

# TOWN OF STRASBURG, VIRGINIA



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

# **TOWN OF STRASBURG, VIRGINIA**

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## **Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2021**

Prepared by

Angela Fletcher, Director of Finance

Strasburg, Virginia

**TOWN OF STRASBURG, VIRGINIA  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2021**

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## **INTRODUCTORY SECTION**



November 30<sup>th</sup>, 2021

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

RE: FY 2020-2021 Comprehensive Annual Financial Report (CAFR)  
Letter of Transmittal

Please find enclosed the Fiscal Year 2020-2021 (FY 20/21) Comprehensive Annual Financial Report (CAFR) for the Town of Strasburg (Town). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Town. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Town. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

The accounting firm of Robinson, Farmer, Cox Associates, Certified Public Accountants, has audited the Town's financial statements. The goal of the independent audit is to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and evaluating the overall financial statement presentation. This examination was conducted using guidelines set forth by Government Auditing Standards Board and the Specification for Audits of Counties, Cities and Towns, issued by the Auditor of Public Accounts. Based upon this audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the Town's financial statements for the fiscal year ended June 30, 2021 are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

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



### **Profile of the Town**

Strasburg is located in north-central Shenandoah County approximately ten (10) miles west of the Town of Front Royal, seventy-eight (78) miles west of Washington, D.C., eighteen (18) miles south of the City of Winchester, and fifteen (15) miles east of the Virginia/West Virginia border. The Town has two interstate exits along I-81 (exits 296 and 298) and is located about four (4) miles from the I-66 and I-81 interchange. US Route 11 and State Route 55/US Route 48 intersect in the center of Town. The Town covers 2,274 acres, or roughly three and half (3.5) square miles, and has a population estimated at six thousand seven hundred sixteen (6,716).

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

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

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

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

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



### **Budgetary Controls**

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

The Council is required to adopt an initial budget for the fiscal year no later than June 30 preceding the beginning of the fiscal year on July 1. This annual budget serves as the foundation for the Town of Strasburg's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the Council.

### **Economic Outlook**

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

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



### **Major Initiatives in FY 20/21**

While much staff time was allocated to combating COVID-19, the Town continued implementation of Strategic Planning activities and the completion of existing grant programs in FY 20/21.

- Northern Shenandoah Business Park Phase 1 Improvements – Project design is at 100% and remains in the ROW acquisition phase. Estimates are that it could go to bid January or February with construction beginning in the spring of FY22.
- Streetscape Improvements Phase III – Phase III, the final phase, is mostly complete. Once some contractor related drainage modifications are made the project will be complete in FY22.
- AMI/AMR Water Meter Replacement - Approved by Council for FY21/22, not procured yet.
- Public Works Bucket Truck - Approved by Council for FY21/22, not procured yet.
- Junction 1 Lift Station Replacement - Approved by Council for FY21/22, not procured yet.
- USDA Sanitary Sewer Upgrade - Engineering design underway.
- Public Works Skid Steer Replacement - Approved by Council for FY21/22, not procured yet.

### **Awards and Acknowledgements**

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Strasburg for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2020. This was the 2nd consecutive year that the Town of Strasburg has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the



Town of Strasburg had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements. A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Department. We wish to thank all Town of Strasburg departments for their assistance in providing the data necessary to prepare this report. Credit also is due to the Mayor and the Council for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Strasburg's finances.

Respectfully submitted,

A handwritten signature in black ink that reads "Waverly Coggsdale".

Waverly Coggsdale, Town Manager

A handwritten signature in black ink that reads "Angela Fletcher".

