to the measurement date	4,811	-
Total	$ 15,154	$ 14,442

Note 10. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

The deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net 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 OPEB will be recognized in OPEB expense in future reporting periods as follows:

Group Life Insurance Program

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2024	$ (1,634)
2025	(1,611)
2026	(1,779)
2027	951
2028	(26)
Thereafter	-

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2021, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

Inflation	2.5%
Salary increases, including inflation:	
• Locality- general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.00 – 4.75%
• Ages 65 and older	5.25 – 4.75%
Investment rate of return, net of expenses, including inflation	6.75%

Note 10. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Actuarial Assumptions and Other Inputs (Continued)

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail in Note 8.

Net OPEB Liabilities

The net OPEB liabilities represent the VRS 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, net OPEB liability amounts are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB Liability	$ 3,672,085
Plan fiduciary net position	2,467,989
Employers' net OPEB liability	$ 1,204,096
Plan fiduciary net position as a percentage of total OPEB liability	67.21%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS investments was determined in a manner similar to that of the VRS pension described in Note 8.

Note 10. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Discount Rate

The discount rate used to measure the GLI OPEB liabilities 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 Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of 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 OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	$ 68,507	$ 47,080	$ 29,764

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2022 *Comprehensive Annual 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.

Payables to the OPEB Plan

At June 30, 2023, the Town had $362 payable to the Virginia Retirement System for the legally required contributions related to June 2023 payroll.

Note 11. Jointly Governed Organization

The Town is a full member of the Harrisonburg-Rockingham Regional Sewer Authority whereby the Authority has agreed to provide wastewater treatment for the benefit of the Town and the other member municipalities. Each member pays its pro rata share of the operating expenses and debt service of the Authority. Members include the City of Harrisonburg, the County of Rockingham, and the Towns of Bridgewater, Dayton, and Mt. Crawford. Charges are submitted to the members monthly based on their respective usage of the sewage treatment facilities. The Town does not have an ongoing financial interest in the Authority since it does not have access to the Authority's resources or surpluses, nor is it liable for the Authority's debts or deficits.

Based on the current average usage, the Town's total assessment for the Authority's operating, debt service, and capital expenditures for fiscal year 2023 approximates $1,813,000.

A copy of the annual audit report can be obtained by contacting the Harrisonburg-Rockingham Regional Sewer Authority, P.O. Box 8, 856 North River Rd, Mt. Crawford, Virginia 22841.

Note 12. Major Customer

The Town has one major water and sewer customer. For the current year, water and sewer revenue from this customer was approximately $4,022,943, or 91% of water and sewer operating revenues. Accounts receivable from this customer amounted to approximately $311,000 or 68% of water and sewer receivables at June 30, 2023.

Note 13. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To reduce insurance costs and the need for self-insurance, the Town has joined with other municipalities in the Commonwealth of Virginia in a public entity risk pool that operates as a common risk management and insurance program for member municipalities. The Town is not self-insured.

The Town has insurance coverage with VML Insurance Programs. Each Association member jointly and severally agrees to assume, pay, and discharge any liability. The Town pays contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion that the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Town's settled claims have not exceeded insurance coverage in any of the past three fiscal years.

Note 14. Leases

During 2023, the Town implemented the guidance of GASBS No. 87, *Lease*s. In instances where the Town is the lessee, the right-to-use asset information can be found in Note 5, and the corresponding liabilities and maturity schedules are provided in Note 7. Details of significant leases are described below.

(Continued)

Note 14. Leases (Continued)

During 2023, the Town entered into a lease for server equipment for a term of 60 months. Minimum lease payments are $636 on a monthly basis. For the purpose of discounting future payments, the Town imputed an interest rate of 3.65%.

Note 15. Subscription-Based Information Technology Arrangements

During 2023, the Town implemented the guidance of GASBS No. 96, *Subscription-Based Information Technology Arrangements*. In instances where the Town is the lessee, the right-to-use asset information can be found in Note 5, and the corresponding liabilities and maturity schedules are provided in Note 7. Details of significant leases are described below.

