



**TOWN OF DUMFRIES, VIRGINIA**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**TOWN OF DUMFRIES, VIRGINIA**

**PRINCIPAL OFFICIALS**

**TOWN COUNCIL AND EXECUTIVE OFFICERS**

**Mayor**

Derrick R. Wood

**Vice-Mayor**

Monae S. Nickerson

**Town Manager**

Keith Rogers, Jr.

**Town Treasurer**

Kimberly Goodwin

**Chief of Police**

Vernon Galyen

**Town Clerk**

Dawn Leander, MMC

**COUNCIL MEMBERS**

Tyrone Brown  
Brian K. Fields  
Selonia B. Miles

Cydney A. Neville  
Shaun Peet

**TOWN OF DUMFRIES, VIRGINIA**

Financial Report  
For the Year Ended June 30, 2021

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Financial Report  
For the Year Ended June 30, 2021

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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**Independent Auditors' Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Town of Dumfries, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

***Auditors' Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Dumfries, Virginia, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note 1 to the financial statements, in 2021, the Town of Dumfries, Virginia adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding located on pages 4-9, 67 and 68-82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Dumfries, Virginia's basic financial statements. The supporting schedule and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2022 on our consideration of Town of Dumfries, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Dumfries, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Dumfries, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia  
March 10, 2022



## Town of Dumfries Management's Discussion and Analysis

The following discussion provides an overview and analysis of Town of Dumfries's (Town) financial activities for the fiscal year ended June 30, 2021. Please read this information in conjunction with the Town's audited financial statements as reported herein.

### Financial Highlights

- The assets and deferred outflows of resources of the Town of Dumfries, on a government-wide basis exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$8,094,932 (net position). Of that, \$3,645,559 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The total assets of the Town's governmental activities for fiscal year ended June 30, 2021 were \$21,936,910.
- For the year ended June 30, 2021, the Town of Dumfries's governmental activities reported a positive change in net position of \$778,577.
- The Town's bonds had a net decrease by \$345,000 due to debt repayment and the Town's compensated absences liabilities increased by \$30,931.
- Net pension liability as of June 30, 2021 was \$613,596 and there was a net pension liability at June 30, 2020 of \$236,921 resulting in a net increase in liability of \$376,675.
- Net OPEB liabilities as of June 30, 2021 was \$361,293 and there was a net OPEB Liabilities at June 30, 2020 of \$389,188 resulting in a net decrease in liability of \$27,895.

### Overview of the Financial Statements

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

### Government-wide financial statements

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

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

## Government-wide financial statements (Continued)

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

## Fund financial statements

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

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

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

## Notes to the Financial Statements

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

## Other information

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

## Government-wide Financial Analysis

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

Statement of Net Position			
As of June 30, 2021 and 2020			
	Governmental Activities		
	2021	2020	
Current and other assets	\$ 9,043,708	\$ 6,172,087	
Capital assets	12,893,202	13,082,843	
Total assets	\$ 21,936,910	\$ 19,254,930	
Deferred outflows of resources	\$ 605,948	\$ 440,883	
Total assets and deferred outflows	\$ 22,542,858	\$ 19,695,813	
Current and other liabilities	\$ 3,081,096	\$ 1,550,873	
Long-term liabilities	9,937,109	10,015,629	
Total liabilities	\$ 13,018,205	\$ 11,566,502	
Deferred inflows of resources	\$ 1,429,721	\$ 812,956	
Net position:			
Net investment in capital assets	\$ 4,449,373	\$ 4,181,063	
Unrestricted	3,645,559	3,135,292	
Total net position	\$ 8,094,932	\$ 7,316,355	
Total liabilities, deferred inflows, and net position	\$ 22,542,858	\$ 19,695,813	

The net position for the Town totals \$8,094,932 which is an increase of \$778,577 (10.64%) over the previous fiscal year.

## Government-wide Financial Analysis (Continued)

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

Statement of Activities			
For the Year Ended June 30, 2021 and 2020			
	Governmental Activities		
	2021	2020	
<b>Revenues:</b>			
Program Revenues:			
Charges for services	\$ 673,527	\$ 468,747	
Operating grants & contributions	1,549,918	816,562	
General Revenues:			
Real estate taxes	922,836	961,660	
Other local taxes	2,705,861	2,086,465	
Miscellaneous	44,162	42,611	
Unrestricted investment earnings	624,924	599,098	
Grants and contributions not restricted to specific programs	216,108	270,178	
<b>Total revenues</b>	<b>\$ 6,737,336</b>	<b>\$ 5,245,321</b>	
<b>Expenses:</b>			
Administration	\$ 2,071,266	\$ 1,346,969	
Public safety	1,342,307	1,142,384	
Public works	1,737,446	1,462,804	
Community development	501,329	422,311	
Interest on long-term debt	306,411	610,019	
<b>Total expenses</b>	<b>\$ 5,958,759</b>	<b>\$ 4,984,487</b>	
Change in net position	\$ 778,577	\$ 260,834	
<b>Net position beginning of year</b>	<b>7,316,355</b>	<b>7,055,521</b>	
<b>Net position end of year</b>	<b>\$ 8,094,932</b>	<b>\$ 7,316,355</b>	

Governmental Activities. For fiscal year 2021, the real estate tax rate was \$0.19 per \$100 of assessed value.

## Financial Analysis of the Town's Funds

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

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

At the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$4,635,574, an increase of \$469,460 in comparison with the prior year. Of this total amount, \$3,824,641 or 83% constitutes the unassigned fund balance. The remaining \$810,933 consists of the restricted, committed and assigned fund balances designated for various items.

The General Fund is the Town's primary operating fund. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$3,824,641.

### General Fund Budgetary Highlights

There was one amendment to the General Fund budget during the year ended June 30, 2021 in the amount \$380,384 for the administration of COVID-19 emergency/local response and Dumfries CARES Grant Program.

### Capital Assets and Debt Administration

**Capital assets:** The Town's investment in capital assets for its governmental activities totaled \$12,893,202, net of accumulated depreciation. This is a decrease of \$189,641 from the previous year. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment, and construction in progress. This increase is primarily due to increases of construction in progress related to roads projects and repayment of related long-term debt.

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

**Long-term obligations:** At the end of the current fiscal year, the Town had total outstanding long-term obligations of \$9,937,109. The decrease of \$78,520 from the prior year primarily represents the payment of debt service offset by a net increase in the net pension liability. Debt service repayments during the year totaled \$773,481. The liability balances for compensated absences increased by \$30,931, the net pension liability increased \$376,675 and net OPEB liabilities decreased by \$27,895.

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

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

## **Economic Factors**

- The Town continues to closely monitor economic impacts caused by the COVID-19 global health pandemic.
- Economic Vitality is one of the primary areas of focus for the Town of Dumfries. As a dense urban area within the Northern Virginia region there is a finite amount of land available for new construction and, as a result, there continues to be a need to encourage redevelopment options within the Town limits. The Town currently has multiple major development projects underway that will increase the local housing stock and redevelop historically underutilized parcels. These projects will also bring additional commercial business to the Town.
- The Route 1 widening project continues to progress. The project is fully funded through competitive grants and Right of Way acquisition is expected to begin in the Summer of 2022. Once completed, the project will result in all lanes of Route 1 through the Town of Dumfries being located where the northbound only lanes currently run. That will allow the present southbound lanes to revert to a “Main Street” setting that will encourage development and redevelopment. The Town has completed a revision of the local Comprehensive Plan which includes the vision for how this new “Main Street” will look. These updated documents will work to encourage future economic development.

## **Requests for Information**

This financial report is designed to provide a general overview of the Town’s financial condition as of fiscal year ended June 30, 2021. Questions concerning this report or requests for additional information should be directed to the Treasurer, Town of Dumfries, 17739 Main Street, Suite 200 Dumfries, VA 22026.