Angela Fletcher, Director of Finance



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

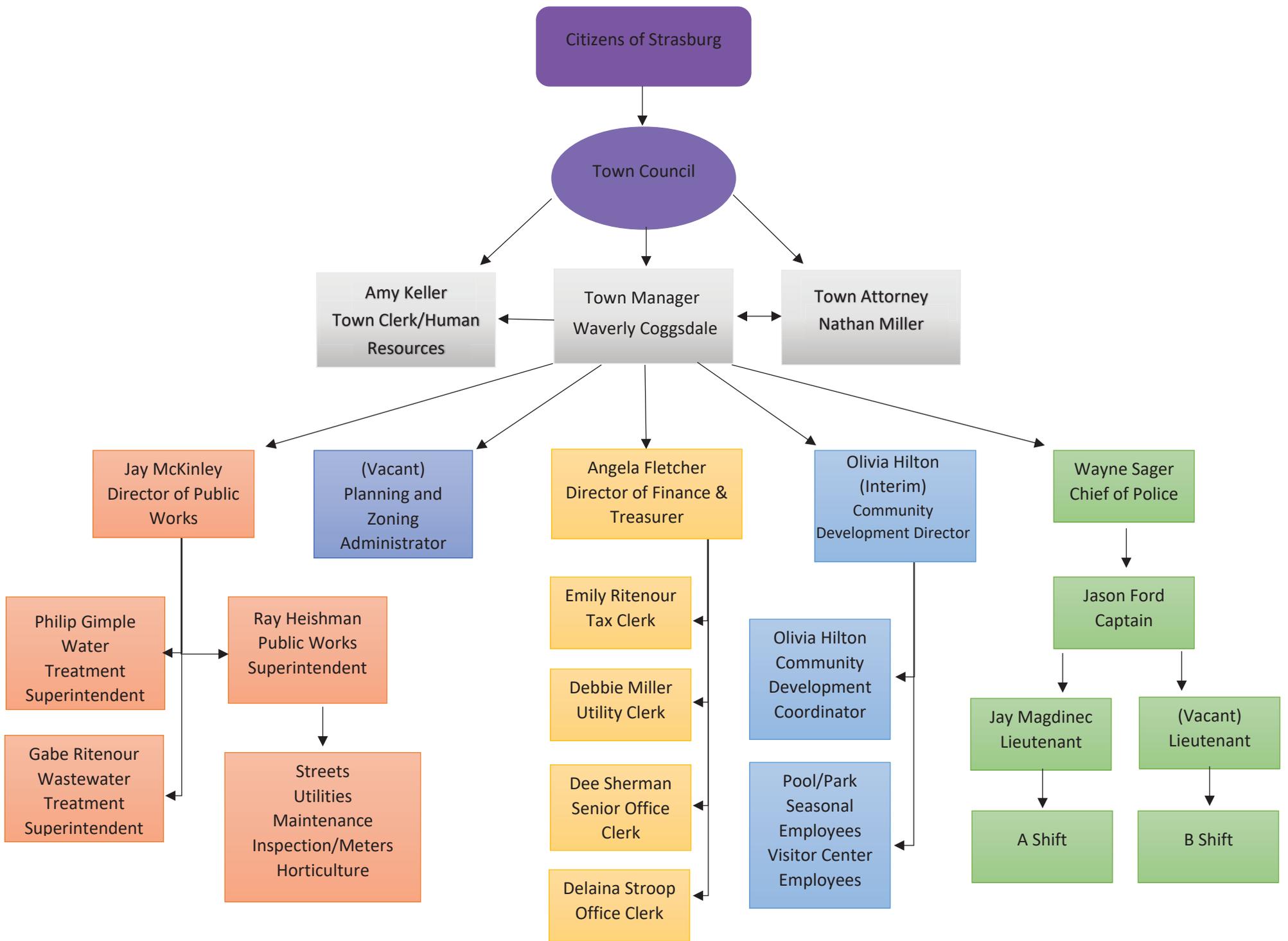
**Town of Strasburg  
Virginia**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morill*

Executive Director/CEO



**TOWN OF STRASBURG, VIRGINIA**

**OFFICIALS**

Brandy Boies, Mayor  
J. Waverly Coggsdale, III, Town Manager  
Angela Fletcher, Director of Finance

**TOWN COUNCIL**

S. John Massoud  
Taralyn Nicholson  
Dane Hooser  
Christie Monahan

Emily Reynolds  
Doreen Ricard  
Paul Weaver  
Ken Cherrix, Vice Mayor

## **FINANCIAL SECTION**



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**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Strasburg, Virginia, as of and for the year ended June 30, 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, the business-type activities, and each major fund of the Town of Strasburg, Virginia, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021, on our consideration of the Town of Strasburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Strasburg, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Strasburg, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
November 30, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Management Discussion and Analysis (MD&A) offers an overview and analysis of the financial activities of the Town of Strasburg for the fiscal year ended June 30, 2021. The information presented here should be considered in conjunction with additional information provided in the Comprehensive Annual Financial Report.