During 2023, the Town entered a subscription-based technology arrangement for a term of 24 months. Minimum payments are $804 on a monthly basis. For the purpose of discounting future payments, the Town imputed an interest rate of 3.65%.

Note 16. New Accounting Standards

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 11

TOWN OF DAYTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2023

	Plan Year						
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Total Pension Liability/(Asset)							
Service cost	$ 122,564	$ 121,636	$ 112,836	$ 107,224	$ 110,272	$ 104,350	$ 92,920
Interest on total pension liability	214,728	208,908	202,336	218,981	213,220	214,347	196,059
Changes of assumptions	-	157,615	-	88,634	-	(23,806)	-
Difference between expected and actual experience	291,907	(319,877)	(18,361)	(368,912)	(32,513)	(112,947)	107,453
Benefit payments, including refunds of employee contributions	(207,345)	(201,891)	(197,025)	(156,272)	(261,079)	(135,009)	(135,354)
Net change in total pension liability	421,854	(33,609)	99,786	(110,345)	29,900	46,935	261,078
Total pension liability - beginning	3,162,265	3,195,874	3,096,088	3,206,433	3,176,533	3,129,598	2,868,520
Total pension liability - ending	$ 3,584,119	$ 3,162,265	$ 3,195,874	$ 3,096,088	$ 3,206,433	$ 3,176,533	$ 3,129,598
Plan Fiduciary Net Position							
Contributions - employer	$ 79,358	$ 73,710	$ 97,342	$ 85,739	$ 86,381	$ 82,752	$ 93,620
Contributions - employee	38,991	36,504	36,061	31,825	39,168	37,711	37,308
Net investment income (loss)	(3,145)	830,257	58,589	194,850	205,327	311,886	44,324
Benefit payments, including refunds of employee contributions	(207,345)	(201,891)	(197,025)	(156,272)	(261,079)	(135,009)	(135,354)
Administrative expenses	(2,374)	(2,097)	(2,012)	(1,917)	(1,835)	(1,779)	(1,546)
Other	87	78	(69)	(123)	(181)	(279)	(19)
Net change in plan fiduciary net position	(94,428)	736,561	(7,114)	154,102	67,781	295,282	38,333
Plan fiduciary net position - beginning	3,804,427	3,067,866	3,074,980	2,920,878	2,853,097	2,557,815	2,519,482
Plan fiduciary net position - ending	$ 3,709,999	$ 3,804,427	$ 3,067,866	$ 3,074,980	$ 2,920,878	$ 2,853,097	$ 2,557,815
Net pension liability/(asset) - ending	$ (125,880)	$ (642,162)	$ 128,008	$ 21,108	$ 285,555	$ 323,436	$ 571,783
Plan fiduciary net position as a percentage of total pension liability/(ass	104%	120%	96%	99%	91%	90%	82%
Covered payroll	$ 851,066	$ 778,991	$ 769,456	$ 659,574	$ 788,229	$ 660,168	$ 801,047
Net pension liability as a percentage of covered payroll	-15%	-82%	17%	3%	36%	49%	71%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this statement.

EXHIBIT 12

TOWN OF DAYTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2023

Town Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a percentage of Covered Payroll
2023	$ 95,968	$ 95,968	$ -	$ 811,417	11.83%
2022	79,401	79,401	-	851,066	9.33%
2021	73,710	73,710	-	778,991	9.46%
2020	97,342	97,342	-	769,456	12.65%
2019	85,739	85,739	-	659,574	13.00%
2018	86,381	86,381	-	788,229	10.96%
2017	82,752	82,752	-	660,168	12.53%
2016	93,620	93,620	-	801,047	11.69%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

EXHIBIT 13

TOWN OF DAYTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY AND RELATED RATIOS
June 30, 2023

Entity Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Group Life Insurance - General Employees					
2023	0.00391%	$ 47,080	$ 851,066	5.53%	67.21%
2022	0.00377%	43,893	778,991	5.63%	67.45%
2021	0.00374%	62,414	769,456	8.11%	52.64%
2020	0.00337%	55,000	659,574	8.34%	52.00%
2019	0.00423%	65,000	788,229	8.25%	51.22%

Schedules are intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is twelve months prior to the entity's fiscal year.