## **Basic Financial Statements**

**Government-wide Financial Statements**



Statement of Net Position  
June 30, 2021

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,111,041
Receivables (net of allowance for uncollectibles):	
Taxes receivable	618,505
Accounts receivable	93,035
Due from other governmental units	534,357
Prepaid items	16,409
Restricted assets:	
Cash and cash equivalents	386,361
Notes receivable	284,000
Capital assets (net of accumulated depreciation):	
Land	1,061,765
Buildings and improvements	5,135,698
Machinery and equipment	279,508
Infrastructure	5,869,386
Construction in progress	546,845
Total assets	\$ <u>21,936,910</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related items	\$ 387,874
OPEB related items	<u>218,074</u>
Total deferred outflows of resources	\$ <u>605,948</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 327,355
Accrued liabilities	155,605
Escrow and other deposits	166,058
Accrued interest payable	69,054
Unearned revenue	2,363,024
Long-term liabilities:	
Due within one year	367,119
Due in more than one year	9,569,990
Total liabilities	\$ <u>13,018,205</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
OPEB related items	\$ 119,480
Deferred revenue - property taxes	526,241
Deferred revenue - sale of future lease rights	<u>784,000</u>
Total deferred inflows of resources	\$ <u>1,429,721</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 4,449,373
Unrestricted	3,645,559
Total net position	\$ <u><u>8,094,932</u></u>

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

Statement of Activities  
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues					Net (Expense) Revenue and
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Position	
					Primary Government	
					Governmental Activities	
<b>PRIMARY GOVERNMENT:</b>						
Governmental activities:						
General government administration	\$ 2,071,266	\$ 64,105	\$ 146,068	\$ -	\$ (1,861,093)	
Public safety	1,342,307	-	527,584	-	(814,723)	
Public works	1,737,446	-	766,071	-	(971,375)	
Community development	501,329	609,422	110,195	-	218,288	
Interest on long-term debt	306,411	-	-	-	(306,411)	
Total governmental activities	\$ 5,958,759	\$ 673,527	\$ 1,549,918	\$ -	\$ (3,735,314)	
General revenues:						
General property taxes					\$ 922,836	
Local sales and use taxes					553,167	
Consumers' utility taxes					205,340	
Business licenses					513,917	
Restaurant food taxes					759,611	
Transient occupancy taxes					159,004	
Cigarette tax					194,082	
Other local taxes					320,740	
Unrestricted revenues from use of money and property					624,924	
Miscellaneous					44,162	
Grants and contributions not restricted to specific programs					216,108	
Total general revenues					\$ 4,513,891	
Change in net position					\$ 778,577	
Net position - beginning					7,316,355	
Net position - ending					\$ 8,094,932	

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

## **Fund Financial Statements**

Balance Sheet  
 Governmental Funds  
 June 30, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,056,175	\$ 54,866	\$ 7,111,041
Receivables (net of allowance for uncollectibles):			
Taxes receivable	618,505	-	618,505
Accounts receivable	93,035	-	93,035
Due from other governmental units	134,357	400,000	534,357
Prepaid items	16,409	-	16,409
Notes receivable	284,000	-	284,000
Restricted assets:			
Cash and cash equivalents	386,361	-	386,361
Total assets	\$ <u>8,588,842</u>	\$ <u>454,866</u>	\$ <u>9,043,708</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 276,543	\$ 50,812	\$ 327,355
Accrued liabilities	155,605	-	155,605
Escrow and other deposits	166,058	-	166,058
Unearned revenue	2,363,024	-	2,363,024
Total liabilities	\$ <u>2,961,230</u>	\$ <u>50,812</u>	\$ <u>3,012,042</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	\$ 612,092	\$ -	\$ 612,092
Unavailable revenue - sale of future lease rights	784,000	-	784,000
Total deferred inflows of resources	\$ <u>1,396,092</u>	\$ <u>-</u>	\$ <u>1,396,092</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid items	\$ 16,409	\$ -	\$ 16,409
Restricted:			
Asset forfeiture	524	-	524
Courthouse maintenance funds	3,585	-	3,585
Debt reserve funds	386,361	-	386,361
Assigned:			
Capital projects	-	404,054	404,054
Unassigned:			
General fund	3,824,641	-	3,824,641
Total fund balances	\$ <u>4,231,520</u>	\$ <u>404,054</u>	\$ <u>4,635,574</u>
Total liabilities, deferred inflows of resources and fund balances	\$ <u>8,588,842</u>	\$ <u>454,866</u>	\$ <u>9,043,708</u>

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

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

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	4,635,574	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			12,893,202
Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds.			
Unavailable revenue - property taxes			85,851
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	387,874	
OPEB related items		<u>218,074</u>	605,948
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expense when due.			(69,054)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Bonds payable	\$	(8,756,000)	
Bond premium		(74,190)	
Compensated absences		(132,030)	
Net pension liability		(613,596)	
Net OPEB liabilities		<u>(361,293)</u>	(9,937,109)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
OPEB related items			<u>(119,480)</u>
Net position of governmental activities	\$		<u><u>8,094,932</u></u>

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

## Statement of Revenues, Expenditures, and Changes in Fund Balances

## Governmental Funds

For the Year Ended June 30, 2021

	General	Capital Projects	Total
<b>REVENUES</b>			
General property taxes	\$ 902,874	\$ -	\$ 902,874
Other local taxes	2,705,861	-	2,705,861
Permits, privilege fees, and regulatory licenses	609,422	-	609,422
Fines and forfeitures	64,105	-	64,105
Revenue from the use of money and property	624,924	-	624,924
Miscellaneous	44,162	-	44,162
Intergovernmental:			
Commonwealth	692,614	238,085	930,699
Federal	835,327	-	835,327
Total revenues	\$ 6,479,289	\$ 238,085	\$ 6,717,374
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 1,941,341	\$ -	\$ 1,941,341
Public safety	1,183,839	-	1,183,839
Public works	1,267,058	-	1,267,058
Community development	450,069	-	450,069
Capital projects	80,677	551,449	632,126
Debt service:			
Principal retirement	371,651	81,537	453,188
Interest and other fiscal charges	319,363	930	320,293
Total expenditures	\$ 5,613,998	\$ 633,916	\$ 6,247,914
Excess (deficiency) of revenues over (under) expenditures	\$ 865,291	\$ (395,831)	\$ 469,460
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ 454,971	\$ 454,971
Transfers out	(454,971)	-	(454,971)
Total other financing sources (uses)	\$ (454,971)	\$ 454,971	\$ -
Net change in fund balances	\$ 410,320	\$ 59,140	\$ 469,460
Fund balances - beginning	3,821,200	344,914	4,166,114
Fund balances - ending	\$ 4,231,520	\$ 404,054	\$ 4,635,574

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

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

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

Net change in fund balances - total governmental funds	\$	469,460
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation or vice versa in the current period.

Capital outlay	\$	393,279	
Depreciation expense		<u>(582,920)</u>	(189,641)

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

Property taxes	19,962
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments	453,188
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in compensated absences	\$	(30,931)	
Change in pension related items		56,510	
Change in OPEB related items		(13,853)	
Amortization of bond premium		5,043	
Change in interest payable		<u>8,839</u>	<u>25,608</u>

Change in net position of governmental activities	\$	<u><u>778,577</u></u>
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The notes to financial statements are an integral part of this statement.

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021

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

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#### Narrative Profile:

Town of Dumfries received its charter in 1749. The Town has a population of 7,300 and a land area of 1.63 square miles.

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

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

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

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

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

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

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



## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

The following is a brief description of the specific funds used by the Town in FY 2021.

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

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

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

**C. Measurement Focus and Basis of Accounting**

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

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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

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

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

#### D. Budgets and Budgetary Accounting

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

##### 1. Budgets and Budgetary Accounting

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

##### 2. Legally Adopted Budgets

The general fund has a legally adopted annual budget.

#### E. Cash and Cash Equivalents

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

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

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**F. Investments**

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

**G. Property Taxes**

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

**H. Allowance for Uncollectible Accounts**

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes for the General Fund was \$11,910 at June 30, 2021.

**I. Capital Assets**

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

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

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

**J. Compensated Absences and Other Employee Benefit Amounts**

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

**K. Long-term Obligations**

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

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

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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#### K. Long-term Obligations: (Continued)

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

#### L. Fund Balance

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

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

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

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

#### M. Credit Risk

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

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

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**N. Use of Estimates**

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

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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup>, and amounts prepaid on the 2<sup>nd</sup> half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on the 2<sup>nd</sup> half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the OPEB liabilities and sale of future lease revenues are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

**P. Net Position**

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

**Q. Net Position Flow Assumption**

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

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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#### R. Pensions

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

#### S. Other Postemployment Benefits

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

#### T. Adoption of Accounting Principles

The Town implemented provisions of Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities during the fiscal year ended June 30, 2021. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. No restatement was required as a result of this implementation.

### NOTE 2—DEPOSITS AND INVESTMENTS:

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#### Deposits:

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

#### Investments:

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

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

### NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

#### Custodial Credit Risk (Investments):

The Town's investments at June 30, 2021 were held by the Town or in the Town's name by the Town's custodial banks.