### FINANCIAL HIGHLIGHTS

#### Government-wide Financial Statements

The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at June 30, 2021 by \$38,140,853 which equals the total net position of the Town. Of this amount, \$7,531,003 is unrestricted and may be used to meet the Town's future obligations. Of the \$7,531,003 unrestricted net position, approximately \$2,583,862 is related to governmental activities and is undesignated and available for future General Fund expenditures. The \$4,947,141 remaining balance of unrestricted net position is related to business-type activities, which includes the Town's enterprise fund.

The Town's total long-term debt decreased by \$311,757 from \$28,146,146 as of June 30, 2020 to \$27,834,389 as of June 30, 2021. The decrease was due to paying off debt and completing capital projects.

#### Fund Financial Statements

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

The Town's governmental funds reported revenues and other financing sources a surplus in the amount of \$1,217,956 for the fiscal year; with an ending fund balance of \$3,819,087 of that amount \$78,344 is restricted for proffers, \$90,039 is restricted for asset forfeiture for the Police Department, and \$837,394 is restricted for debt service.

The Town's proprietary funds reported an increase in the net position of \$124,503. This is primarily due to grants.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

## **Government-wide Financial Statements**

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

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

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

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

## **FUND FINANCIAL STATEMENTS**

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

### Governmental Funds

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

### Proprietary Funds

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**Summary of Statement of Net Position  
as of June 30, 2021  
(in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 9,987	\$ 4,405	\$ 6,036	\$ 5,840	\$ 16,023	\$ 10,245
Capital assets	10,180	10,192	45,207	46,181	55,387	56,373
Total Assets	<u>\$ 20,167</u>	<u>\$ 14,597</u>	<u>\$ 51,243</u>	<u>\$ 52,021</u>	<u>\$ 71,410</u>	<u>\$ 66,618</u>
Deferred outflows of resources	\$ 540	\$ 299	\$ 498	\$ 275	\$ 1,038	\$ 574
Long-term debt						
outstanding	\$ 1,592	\$ 1,182	\$ 26,242	\$ 26,964	\$ 27,834	\$ 28,146
Other liabilities	5,055	728	461	353	5,516	1,081
Total Liabilities	<u>\$ 6,647</u>	<u>\$ 1,910</u>	<u>\$ 26,703</u>	<u>\$ 27,317</u>	<u>\$ 33,350</u>	<u>\$ 29,227</u>
Deferred inflows of resources	\$ 943	\$ 988	\$ 15	\$ 80	\$ 958	\$ 1,068
Net Position						
Net investment in capital assets	\$ 9,528	\$ 9,519	\$ 19,828	\$ 19,676	\$ 29,356	\$ 29,195
Restricted asset forfeitures	90	80	-	-	90	80
Restricted for other purposes	915	78	248	250	1,163	328
Unrestricted	2,584	2,321	4,947	4,973	7,531	7,294
Total net position	<u>\$ 13,117</u>	<u>\$ 11,998</u>	<u>\$ 25,023</u>	<u>\$ 24,899</u>	<u>\$ 38,140</u>	<u>\$ 36,897</u>

The Town's combined net position increased from \$36,897,430 at June 30, 2020 to \$38,140,853 at June 30, 2021 primarily due to an increase in capital assets in business type activities. The majority (70 percent) of the Town's net position of governmental activities is invested in capital assets (streets, drainage, constructions in progress, buildings, equipment, etc.) The capital assets are not available for future expenditures since they will not be sold. The Town has a strong financial position with 29 percent of net position in governmental activities unrestricted and available for providing services to the citizens of the Town of Strasburg.

The net position of the Town's business-type activities is \$25,023,678. The majority (80 percent) of the net position in the business-type activities is invested in capital assets. The Town uses the unrestricted net position to upgrade water and sewer lines, maintain the water treatment plant and wastewater treatment plant.