EXHIBIT 14

SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2023

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Group Life Insurance - General Employees					
2023	$ 4,811	$ 4,811	$ -	$ 811,417	0.59%
2022	4,550	4,550	-	851,066	0.53%
2021	4,207	4,207	-	778,991	0.54%
2020	4,005	4,005	-	769,656	0.52%
2019	3,430	3,430	-	659,574	0.52%

Schedules are intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e., the covered payroll on which required contributions were based for the same year.

The Notes to Required Supplementary Information are an integral part of this statement.

EXHIBIT 15

TOWN OF DAYTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS - LOCAL PLAN
June 30, 2023

	Plan Year			
	2022	2021	2020	2019
Total OPEB Liability				
Service cost	$ 51,055	$ 51,055	$ 51,055	$ 79,138
Interest on total OPEB liability	11,281	-	-	-
Effect of economic/demographic gains or losses	95,421	-	-	-
Benefit payments	-	(51,055)	(51,055)	(79,138)
Change in assumptions	(8,274)	-	(269,767)	-
Net change in total OPEB liability	149,483	-	(269,767)	-
Total OPEB liability - beginning	271,256	271,256	541,023	541,023
Total OPEB liability - ending	$ 420,739	$ 271,256	$ 271,256	$ 541,023
Covered payroll	$ 851,066	$ 778,991	$ 769,656	$ 659,574
Net OPEB liability as a percentage of covered payroll	49%	35%	35%	82%

The plan year above is reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2017 information was presented in the entity's fiscal year 2018 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

Change in assumptions for the plan year 2020 is due to the Town no longer providing post-65 coverage.

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

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

Note 2. 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:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

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

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to line of duty rates.
- No change to discount rate.

(Continued)

Note 2. Changes of Assumptions (Continued)

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal 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.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

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COMPLIANCE SECTION

INDEPENDENT AUDITOR'S 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 Dayton, Virginia
Dayton, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Dayton, Virginia (the "Town"), 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, and have issued our report thereon dated November 1, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 questioned costs as items 2023-001 and 2023-002 that we consider to be material weaknesses.**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.**

Town of Dayton's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 1, 2023

TOWN OF DAYTON, VIRGINIA

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2023

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2023-001: Segregation of Duties (Material Weakness)

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A proper segregation of duties has not been established in functions related to cash receipts, accounts receivable, cash disbursements, and accounts payable.

Recommendation:

Steps should continue to be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

Management's Response:

Management understands the concern expressed with this finding and is working to correct these issues.

2023-002: Audit Adjustments (Material Weakness)

Condition:

Audit procedures resulted in material audit adjustments to the financial statements.

Recommendation:

We recommend that the Town create monthly and annual checklists for accrual entries.

Management's Response:

The Town underwent transitions in key personnel positions. Employees will continue to be trained and more prepared for the FY23 audit.

TOWN OF DAYTON, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2023

A. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

2022-001: Coronavirus State and Local Fiscal Recovery Funds – AL# 21.027, Reporting, Significant Deficiency

Condition:

During the current audit, we noted that there were no written procurement policies specific to federal awards cost principle requirements under Uniform Grant Guidance.

Criteria:

Federal award recipients must have written policies, procedures, and standards of conduct as required by 2 CFR 200, subparts D and E.

Cause:

Required policies are not present.

Effect:

Lack of policies could create noncompliance with regulations as stated requirements may not be followed.

Questioned Cost Amount:

N/A

Perspective Information:

Impacts all federal award programs.

Context:

N/A

Recommendation:

We recommend that procurement policies and financial policies are developed to meet federal standards.

Current Status: Still applicable.