#### Credit Risk of Debt Securities:

The Town does not have a policy related to credit risk of debt securities. The Town's rated debt investments as of June 30, 2021 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

Town's Rated Debt Investments' Values			
Rated Debt Investments	Fair Quality Rating		
	AAAm	AA+F/S1	
VML/VACO Virginia Investment Pool	\$ -	\$ 1,092,312	
US Revenue Bonds	386,361	-	
Total	\$ 386,361	\$ 1,092,312	

#### Fair Value Measurements:

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

#### Redemption Restrictions:

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

#### Interest Rate Risk:

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

Investment Maturities (in years)		
Investment Type	Fair Value	Less than 1 year
VML/VACO Virginia Investment Pool	\$ 1,092,312	\$ 1,092,312
US Revenue Bonds	386,361	386,361
Total	\$ 1,478,673	\$ 1,478,673



# TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

## NOTE 3—DUE FROM OTHER GOVERNMENTAL UNITS:

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>
Commonwealth of Virginia:		
Department of Environmental Quality \$	-	\$ 400,000
Communications tax	21,491	-
Automobile rental tax	14,649	-
Department of transportation	2,678	-
Prince William County		
Court fees	398	-
Sales tax	95,141	-
Totals	<u>\$ 134,357</u>	<u>\$ 400,000</u>

## NOTE 4—CAPITAL ASSETS:

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

### Governmental Activities:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
Capital assets not being depreciated:				
Land	\$ 1,051,765	\$ 10,000	\$ -	\$ 1,061,765
Construction in progress	502,695	44,150	-	546,845
Total capital assets not being depreciated	<u>\$ 1,554,460</u>	<u>\$ 54,150</u>	<u>\$ -</u>	<u>\$ 1,608,610</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 6,396,339	\$ 163,271	\$ -	\$ 6,559,610
Machinery and equipment	1,383,233	99,398	-	1,482,631
Infrastructure	7,861,510	76,459	-	7,937,969
Total capital assets being depreciated	<u>\$ 15,641,082</u>	<u>\$ 339,128</u>	<u>\$ -</u>	<u>\$ 15,980,210</u>
Accumulated depreciation:				
Buildings and improvements	\$ 1,212,587	\$ 211,325	\$ -	\$ 1,423,912
Machinery and equipment	1,096,128	106,995	-	1,203,123
Infrastructure	1,803,984	264,599	-	2,068,583
Total accumulated depreciation	<u>\$ 4,112,699</u>	<u>\$ 582,919</u>	<u>\$ -</u>	<u>\$ 4,695,618</u>
Total capital assets being depreciated, net	<u>\$ 11,528,383</u>	<u>\$ (243,791)</u>	<u>\$ -</u>	<u>\$ 11,284,592</u>
Governmental activities capital assets, net	<u>\$ 13,082,843</u>	<u>\$ (189,641)</u>	<u>\$ -</u>	<u>\$ 12,893,202</u>

Assets acquired under capital leases included in above:

	<u>Cost</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>
Machinery and equipment	\$ 262,000	\$ 33,877	\$ 114,535
	<u>\$ 262,000</u>	<u>\$ 33,877</u>	<u>\$ 114,535</u>

**TOWN OF DUMFRIES, VIRGINIA**

Notes of Financial Statements  
June 30, 2021 (Continued)

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

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 318,848
Public Safety	87,559
Public Works	133,783
Community Development	<u>42,729</u>
Total	\$ <u>582,919</u>

**NOTE 5—COMPENSATED ABSENCES:**

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

Governmental Funds	\$ <u>132,030</u>
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**NOTE 6—LONG-TERM OBLIGATIONS:**

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

	<u>Balance at July 1, 2020</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2021</u>	<u>Amounts Due Within One Year</u>
Direct Borrowings and Direct Placements:					
General obligation bonds	\$ 7,971,000	\$ -	\$ 210,000	\$ 7,761,000	\$ 209,000
Revenue bonds	1,130,000	-	135,000	995,000	140,000
Other Liabilities:					
Premium on bonds	79,233	-	5,043	74,190	4,916
Capital lease	108,188	-	108,188	-	-
Net pension liability	236,921	735,436	358,761	613,596	-
Net OPEB liabilities	389,188	276,558	304,453	361,293	-
Compensated absences	101,099	40,418	9,487	132,030	13,203
Total Governmental Activities	\$ <u>10,015,629</u>	\$ <u>1,052,412</u>	\$ <u>1,130,932</u>	\$ <u>9,937,109</u>	\$ <u>367,119</u>

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Obligations:

	<u>Amount Outstanding</u>	<u>Amounts Due Within One Year</u>
<u>Revenue Bonds:</u>		
\$1,615,000 Revenue Refunding Bonds, issued May 2010, maturing annually in installments ranging from \$15,000 to \$135,000 through October 1, 2026, interest ranging from 2.20% to 5.20% payable semiannually (1)	\$ 725,000	\$ 110,000
\$485,000 Revenue Refunding Bonds, issued July 2012, maturing annually in installments ranging from \$5,000 to \$45,000 through October 1, 2027, interest ranging from 2.125% to 5.125% payable semiannually (1)	<u>270,000</u>	<u>30,000</u>
Total revenue bonds	\$ <u>995,000</u>	\$ <u>140,000</u>
<u>General Obligation Bonds:</u>		
\$1,850,000 General Refunding Bond, issued May 2020, maturing annually in installments ranging from \$99,000 to \$167,000 through Feb 1, 2041 interest at 2.80% payable semiannually (1)	\$ 2,616,000	\$ 99,000
\$1,850,000 General Obligation Public Improvement Bond, issued April 2018, maturing annually in installments ranging from \$30,000 to \$100,000 through April 1, 2048 interest ranging from 3.625% to 5.125% payable semiannually (1)	1,750,000	35,000
\$3,610,000 General Obligation Public Improvement Bond, issued April 2018, maturing annually in installments ranging from \$70,000 to \$205,000 through April 1, 2048, interest ranging from 2.300% to 4.190% payable semiannually (1)	<u>3,395,000</u>	<u>75,000</u>
Total general obligation bonds	\$ <u>7,761,000</u>	\$ <u>209,000</u>
Premium on bonds	\$ <u>74,190</u>	\$ <u>4,916</u>
Net pension liability	\$ <u>613,596</u>	\$ <u>-</u>
Net OPEB liabilities	\$ <u>361,293</u>	\$ <u>-</u>
Compensated absences	\$ <u>132,030</u>	\$ <u>13,203</u>
Total Governmental Activities	<u>\$ 9,937,109</u>	<u>\$ 367,119</u>

(1) Represents direct borrowings and direct placements

**TOWN OF DUMFRIES, VIRGINIA**

Notes of Financial Statements  
June 30, 2021 (Continued)

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**NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)**

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

Year	Direct Borrowings and Direct Placement General Obligation and Revenue Bonds	
	Principal	Interest
2022	\$ 349,000	\$ 320,012
2023	363,000	306,555
2024	382,000	291,962
2025	386,000	276,744
2026	415,000	260,790
2027	419,000	244,162
2028	297,000	230,488
2029	266,000	220,403
2030	269,000	210,923
2031	281,000	201,084
2032	289,000	191,290
2033	306,000	181,357
2034	313,000	170,855
2035	325,000	160,047
2036	336,000	148,523
2037	347,000	136,675
2038	362,000	124,368
2039	372,000	111,494
2040	382,000	98,399
2041	397,000	84,958
2042	240,000	70,967
2043	250,000	61,251
2044	260,000	51,146
2045	270,000	40,596
2046	280,000	29,600
2047	295,000	18,108
2048	305,000	6,103
	<u>\$ 8,756,000</u>	<u>\$ 4,248,860</u>

**NOTE 7—PENSION PLAN**

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***Plan Description***

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

***Benefit Structures***

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

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

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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### NOTE 7—PENSION PLAN: (CONTINUED)

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

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

#### *Employees Covered by Benefit Terms*

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

Inactive members or their beneficiaries currently receiving benefits	34
Inactive members:	
Vested inactive members	9
Non-vested inactive members	22
Inactive members active elsewhere in VRS	23
Total inactive members	54
Active members	23
Total covered employees	111

**NOTE 7—PENSION PLAN: (CONTINUED)**

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***Contributions***

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

The Town’s contractually required employer contribution rate for the year ended June 30, 2021 was 11.56% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$179,839 and \$188,877 for the years ended June 30, 2021 and June 30, 2020, respectively.

***Net Pension Liability***

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

***Actuarial Assumptions - General Employees***

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

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

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

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

### NOTE 7—PENSION PLAN: (CONTINUED)

#### *Actuarial Assumptions - General Employees: (Continued)*

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

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

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

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



## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

### NOTE 7—PENSION PLAN: (CONTINUED)

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

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

#### Mortality rates:

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

##### Pre-Retirement:

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

##### Post-Retirement:

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

##### Post-Disablement:

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

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

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

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

# TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

## NOTE 7—PENSION PLAN: (CONTINUED)

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

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

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

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

### *Discount Rate*

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF DUMFRIES, VIRGINIA**

Notes of Financial Statements  
June 30, 2021 (Continued)

**NOTE 7—PENSION PLAN: (CONTINUED)**

***Changes in Net Pension Liability***

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 5,264,035	\$ 5,027,114	\$ 236,921
Changes for the year:			
Service cost	\$ 213,340	\$ -	\$ 213,340
Interest	337,710	-	337,710
Differences between expected and actual experience	180,891	-	180,891
Contributions - employer	-	188,649	(188,649)
Contributions - employee	-	68,566	(68,566)
Net investment income	-	101,546	(101,546)
Benefit payments, including refunds	(521,861)	(521,861)	-
Administrative expenses	-	(3,385)	3,385
Other changes	-	(110)	110
Net changes	\$ 210,080	\$ (166,595)	\$ 376,675
Balances at June 30, 2020	\$ 5,474,115	\$ 4,860,519	\$ 613,596