In summary, the Town of Strasburg's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$38,140,853 at the close of the most recent fiscal year.

## Statement of Activities

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 143,806	\$ 128,314	\$ 4,922,855	\$ 4,843,577	\$ 5,066,661	\$ 4,971,891
Operating grants and contributions	1,231,411	658,394	-	-	1,231,411	658,394
Capital grants and contributions	1,027,437	1,095,755	1,054,755	362,329	2,082,192	1,458,084
<b>General revenues</b>						
Property taxes	1,948,070	1,929,963	-	-	1,948,070	1,929,963
Other taxes and fees	2,224,740	2,150,571	-	-	2,224,740	2,150,571
Grants and contributions not restricted to specific programs	185,841	168,059	14,714	-	200,555	168,059
Revenue from use of money and property	2,718	98,813	13,096	132,834	15,814	231,647
Other	181,516	87,157	61,609	17,758	243,125	104,915
<b>Total revenues</b>	<b>\$ 6,945,539</b>	<b>\$ 6,317,026</b>	<b>\$ 6,067,029</b>	<b>\$ 5,356,498</b>	<b>\$ 13,012,568</b>	<b>\$ 11,673,524</b>
<b>EXPENSES</b>						
General government						
administration	\$ 1,410,192	\$ 651,290	\$ -	\$ -	\$ 1,410,192	\$ 651,290
Public safety	2,166,334	2,038,606	-	-	2,166,334	2,038,606
Public works	1,631,656	1,537,002	-	-	1,631,656	1,537,002
Health and welfare	13,573	11,613	-	-	13,573	11,613
Community development	192,280	203,543	-	-	192,280	203,543
Parks and recreation	305,861	218,608	-	-	305,861	218,608
Interest on long-term debt	20,408	23,193	-	-	20,408	23,193
Public utilities	-	-	6,028,841	5,531,483	6,028,841	5,531,483
<b>Total expenses</b>	<b>\$ 5,740,304</b>	<b>\$ 4,683,855</b>	<b>\$ 6,028,841</b>	<b>\$ 5,531,483</b>	<b>\$ 11,769,145</b>	<b>\$ 10,215,338</b>
Change in net position before transfers	\$ 1,205,235	\$ 1,633,171	\$ 38,188	\$ (174,985)	\$ 1,243,423	\$ 1,458,186
Transfers	(86,315)	-	86,315	-	-	-
<b>Change in net position</b>	<b>\$ 1,118,920</b>	<b>\$ 1,633,171</b>	<b>\$ 124,503</b>	<b>\$ (174,985)</b>	<b>\$ 1,243,423</b>	<b>\$ 1,458,186</b>
<b>Net position, beginning</b>	<b>11,998,255</b>	<b>10,365,084</b>	<b>24,899,175</b>	<b>25,074,160</b>	<b>36,897,430</b>	<b>35,439,244</b>
<b>Net position, ending</b>	<b>\$ 13,117,175</b>	<b>\$ 11,998,255</b>	<b>\$ 25,023,678</b>	<b>\$ 24,899,175</b>	<b>\$ 38,140,853</b>	<b>\$ 36,897,430</b>

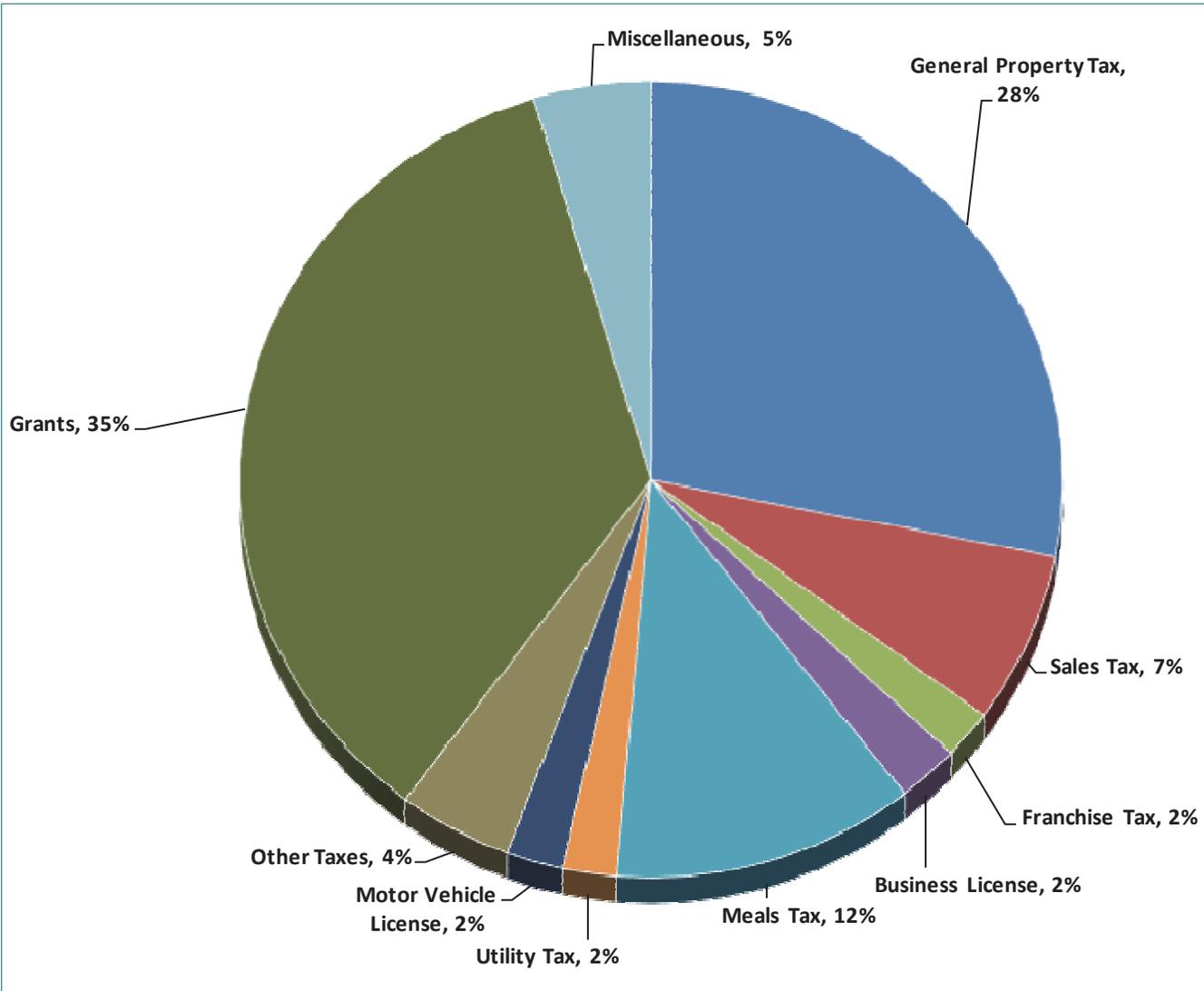
**Governmental Activities**

**Revenues**

Revenues from governmental activities totaled \$6,945,539. General property taxes and other taxes are the largest component of revenue (60 percent). General property tax revenues were \$1,948,070, an increase of 0.93 percent from June 30, 2020. The Town received reimbursement of \$138,898 from the Commonwealth of Virginia for taxes on individual automobiles.

Other local taxes and fees including revenue from local sales, franchise tax, business licenses, and meals taxes were \$2,224,740 an increase of 3.4 percent from June 30, 2020.