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

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

	Rate		
	1% Decrease (5.75)	Current Discount (6.75%)	1% Increase (7.75%)
Town Net Pension Liability (Asset)	\$ 1,238,583	\$ 613,596	\$ 90,295

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

For the year ended June 30, 2021, the Town recognized pension expense of \$123,101. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**TOWN OF DUMFRIES, VIRGINIA**

Notes of Financial Statements  
June 30, 2021 (Continued)

**NOTE 7—PENSION PLAN: (CONTINUED)*****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)***

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 66,403	\$ -
Net difference between projected and actual earnings on pension plan investments	141,632	-
Employer contributions subsequent to the measurement date	<u>179,839</u>	<u>-</u>
Total	<u>\$ 387,874</u>	<u>\$ -</u>

\$179,839 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ 68,985
2023	44,835
2024	48,469
2025	45,746
2026	-
Thereafter	-

***Pension Plan Data***

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

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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#### *Plan Description*

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

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

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

#### *Eligible Employees*

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

#### *Benefit Amounts*

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

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

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***Contributions***

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$8,959 and \$7,622 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the entity reported a liability of \$118,821 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020 as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was .00712% as compared to .00746% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$4,961. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,621	\$ 1,066
Net difference between projected and actual earnings on GLI OPEB plan investments	3,569	-
Change in assumptions	5,942	2,481
Changes in proportionate share	19,434	15,350
Employer contributions subsequent to the measurement date	<u>8,959</u>	<u>-</u>
Total	<u>\$ 45,525</u>	<u>\$ 18,897</u>

\$8,959 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ 2,220
2023	3,228
2024	6,618
2025	5,459
2026	265
Thereafter	(121)

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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#### *Actuarial Assumptions*

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

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

\*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

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

##### Pre-Retirement:

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

##### Post-Retirement:

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

##### Post-Disablement:

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



## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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

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

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

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

##### **Pre-Retirement:**

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

##### **Post-Retirement:**

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

##### **Post-Disablement:**

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

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

**TOWN OF DUMFRIES, VIRGINIA**

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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

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

***NET GLI OPEB Liability***

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

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

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

# TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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

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

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

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

### *Discount Rate*

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 156,200	\$ 118,821	\$ 88,467

#### *GLI Plan Fiduciary Net Position*

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

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

#### *Plan Description*

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

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

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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#### *Eligible Employees*

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

#### *Benefit Amounts*

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

#### *HIC Plan Notes*

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

#### *Employees Covered by Benefit Terms*

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	6
Active members	<u>23</u>
Total covered employees	<u><u>29</u></u>

#### *Contributions*

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Town of Dumfries, Virginia's contractually required employer contribution rate for the year ended June 30, 2021 was .16% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Town to the HIC Plan were \$2,613 and \$1,612 for the years ended June 30, 2021 and June 30, 2020, respectively.

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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#### *Net HIC OPEB Liability*

The Town's net HIC OPEB liability was measured as of June 30, 2020. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

#### *Actuarial Assumptions*

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

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

##### **Pre-Retirement:**

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

##### **Post-Retirement:**

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

##### **Post-Disablement:**

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

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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

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

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

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

##### Pre-Retirement:

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

##### Post-Retirement:

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

##### Post-Disablement:

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

# TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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

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

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

### Long-Term Expected Rate of Return

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

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



# TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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

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

### Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

### Changes in Net HIC OPEB Liability (Asset)

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 30,473	\$ 28,694	\$ 1,779
Changes for the year:			
Service cost	\$ 2,167	\$ -	\$ 2,167
Interest	1,911	-	1,911
Differences between expected and actual experience	(1,824)	-	(1,824)
Contributions - employer	-	1,612	(1,612)
Net investment income	-	534	(534)
Benefit payments	(4,321)	(4,321)	-
Administrative expenses	-	(51)	51
Net changes	\$ (2,067)	\$ (2,226)	\$ 159
Balances at June 30, 2020	\$ 28,406	\$ 26,468	\$ 1,938

**TOWN OF DUMFRIES, VIRGINIA**

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
Town's				
Net HIC OPEB Liability (Asset)	\$	4,506	\$ 1,938	\$ (291)

***HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB***

For the year ended June 30, 2021, the Town recognized HIC Plan OPEB expense of \$2,017. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to the Town's HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,994	\$ 3,744
Net difference between projected and actual earnings on HIC OPEB plan investments	863	-
Change in assumptions	435	154
Employer contributions subsequent to the measurement date	2,613	-
Total	<u>\$ 6,905</u>	<u>\$ 3,898</u>

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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#### *HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB: (Continued)*

\$2,613 reported as deferred outflows of resources related to the HIC OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
---------------------------	--

2022	\$ (268)
2023	(22)
2024	65
2025	778
2026	(135)
Thereafter	(24)

#### *HIC Plan Data*

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

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

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#### *Plan Description*

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

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

#### *Eligible Employees*

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

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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

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

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

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

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

#### ***Contributions***

The contribution requirements for active hybrid plan employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2021 was 0.83% of covered employee compensation for employees in the VRS Political Subdivision VDLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Town to the VRS Political Subdivision VDLDP were \$5,729 and \$3,401 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the Town reported a liability of \$1,265 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2020 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The Town's proportion of the Net VLDP OPEB Liability was based on the Town's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the Town's proportion of the VLDP was .12676% as compared to .09263% at June 30, 2019.

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

#### *VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB: (CONTINUED)*

For the year ended June 30, 2021, the Town recognized VLDP OPEB expense of \$3,678. Since there was a change in proportionate share between measurement dates a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,025	\$ 1,486
Net difference between projected and actual earnings on VLDP OPEB plan investments	134	-
Change in assumptions	59	84
Changes in proportionate share	333	18
Employer contributions subsequent to the measurement date	5,729	-
Total	\$ 7,280	\$ 1,588

\$5,729 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will be recognized in the VLDP OPEB expense in the future reporting periods as follows:

#### Year Ended June 30

2022	\$ 154
2023	151
2024	154
2025	141
2026	(135)
Thereafter	(502)

#### *Actuarial Assumptions*

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

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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#### **Actuarial Assumptions: (CONTINUED)**

Inflation	2.50%
Salary increases, including inflation	3.50%-5.95%
Investment rate of return	6.75%, net of program investment expenses, including inflation*

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

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

##### **Pre-Retirement:**

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

##### **Post-Retirement:**

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

##### **Post-Disablement:**

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

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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

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

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

#### *Net VLDP OPEB Liability*

The net OPEB liability (NOL) for the Political Subdivision VLDP represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Political Subdivision VLDP is as follows (amounts expressed in thousands):

		Political Subdivision Employee VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	\$	4,317
Plan Fiduciary Net Position		3,317
Political Subdivision VLDP Net OPEB Liability (Asset)	\$	1,000
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability		76.84%

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

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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

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

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

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

#### *Discount Rate*

The discount rate used to measure the total VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2020, the rate contributed by the Town for the VLDP was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VLDP OPEB liability.



## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
Town's				
proportionate share of the				
VLDP Net OPEB Liability	\$	1,697	\$ 1,265	\$ 889

#### *Political Subdivision VLDP OPEB Fiduciary Net Position*

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

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

#### *Plan Description*

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

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

#### *Eligible Employees*

All paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the LODA Program.

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

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***Benefit Amounts***

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

The LODA program also provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the LODA.

***Contributions***

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2021 was \$717.31 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$5,738 and \$7,763 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the entity reported a liability of \$239,269 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2020 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2020, the entity's proportion was .05713% as compared to .07362% at June 30, 2019.

For the year ended June 30, 2021, the entity recognized LODA OPEB expense of \$26,240. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,399	\$ 32,621
Net difference between projected and actual earnings on LODA OPEB program investments	-	340
Change in assumptions	64,054	14,910
Changes in proportionate share	63,173	47,226
Employer contributions subsequent to the measurement date	5,738	-
Total	\$ 158,364	\$ 95,097

\$5,738 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year Ended June 30	
2022	\$ 9,941
2023	10,004
2024	10,071
2025	10,090
2026	10,111
Thereafter	7,312

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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#### *Actuarial Assumptions*

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

Inflation	2.50%
Salary increases, including inflation:	
Locality employees	N/A
Medical cost trend rates assumption:	
Under age 65	7.00%-4.75%
Ages 65 and older	5.375%-4.75%
Year of ultimate trend rate	
Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	2.21%, including inflation*

\* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return.

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

##### Pre-Retirement:

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

##### Post-Retirement:

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

##### Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

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

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

#### *Net LODA OPEB Liability*

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

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 423,147
Plan Fiduciary Net Position	4,333
Employers' Net OPEB Liability (Asset)	<u>\$ 418,814</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.02%

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

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

The long-term expected rate of return on LODA OPEB Program's investments was set at 2.21% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2020.