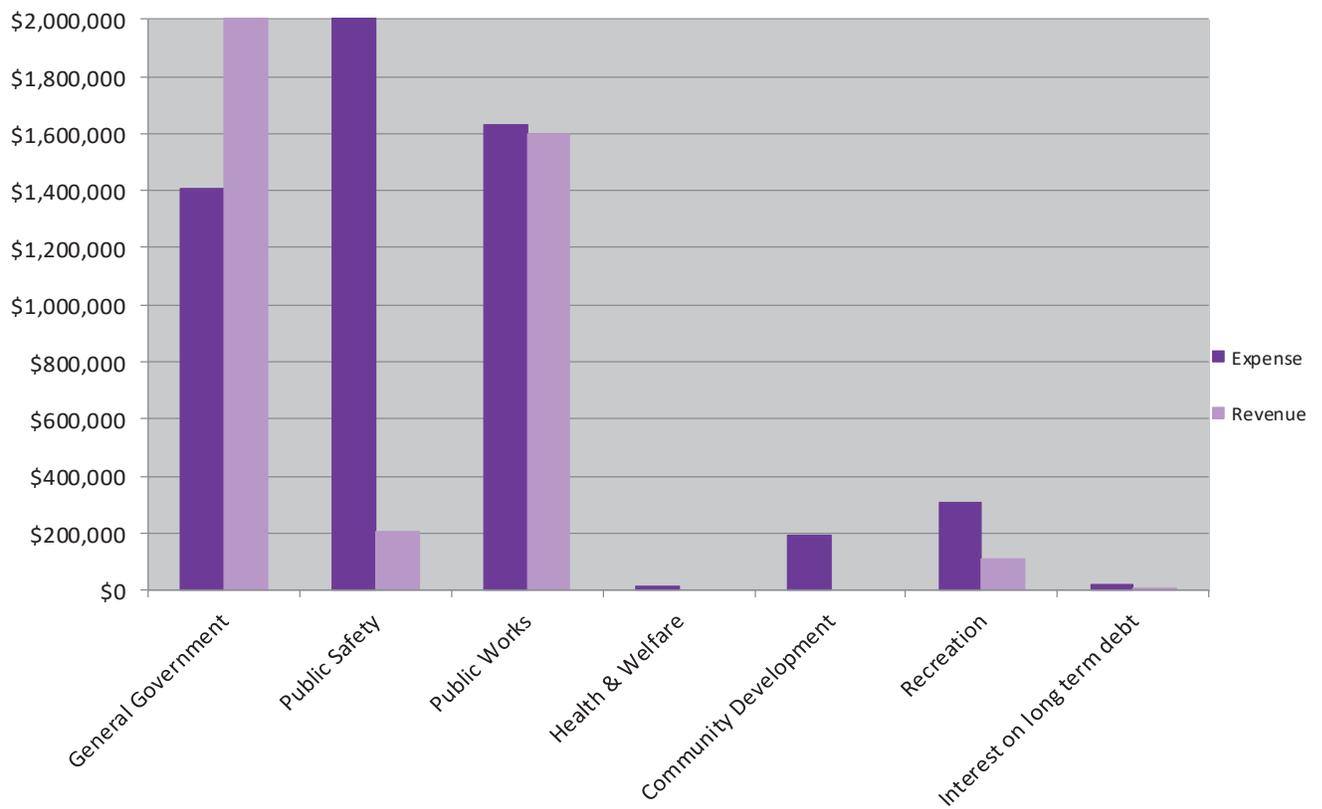
**Revenue by Source-Governmental Activities**



## Expenses

Expenses for governmental activities totaled \$5,740,304, which was an increase of \$1,056,449 from the prior fiscal year. This increase is due to the completion of the third phase of the Streetscape Project in downtown, as well as COVID-19 related expenses. The Public Safety and Public Works departments account for 76 percent of the total expenses for governmental activities.