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

#### *Discount Rate*

The discount rate used to measure the total LODA OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2020, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 2.21%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	Discount Rate		
	1% Decrease	Current	1% Increase
	(1.21%)	(2.21%)	(3.21%)
Town's proportionate share of the LODA Net OPEB Liability	\$ 284,009	\$ 239,269	\$ 205,545

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

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

	Health Care Trend Rates		
	1% Decrease	Current	1% Increase
	(6.00% decreasing to 3.75%)	(7.00% decreasing to 4.75%)	(8.00% decreasing to 5.75%)
Town's proportionate share of the total LODA Net OPEB Liability	\$ 197,763	\$ 239,269	\$ 293,557

#### *LODA OPEB Plan Fiduciary Net Position*

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

## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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

	<u>Net OPEB Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
LODA	\$ 239,269	\$ 158,364	\$ 95,097	\$ 26,240
Group Life	118,821	45,525	18,897	4,961
HIC	1,938	6,905	3,898	2,017
VLDP	<u>1,265</u>	<u>7,280</u>	<u>1,588</u>	<u>3,678</u>
Total	\$ <u>361,293</u>	\$ <u>218,074</u>	\$ <u>119,480</u>	\$ <u>36,896</u>

### NOTE 13—FIDELITY BOND:

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

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

### NOTE 14—COMMITMENTS AND CONTINGENCIES:

#### State and Federal Programs

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

#### Construction Commitments

At June 30, 2021, the Town has no outstanding construction contracts and commitments

### NOTE 15—LITIGATION:

At June 30, 2021, the Town was involved in various matters of litigation, it is unknown what liability if any the Town would incur should any court decisions on pending matters not be favorable to the Town.

**TOWN OF DUMFRIES, VIRGINIA**

Notes of Financial Statements  
June 30, 2021 (Continued)

**NOTE 16—DEFERRED/UNAVAILABLE/UNEARNED REVENUE:**

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

	<b>Unearned Revenue</b>	
	<b>Balance Sheet</b>	<b>Statement of Net Position</b>
Grant revenue received in advance	\$ 482,604	\$ 482,604
American rescue plan	1,842,718	1,842,718
Other	37,702	37,702
Total unearned revenue	<u>\$ 2,363,024</u>	<u>\$ 2,363,024</u>
	<b>Deferred/Unavailable Revenue</b>	
	<b>Balance Sheet</b>	<b>Statement of Net Position</b>
	<b>Governmental Funds</b>	<b>Governmental Activities</b>
2nd half assessments representing uncollected property tax which has not been billed but for which an enforceable lien is in effect.	\$ 508,823	\$ 508,823
Prepaid property tax revenues representing collections for property taxes that are applicable to the subsequent budget year.	17,418	17,418
Unavailable revenue representing uncollected property tax billings for which revenue recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	85,851	-
Sale of future lease rights	<u>784,000</u>	<u>784,000</u>
Total deferred/unavailable revenue	<u>\$ 1,396,092</u>	<u>\$ 1,310,241</u>



## TOWN OF DUMFRIES, VIRGINIA

Notes of Financial Statements  
June 30, 2021 (Continued)

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### NOTE 17—TOWN HALL MUNICIPAL BUILDING:

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

### NOTE 18—INTERFUND TRANSFERS:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 454,971
Capital Projects Fund	454,971	-
Total	<u>\$ 454,971</u>	<u>\$ 454,971</u>

### NOTE 19—SALE OF FUTURE REVENUE:

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On November 16, 2020, the Town entered into an agreement to sell and assign all rights to receive rents for lease on a Town owned property in the amount of \$784,000. Of which, \$500,000 was paid at closing and \$28,400 each year thereafter for 10 consecutive years. The term of the agreement is for 40 years commencing on the closing date. The balance of the Note Receivable at June 30, 2021 was \$284,000.

### NOTE 20—COVID-19 PANDEMIC SUBSEQUENT EVENT NOTE:

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The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Town, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the Town is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

### CARES Act Funding

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

Each locality received its CRF allocations based on population in two equal payments, with the second and final round of funding being received during fiscal year 2021. During fiscal year 2021 the Town received total CRF funding of \$451,384. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021 will be returned to the federal government. There were no unspent CRF funds as of June 30.

**NOTE 20—COVID-19 PANDEMIC SUBSEQUENT EVENT NOTE: (CONTINUED)**

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**ARPA Funding**

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

In June 2021, the town received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$1,842,718 from the initial allocation are reported as unearned revenue as of June 30.

**NOTE 21—UPCOMING PRONOUNCEMENTS**

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

Statement No. 91, Conduit Debt Obligations, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

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

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

## **Required Supplementary Information**

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

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

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 874,810	\$ 874,810	\$ 902,874	\$ 28,064
Other local taxes	2,454,681	2,454,681	2,705,861	251,180
Permits, privilege fees, and regulatory licenses	461,754	461,754	609,422	147,668
Fines and forfeitures	75,000	75,000	64,105	(10,895)
Revenue from the use of money and property	1,018,347	1,018,347	624,924	(393,423)
Miscellaneous	31,500	31,500	44,162	12,662
Intergovernmental:				
Commonwealth	732,083	732,083	692,614	(39,469)
Federal	17,800	17,800	835,327	817,527
Total revenues	\$ 5,665,975	\$ 5,665,975	\$ 6,479,289	\$ 813,314
Expenditures:				
General government administration:				
Legislative:				
Governing body	\$ 99,551	\$ 99,551	\$ 91,052	\$ 8,499
General and financial administration:				
Administration	\$ 1,408,055	\$ 1,788,439	\$ 1,583,993	\$ 204,446
Information technology	171,712	171,712	266,296	(94,584)
Total general and financial administration	\$ 1,579,767	\$ 1,960,151	\$ 1,850,289	\$ 109,862
Total general government administration	\$ 1,679,318	\$ 2,059,702	\$ 1,941,341	\$ 118,361
Public safety:				
Law enforcement and traffic control:				
Police	\$ 1,183,544	\$ 1,183,544	\$ 1,183,839	\$ (295)
Public works:				
Maintenance of general buildings and grounds	\$ -	\$ -	\$ 233,421	\$ (233,421)
Facilities and other public works	929,334	929,334	928,421	913
Stormwater management	156,490	156,490	105,216	51,274
Total public works	\$ 1,085,824	\$ 1,085,824	\$ 1,267,058	\$ (181,234)
Community development:				
Planning and community development:				
Community development	\$ 397,000	\$ 397,000	\$ 443,969	\$ (46,969)
Boards and commissions	8,000	8,000	6,100	1,900
Total community development	\$ 405,000	\$ 405,000	\$ 450,069	\$ (45,069)
Capital projects	\$ -	\$ -	\$ 80,677	\$ (80,677)
Debt service:				
Principal retirement	\$ 371,651	\$ 371,651	\$ 371,651	\$ -
Interest and other fiscal charges	290,638	290,638	319,363	(28,725)
Total debt service	\$ 662,289	\$ 662,289	\$ 691,014	\$ (28,725)
Total expenditures	\$ 5,015,975	\$ 5,396,359	\$ 5,613,998	\$ (217,639)
Excess (deficiency) of revenues over (under) expenditures	\$ 650,000	\$ 269,616	\$ 865,291	\$ 595,675
Other financing sources (uses):				
Transfers out	\$ (650,000)	\$ (650,000)	\$ (454,971)	\$ 195,029
Total other financing sources (uses)	\$ (650,000)	\$ (650,000)	\$ (454,971)	\$ 195,029
Net change in fund balance	\$ -	\$ (380,384)	\$ 410,320	\$ 790,704
Fund balances at beginning of year	-	380,384	3,821,200	3,440,816
Fund balances at end of year	\$ -	\$ -	\$ 4,231,520	\$ 4,231,520

## Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

## Pension Plan

For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>							
Service cost	\$ 213,340	\$ 203,408	\$ 153,291	\$ 176,675	\$ 174,120	\$ 165,663	\$ 160,496
Interest	337,710	369,045	378,661	358,946	366,051	357,672	346,097
Differences between expected and actual experience	180,891	(558,057)	(353,267)	51,421	(292,740)	(56,086)	-
Changes of assumptions	-	134,170	-	35,659	-	-	-
Benefit payments	(521,861)	(313,191)	(318,934)	(363,196)	(334,656)	(360,452)	(322,017)
<b>Net change in total pension liability</b>	<b>\$ 210,080</b>	<b>\$ (164,625)</b>	<b>\$ (140,249)</b>	<b>\$ 259,505</b>	<b>\$ (87,225)</b>	<b>\$ 106,797</b>	<b>\$ 184,576</b>
<b>Total pension liability - beginning</b>	<b>5,264,035</b>	<b>5,428,660</b>	<b>5,568,909</b>	<b>5,309,404</b>	<b>5,396,629</b>	<b>5,289,832</b>	<b>5,105,256</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 5,474,115</b>	<b>\$ 5,264,035</b>	<b>\$ 5,428,660</b>	<b>\$ 5,568,909</b>	<b>\$ 5,309,404</b>	<b>\$ 5,396,629</b>	<b>\$ 5,289,832</b>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 188,649	\$ 196,608	\$ 178,082	\$ 124,388	\$ 201,857	\$ 186,470	\$ 218,931
Contributions - employee	68,566	72,842	67,221	46,753	64,864	56,470	57,342
Net investment income	101,546	317,689	330,673	498,400	72,174	186,026	564,853
Benefit payments	(521,861)	(313,191)	(318,934)	(363,196)	(334,656)	(360,452)	(322,017)
Administrator charges	(3,385)	(3,099)	(2,856)	(2,999)	(2,610)	(2,627)	(3,062)
Other	(110)	(201)	(295)	(440)	(31)	(40)	30
<b>Net change in plan fiduciary net position</b>	<b>\$ (166,595)</b>	<b>\$ 270,648</b>	<b>\$ 253,891</b>	<b>\$ 302,906</b>	<b>\$ 1,598</b>	<b>\$ 65,847</b>	<b>\$ 516,077</b>
<b>Plan fiduciary net position - beginning</b>	<b>5,027,114</b>	<b>4,756,466</b>	<b>4,502,575</b>	<b>4,199,669</b>	<b>4,198,071</b>	<b>4,132,224</b>	<b>3,616,147</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 4,860,519</b>	<b>\$ 5,027,114</b>	<b>\$ 4,756,466</b>	<b>\$ 4,502,575</b>	<b>\$ 4,199,669</b>	<b>\$ 4,198,071</b>	<b>\$ 4,132,224</b>
<b>Town's net pension liability (asset) - ending (a) - (b)</b>	<b>\$ 613,596</b>	<b>\$ 236,921</b>	<b>\$ 672,194</b>	<b>\$ 1,066,334</b>	<b>\$ 1,109,735</b>	<b>\$ 1,198,558</b>	<b>\$ 1,157,608</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>88.79%</b>	<b>95.50%</b>	<b>87.62%</b>	<b>80.85%</b>	<b>79.10%</b>	<b>77.79%</b>	<b>78.12%</b>
<b>Covered payroll</b>	<b>\$ 1,465,786</b>	<b>\$ 1,461,581</b>	<b>\$ 1,386,322</b>	<b>\$ 974,616</b>	<b>\$ 1,238,898</b>	<b>\$ 1,134,812</b>	<b>\$ 1,146,836</b>
<b>Town's net pension liability (asset) as a percentage of covered payroll</b>	<b>41.86%</b>	<b>16.21%</b>	<b>48.49%</b>	<b>109.41%</b>	<b>89.57%</b>	<b>105.62%</b>	<b>100.94%</b>

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

Schedule of Employer Contributions - Pension Plan  
 For the Years Ended June 30, 2012 through June 30, 2021

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Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)		
	(1)	(2)	(3)	(4)	(5)
2021	\$ 179,839	\$ 179,839	\$ -	\$ 1,633,090	11%
2020	188,877	188,877	-	1,465,786	13%
2019	189,784	189,784	-	1,461,581	13%
2018	177,737	177,737	-	1,386,322	13%
2017	126,700	126,700	-	974,616	13%
2016	204,790	204,790	-	1,238,898	17%
2015	187,584	187,584	-	1,134,812	17%
2014	218,931	218,931	-	1,146,836	19%
2013	208,600	208,600	-	1,092,717	19%
2012	153,746	153,746	-	1,127,998	14%

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

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

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

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

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

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

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

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

## Line of Duty Act (LODA) Program

For the Measurement Dates of June 30, 2017 through June 30, 2020

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

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

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



## Schedule of Employer Contributions

## Line of Duty Act (LODA) Program

For the Years Ended June 30, 2017 through June 30, 2021

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

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

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

## Notes to Required Supplementary Information

## Line of Duty Act (LODA) Program

For the Year Ended June 30, 2021

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

**Changes of assumptions** - The actuarial assumptions used in the June 30, 2019 valuation were based on results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)		Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2020	0.007120% \$	118,821	\$	1,465,786	8.11%	52.64%
2019	0.007460%	121,394		1,461,581	8.31%	52.00%
2018	0.007290%	111,000		1,386,321	8.01%	51.22%
2017	0.005280%	79,000		974,616	8.11%	48.86%

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

## Schedule of Employer Contributions

## Group Life Insurance GLI (Plan)

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

Date	Contributions in Relation to			Contributions as a % of	
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Covered Payroll (5)
2021	\$ 8,959	\$ 8,959	\$ -	\$ 1,659,090	0.54%
2020	7,622	7,622	-	1,465,786	0.52%
2019	7,600	7,600	-	1,461,581	0.52%
2018	7,209	7,209	-	1,386,321	0.52%
2017	5,068	5,068	-	974,616	0.52%
2016	5,947	5,947	-	1,238,898	0.48%
2015	5,447	5,447	-	1,134,812	0.48%
2014	5,505	5,505	-	1,146,836	0.48%
2013	5,245	5,245	-	1,092,717	0.48%
2012	3,158	3,158	-	1,127,998	0.28%

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

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

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

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

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

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

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

Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios  
Health Insurance Credit (HIC) Plan  
For the Measurement Dates of June 30, 2017 through June 30, 2020

	2020	2019	2018	2017
<b>Total HIC OPEB Liability</b>				
Service cost	\$ 2,167	\$ 1,880	\$ 1,259	\$ 1,304
Interest	1,911	1,646	1,975	1,985
Differences between expected and actual experience	(1,824)	4,420	(4,446)	-
Changes of assumptions	-	641	-	(446)
Benefit payments	(4,321)	(3,270)	(3,706)	(2,251)
<b>Net change in total HIC OPEB liability</b>	<b>\$ (2,067)</b>	<b>\$ 5,317</b>	<b>\$ (4,918)</b>	<b>\$ 592</b>
<b>Total HIC OPEB Liability - beginning</b>	<b>30,473</b>	<b>25,156</b>	<b>30,074</b>	<b>29,482</b>
<b>Total HIC OPEB Liability - ending (a)</b>	<b>\$ 28,406</b>	<b>\$ 30,473</b>	<b>\$ 25,156</b>	<b>\$ 30,074</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 1,612	\$ 1,665	\$ 1,530	\$ 1,071
Net investment income	534	1,793	2,007	3,081
Benefit payments	(4,321)	(3,270)	(3,706)	(2,251)
Administrator charges	(51)	(38)	(45)	(48)
Other	-	(2)	(161)	161
<b>Net change in plan fiduciary net position</b>	<b>\$ (2,226)</b>	<b>\$ 148</b>	<b>\$ (375)</b>	<b>\$ 2,014</b>
<b>Plan fiduciary net position - beginning</b>	<b>28,694</b>	<b>28,546</b>	<b>28,921</b>	<b>26,907</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 26,468</b>	<b>\$ 28,694</b>	<b>\$ 28,546</b>	<b>\$ 28,921</b>
<b>Net HIC OPEB liability (asset)- ending (a) - (b)</b>	<b>\$ 1,938</b>	<b>\$ 1,779</b>	<b>\$ (3,390)</b>	<b>\$ 1,153</b>
<b>Plan fiduciary net position as a percentage of the total HIC OPEB liability</b>	<b>93.18%</b>	<b>94.16%</b>	<b>113.48%</b>	<b>96.17%</b>
<b>Covered payroll</b>	<b>\$ 1,465,786</b>	<b>\$ 1,461,581</b>	<b>\$ 1,386,321</b>	<b>\$ 974,616</b>
<b>Net HIC OPEB liability (asset) as a percentage of covered payroll</b>	<b>0.13%</b>	<b>0.12%</b>	<b>-0.24%</b>	<b>0.12%</b>

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

## Schedule of Employer Contributions

## Health Insurance Credit (HIC) Plan

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

Date	Contributions in Relation to				Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	
2021	\$ 2,613	\$ 2,613	\$ -	\$ 1,633,090	0.16%
2020	1,612	1,612	-	1,465,786	0.11%
2019	1,608	1,608	-	1,461,581	0.11%
2018	1,525	1,525	-	1,386,321	0.11%
2017	1,072	1,072	-	974,616	0.11%
2016	1,239	1,239	-	1,238,898	0.10%
2015	1,135	1,135	-	1,134,812	0.10%
2014	1,376	1,376	-	1,146,836	0.12%
2013	1,318	1,318	-	1,092,717	0.12%
2012	1,692	1,692	-	1,127,998	0.15%

Notes to Required Supplementary Information  
Health Insurance Credit (HIC) Plan  
For the Year Ended June 30, 2021

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

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

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

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

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

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



Schedule of Employer's Share of Net OPEB Liability  
 Virginia Local Disability Program (VLDP)  
 For the Measurement Dates of June 30, 2017 through June 30, 2020

Date (1)	Employer's Proportion of the Net VLDP OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6)
2020	0.12676%	\$ 1,265	\$ 472,309	0.27%	76.84%
2019	0.09263%	1,877	286,206	0.66%	49.19%
2018	0.09541%	1,000	231,658	0.43%	51.39%
2017	0.10507%	1,000	192,930	0.52%	38.40%

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

## Schedule of Employer Contributions

## Virginia Local Disability Program (VLDP)

For the Years Ended June 30, 2015 through June 30, 2021

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

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

Notes to Required Supplementary Information  
 Virginia Local Disability Program (VLDP)  
 For the Year Ended June 30, 2021

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

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

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

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

## **Supporting Schedule**

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 847,810	\$ 847,810	\$ 875,495	\$ 27,685
Real and personal public service corporation taxes	27,000	27,000	14,151	(12,849)
Penalties	-	-	7,186	7,186
Interest	-	-	6,042	6,042
Total general property taxes	<u>\$ 874,810</u>	<u>\$ 874,810</u>	<u>\$ 902,874</u>	<u>\$ 28,064</u>
Other local taxes:				
Local sales and use taxes	\$ 300,000	\$ 300,000	\$ 553,167	\$ 253,167
Consumers' utility taxes	200,000	200,000	205,340	5,340
Business license taxes	292,000	292,000	513,917	221,917
Motor vehicle licenses	60,000	60,000	33,147	(26,853)
Bank stock taxes	47,526	47,526	36,176	(11,350)
Transient occupancy taxes	140,700	140,700	159,004	18,304
Cigarette tax	180,000	180,000	194,082	14,082
Meals taxes	695,000	695,000	759,611	64,611
Gaming tax	500,000	500,000	221,096	(278,904)
Other	39,455	39,455	30,321	(9,134)
Total other local taxes	<u>\$ 2,454,681</u>	<u>\$ 2,454,681</u>	<u>\$ 2,705,861</u>	<u>\$ 251,180</u>
Permits, privilege fees, and regulatory licenses:				
Building and related permits	\$ 100,000	\$ 100,000	\$ 169,432	\$ 69,432
Stormwater management fees	149,000	149,000	172,564	23,564
Landfill host fees	195,000	195,000	267,326	72,326
Other permits and licenses	17,754	17,754	100	(17,654)
Total permits, privilege fees, and regulatory licenses	<u>\$ 461,754</u>	<u>\$ 461,754</u>	<u>\$ 609,422</u>	<u>\$ 147,668</u>
Fines and forfeitures:				
Court and other fines and forfeitures	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 64,105</u>	<u>\$ (10,895)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 6,000	\$ 6,000	\$ 3,694	\$ (2,306)
Revenue from use of property	1,012,347	1,012,347	621,230	(391,117)
Total revenue from use of money and property	<u>\$ 1,018,347</u>	<u>\$ 1,018,347</u>	<u>\$ 624,924</u>	<u>\$ (393,423)</u>
Miscellaneous:				
VML risk management grant	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
DMV select revenue	20,000	20,000	29,285	9,285
Miscellaneous	9,500	9,500	14,877	5,377
Total miscellaneous	<u>\$ 31,500</u>	<u>\$ 31,500</u>	<u>\$ 44,162</u>	<u>\$ 12,662</u>
Total revenue from local sources	<u>\$ 4,916,092</u>	<u>\$ 4,916,092</u>	<u>\$ 4,951,348</u>	<u>\$ 35,256</u>

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	\$ 80,000	\$ 80,000	\$ 78,306	\$ (1,694)
Rolling stock tax	73	73	16	(57)
Telecommunications sales tax	183,000	183,000	137,786	(45,214)
Total noncategorical aid	<u>\$ 263,073</u>	<u>\$ 263,073</u>	<u>\$ 216,108</u>	<u>\$ (46,965)</u>
Categorical aid:				
Other categorical aid:				
Street and highway maintenance	\$ 275,739	\$ 275,739	\$ 277,451	\$ 1,712
Litter control	-	-	2,654	2,654
State fire funds	18,069	18,069	18,906	837
Public safety grants	150,101	150,101	156,842	6,741
VHDA community impact grant	20,000	20,000	10,000	(10,000)
DEQ Grants	5,101	5,101	10,653	5,552
Total other categorical aid	<u>\$ 469,010</u>	<u>\$ 469,010</u>	<u>\$ 476,506</u>	<u>\$ 7,496</u>
Total categorical aid	<u>\$ 469,010</u>	<u>\$ 469,010</u>	<u>\$ 476,506</u>	<u>\$ 7,496</u>
Total revenue from the Commonwealth	<u>\$ 732,083</u>	<u>\$ 732,083</u>	<u>\$ 692,614</u>	<u>\$ (39,469)</u>
Revenue from the federal government:				
Noncategorical aid:				
Coronavirus relief fund (CRF)	\$ -	\$ -	\$ 818,854	\$ 818,854
Total noncategorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 818,854</u>	<u>\$ 818,854</u>
Categorical aid:				
DMV grants	\$ 17,800	\$ 17,800	\$ 15,618	\$ (2,182)
Department of justice vests grant	-	-	855	855
Total categorical aid	<u>\$ 17,800</u>	<u>\$ 17,800</u>	<u>\$ 16,473</u>	<u>\$ (1,327)</u>
Total revenue from the federal government	<u>\$ 17,800</u>	<u>\$ 17,800</u>	<u>\$ 835,327</u>	<u>\$ 817,527</u>
Total General Fund	<u>\$ 5,665,975</u>	<u>\$ 5,665,975</u>	<u>\$ 6,479,289</u>	<u>\$ 813,314</u>
<b>Capital Projects Fund:</b>				
Revenue from the Commonwealth:				
Categorical aid:				
SLAF - Quantico Creek Restoration	\$ -	\$ -	\$ 238,085	\$ 238,085
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,085</u>	<u>\$ 238,085</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,085</u>	<u>\$ 238,085</u>
Total Capital Projects Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,085</u>	<u>\$ 238,085</u>
Total Governmental Funds	<u>\$ 5,665,975</u>	<u>\$ 5,665,975</u>	<u>\$ 6,717,374</u>	<u>\$ 1,051,399</u>

## **Statistical Information**

General Fund Expenditures by Function  
Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>General Government Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Community Development</u>	<u>Non- Departmental</u>	<u>Debt Service</u>	<u>Capital Outlays</u>	<u>Total</u>
2021	\$ 1,941,341	\$ 1,183,839	\$ 1,267,058	\$ 450,069	\$ -	\$ 691,014	\$ 80,677	\$ 5,613,998
2020	1,306,869	1,141,688	1,123,045	398,165	-	877,109	215,206	5,062,082
2019	1,179,368	1,258,438	1,174,072	305,150	-	745,966	454,461	5,117,455
2018	1,133,917	1,547,818	1,177,787	218,306	-	546,928	5,793,908	10,418,664
2017	1,157,458	1,000,511	1,417,674	183,444	-	383,893	348,049	5,167,764
2016	1,058,433	1,159,248	1,283,106	258,288	-	388,108	1,020,581	4,353,347
2015	1,027,429	1,034,409	1,387,421	304,127	-	388,609	211,352	3,867,778
2014	1,298,958	1,135,714	911,123	125,704	8,150	388,129	-	3,758,443
2013	814,069	1,277,980	1,203,515	170,583	80,607	211,689	-	3,849,728
2012	989,472	1,201,994	1,214,505	114,253	137,803	105,000	86,701	3,772,567



General Fund Revenue by Source  
Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Property Taxes	Other Local Taxes	Licenses Permits, and Privilege Fees	Fines and Penalties	Use of Money and Property	Miscel- laneous	Inter- Govern- mental	Total
2021	\$ 902,874	\$ 2,705,861	\$ 609,422	\$ 64,105	\$ 624,924	\$ 44,162	\$ 1,527,941	\$ 6,479,289
2020	931,169	2,086,465	443,515	25,232	599,094	42,611	924,825	5,052,911
2019	868,244	2,257,866	542,743	79,335	678,495	132,747	708,230	5,267,660
2018	843,439	2,264,138	322,266	95,116	41,332	12,604	931,653	4,510,548
2017	816,258	2,254,710	307,373	32,012	26,323	81,217	1,216,221	4,734,114
2016	785,006	2,076,084	198,635	74,223	39,264	73,194	1,144,938	4,391,344
2015	906,071	2,082,798	195,261	118,058	26,775	15,265	2,057,401	5,401,629
2014	1,066,225	1,934,150	709,415	62,117	31,412	21,367	622,864	4,447,550
2013	1,006,758	2,656,046	258,267	102,690	28,631	20,788	578,385	4,651,565
2012	1,009,185	2,244,838	234,215	80,063	32,630	38,303	504,934	4,144,168

## TOWN OF DUMFRIES, VIRGINIA

Table 3

Real Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Total Tax Levy [1]	Total Tax Collections [2]	Percent of Levy Collected	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2021	\$ 1,014,770	\$ 889,646	87.67%	\$ 77,419	7.63%
2020	910,981	925,549	101.60%	97,191	10.67%
2019	858,496	861,676	100.37%	63,325	7.38%
2018	823,413	834,352	101.33%	40,601	4.93%
2017	771,530	806,502	104.53%	45,638	5.92%
2016	761,100	775,967	101.95%	59,775	7.85%
2015	901,736	893,814	99.12%	65,258	7.24%
2014	954,205	962,884	100.91%	83,233	8.72%
2013	1,063,060	1,006,758	94.70%	88,366	8.31%
2012	1,033,885	1,009,185	97.61%	78,083	7.55%

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

[2] Penalties and interest not included.