### Program Expenses and Program Revenues – Governmental Activities



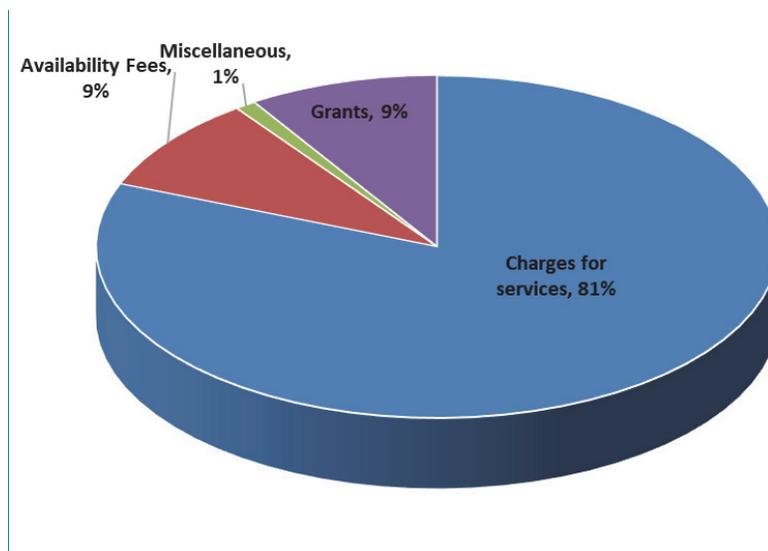
## Business-type Activities

The Town's business-type activities are comprised of enterprise funds for water, sewer, and trash. For the Town of Strasburg's business-type activities, the results for the current fiscal year were a net position decrease to reach an ending balance of \$25,023,678. The total increase in net position for business-type activities (water, sewer & trash funds) was \$124,503 from the prior fiscal year. The increase, in large part, is attributable to grants and tap/availability fees in utility revenues.

## Revenues

Revenue for all business-type activities totaled \$6,067,029 which is a 13.3 percent increase over 2020.

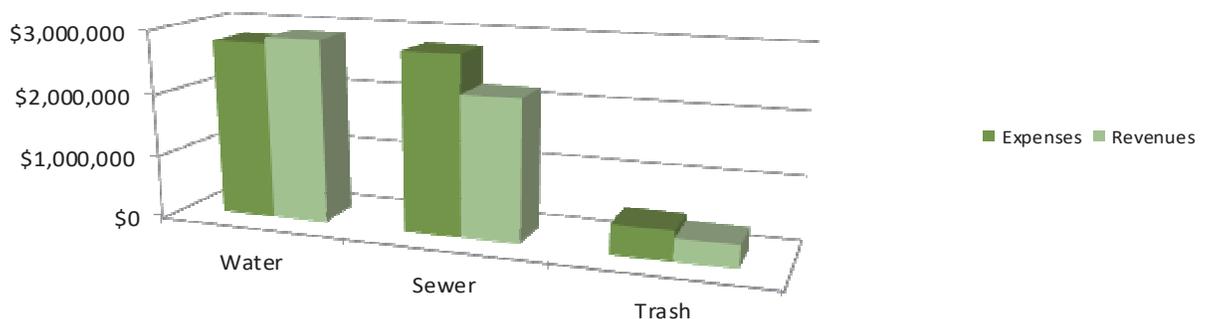
### Revenues by Source - Business-type Activities



## Expenses

Expenses totaled \$6,028,841 which was an increase of \$642,164 over 2020. The increase is attributable to repairs and maintenance for water infrastructure.

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



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

## FUND FINANCIAL ANALYSIS

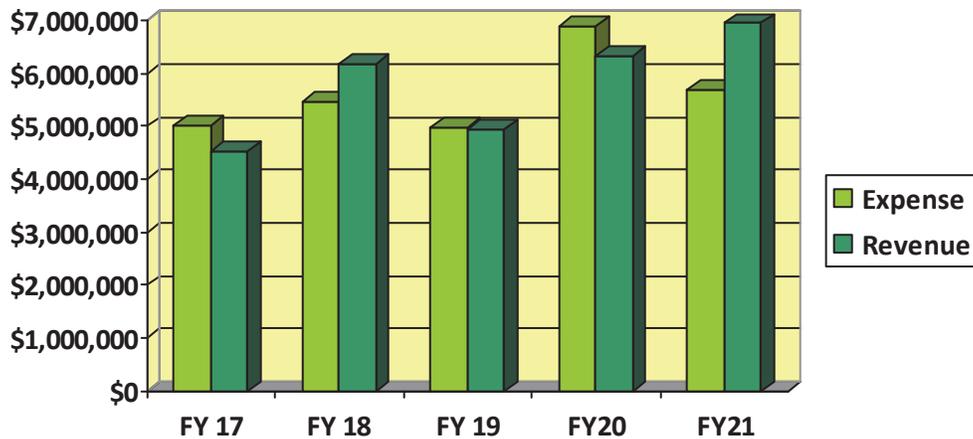
### Governmental Funds

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

### General Fund

The chief operating fund of the Town is the General Fund. At the end of 2021, the unassigned fund balance was \$2,366,794 which reflects an increase of \$1,225,772 over 2020. The graph below shows General Fund summary financial information for the past five years.