**TOWN OF DUMFRIES, VIRGINIA****Table 4**

Assessed Value of Taxable Property  
Last Ten Fiscal Years

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<b>Fiscal Year</b>		<b>Real Estate</b>
2021	\$	534,089,470
2020		482,929,105
2019		451,840,205
2018		433,375,267
2017		406,068,190
2016		404,117,855
2015		388,811,330
2014		359,345,592
2013		339,310,600
2012		310,196,400

Property Tax Rates  
Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>Real Estate</b>
2021	\$.1899/\$100
2020	\$.1899/\$100
2019	\$.1899/\$100
2018	\$.1899/\$100
2017	\$.1899/\$100
2016	\$.1899/\$100
2015	\$.2333/\$100
2014	\$.2733/\$100
2013	\$.3133/\$100
2012	\$.3333/\$100

## TOWN OF DUMFRIES, VIRGINIA

Table 6

Legal Debt Margin  
June 30, 2021

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Total assessed value of taxed real property	\$ <u>534,089,470</u>
Debt limit - 10% of total assessed value	\$ 53,408,947
Less: Amount of debt applicable to debt limit - gross debt	<u>8,756,000</u>
Legal debt margin	\$ <u><u>44,652,947</u></u>

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

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<b>Fiscal Year</b>	<b>Population</b>
2021	7,300
2020	5,922
2019	5,234
2018	5,230
2017	5,186
2016	5,217
2015	4,961
2014	5,207
2013	5,207
2012	4,937

## **Compliance**



ROBINSON, FARMER, COX ASSOCIATES, PLLC  
*Certified Public Accountants*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of Town of Dumfries, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Town of Dumfries, Virginia's basic financial statements, and have issued our report thereon dated March 10, 2022.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 to be material weaknesses.



## Internal Control over Financial Reporting (continued)

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-003 to be significant deficiency.

## Compliance and Other Matters

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

## Town of Dumfries, Virginia's Response to Findings

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

## Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia  
March 10, 2022



ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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

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

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

We have audited the Town of Dumfries, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Dumfries, Virginia's major federal programs for the year ended June 30, 2021. Town of Dumfries, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

In our opinion, Town of Dumfries, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-004 that we consider to be a significant deficiency.

Town of Dumfries, Virginia's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Dumfries, Virginia's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia  
March 10, 2022

**TOWN OF DUMFRIES, VIRGINIA**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

<b>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</b>	<b>Federal Assistance Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>	<b>Payments to Subrecipients</b>
<u>Department of Transportation:</u>				
Pass through payments:				
Virginia Department of Motor Vehicles:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	FSC-20-50342/FSC-21-51208	\$ 15,618	\$ -
Total Highway Safety Cluster			\$ 15,618	\$ -
Total Department of Transportation			\$ 15,618	\$ -
<u>Department of Justice:</u>				
Direct payments:				
Bulletproof Vest Partnership Program	16.607	N/A	\$ 855	\$ -
Total Department of Justice			\$ 855	\$ -
<u>Department of Treasury:</u>				
Pass through payments:				
Prince William County, Virginia:				
COVID-19 - Coronavirus Relief Fund (CRF)	21.019	Not Available	\$ 818,854	\$ 100,000
Total Department of Treasury			\$ 818,854	\$ 100,000
Total expenditures of federal awards			\$ 835,327	\$ 100,000

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

## TOWN OF DUMFRIES, VIRGINIA

### Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2021

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#### Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Dumfries, Virginia under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Dumfries, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Dumfries, Virginia.

#### Note 2 - Summary of Significant Accounting Policies:

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

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

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

#### Note 3 - Relationship to Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary Government

General Fund

\$ 835,327

Total primary government

\$ 835,327

Total federal expenditures per the Schedule of Expenditures of Federal Awards

\$ 835,327

TOWN OF DUMFRIES, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2021

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

**Financial Statements**

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

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516(a)?	Yes

Identification of major programs:

<u>Assistance Listing #</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19 - Coronavirus Relief Fund (CRF)

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

**Section II - Financial Statement Findings**

**2021-001: Bank Reconciliations (Material Weakness)**

*Criteria:*

The reconciliation of material cash balances in the automated accounting system to a detailed bank statement is a critical internal control for the prevention of material misstatements in the financial statements.

*Condition:*

During fiscal year 2021, bank reconciliations were not prepared in a timely manner. The bank reconciliation for the month of June 2021 was not completed until February 2022. The delays in the bank reconciliation process resulted in transactions not being recorded in the automated accounting system in a timely and/or accurate manner.

*Cause:*

Internal controls over the bank account reconciliation process were not operating effectively and reconciliations were not completed timely. In addition, the Town implemented a new bank reconciliation module in the accounting system which contributed to the delays in the reconciliation process.

*Effect:*

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

*Recommendation:*

We recommend the Town make improvements to the bank account reconciliation process to make the reconciliations as timely, efficient and accurate as possible. All reconciling items should be investigated and, if needed, any necessary adjustments posted in the automated accounting system. This entire process should be completed within 15 days of month end to ensure that all bank account balances are properly recorded in the automated accounting system.

*Management's Response:*

Current leadership inherited and recognized the internal issues concerning reconciliation. Director of Finance has already begun implementing procedures to improve reconciliation process to include hiring additional staff.

**Section II - Financial Statement Findings: (Continued)**

**2021-002: Material Audit Adjustments Proposed by the External Auditor (Material Weakness)**

*Criteria:*

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

*Condition:*

The financial statements required material adjustments to ensure such statements complied with Generally Accepted Accounting Principles (GAAP). Material audit adjustments were proposed to several accounts and financial statement groups including, Cash, Investments, Accrued Liabilities, Accounts Payable, Due from Other Governments and Municipal Complex Activity to be in accordance with Generally Accepted Accounting Principles.

*Cause:*

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

*Effect:*

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

*Recommendation:*

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

*Management's Response:*

Management concurs with this recommendation and steps have already been taken to resolve. Current staff continues to transition financial operations from manual processes to utilizing software system and properly segregating duties.



**Section II - Financial Statement Findings: (Continued)**

**2021-003: VRS Reconciliations (Significant Deficiency)**

*Criteria:*

The reconciliation of amounts reported in myVRS Navigator and the payroll system prior to the confirmation and submission of monthly contributions to the Virginia Retirement System is an integral control to ensure that employer and employee retirement contributions are accurately calculated and remitted to the Virginia Retirement System.

*Condition:*

Monthly reconciliations were not performed between myVRS Navigator and the payroll system prior to the confirmation and submission of contributions.

*Cause:*

There were no effective internal controls over the VRS reconciliation process.

*Effect:*

There were variances between the VRS contributions (employer and employee) reported in myVRS Navigator and the VRS contributions as calculated by the payroll system. Credible compensation for employees reported to myVRS Navigator did not agree to personnel records and several employees had employee VRS pension contribution deductions from their paychecks that did not agree to the amounts reported to myVRS navigator.

*Recommendation:*

We recommend the Town make improvements to the VRS reconciliation process to make monthly reconciliations as timely, efficient and accurate as possible. The Town should reconcile the information in the entity's payroll system to the data in the monthly contribution confirmation in myVRS Navigator each month. We recommend that all discrepancies between the monthly confirmation contribution data in myVRS Navigator and the payroll system be reviewed and cleared prior to the confirmation and submission of VRS contributions each month.

*Management's Response:*

Current management inherited this issue and it has already been resolved. As of July, 1 2021, VRS reconciliations are done on a bi-weekly basis.

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

**2021-004: Allowable Cost and Activities - Approval (Significant deficiency)**

*Program Title:* COVID-19 - Coronavirus Relief Fund (CRF)  
*Federal Assistance Number:* 21.019

*Criteria:*

Internal Controls: The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provided reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal Statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control" in the Federal Government issued by the Comptroller General of the United States or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal Awards

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings

*Condition:*

Approval of invoices was not formally documented before payment.

*Cause:*

Invoices were not formally documented for approval before payment.

*Effect:*

The Town may charge unallowed and unapproved costs to the program.

*Recommendation:*

We recommend that the Town develop and establish uniform approval procedures for processing vendor invoices before payment

*Management's Response:*

Adequate processes are in place for invoice approval.

Section IV - Prior Audit Findings

2020-001: Reporting and Reconciliation of Weldon Cooper Survey (Noncompliance Material to Financial Statements)

Corrective action was taken and this finding is not repeated in 2021.

2020-002: Material Audit Adjustments Proposed by the external Auditor (Material Weakness)

*Condition:*

The financial statements required material adjustments to ensure such statements complied with Generally Accepted Accounting Principles (GAAP).

*Current Status:*

Corrective action was not taken on Finding 2020-002 and has been reported in fiscal year 2021 as 2021-002.

*Planned Corrective Action:*

Staff to strengthen internal controls to capture and record all balances accurately in accordance with General Accepted Accounting Principles and eliminate the need for material audit adjustments.