*Five Year General Fund Financial Summary*



### General Fund Budgetary Highlights

Actual revenue exceeded expenditures by \$1,241,405 in the General Fund, 2021 actual revenues were \$621,293 more than fiscal year 2020 revenues. The increase was largely due to receiving grant monies and a reduction in capital outlay expenditures.

### Proprietary Funds

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

### Water Fund

The Water Fund ended 2021 with unrestricted net position of \$3,613,766 which can be used for future fund expenses.

### Sewer Fund

The Sewer Fund ended 2021 with unrestricted net position of \$1,326,490 which can be used for future fund expenses.

### Trash Fund

The Trash Fund ended 2021 with unrestricted net position of \$6,855 which can be used for future fund expenses.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

2021 primary government investment in capital assets for its governmental and business-type activities was \$56,372,946 net of depreciation (see chart below).

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land and improvements	\$ 639	\$ 639	\$ 405	\$ 405	\$ 1,044	\$ 1,044
Buildings and improvements	2,635	2,699	13	18	2,648	2,717
Infrastructure	6,012	6,211	44,152	45,193	50,164	51,404
Furniture, equipment & vehicles	549	479	623	551	1,172	1,030
Construction in Progress	345	164	14	14	359	178
<b>Total</b>	<b>\$ 10,180</b>	<b>\$ 10,192</b>	<b>\$ 45,207</b>	<b>\$ 46,181</b>	<b>\$ 55,387</b>	<b>\$ 56,373</b>

Total Capital Assets at June 30, 2021 were \$55,387,023 compared to \$56,372,946 at June 30, 2020, resulting in a decrease of \$985,923 in the total Capital Assets. Much of this decrease is due to depreciation.

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

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

### Long-term Debt

The Town's total outstanding debt at the end of 2021 was \$27,834,389 with \$26,242,370 in business-type activities and \$1,592,019 in governmental activities. Capital leases and vacation pay are included in outstanding debt.

**Town of Strasburg Outstanding Debt  
General Obligation and Revenue Bonds  
June 30, 2021  
(In thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
General Obligation Bonds	\$ 516	\$ 543	\$ 25,196	\$ 26,281	\$ 25,712	\$ 26,824
Unamortized bond premium	34	37	136	146	170	183
Capital Lease	103	94	46	77	149	171
Compensated Absences	135	155	128	134	263	289
Net Pension Liability	665	221	609	204	1,274	425
Net OPEB Liability	139	132	127	122	266	254
<b>Total</b>	<b><u>\$ 1,592</u></b>	<b><u>\$ 1,182</u></b>	<b><u>\$ 26,242</u></b>	<b><u>\$ 26,964</u></b>	<b><u>\$ 27,834</u></b>	<b><u>\$ 28,146</u></b>

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

### **ECONOMIC FACTORS**

Residential development continues to be strong in 2021. One large development is currently underway, with two more totaling 500 new units possible. Two of the three developments include the creation of new commercial property that currently has no assigned end user. There is continued interest in available land in the Northern Shenandoah Business Park.

The Town has completed the third phase of the Streetscape Project in downtown. Future capital projects include the extension of Borden Mowery Drive, which is scheduled to begin in the next fiscal year.

### **CONTACT INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Town of Strasburg, Virginia  
Statement of Net Position  
June 30, 2021

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,159,641	\$ 4,310,570	\$ 11,470,211
Receivables			
Taxes, net of allowance of \$26,462	1,088,450	-	1,088,450
Accounts, net of allowance of \$25,443	115,262	646,241	761,503
Due from other governmental units	497,606	4,142	501,748
Internal balances	73,959	(73,959)	-
Inventory	17,819	766,758	784,577
Prepaid items	28,697	24,049	52,746
Restricted assets:			
Cash and cash equivalents	1,005,777	358,656	1,364,433
Capital assets:			
Nondepreciable:			
Land	\$ 639,469	\$ 404,837	\$ 1,044,306
Construction in progress	345,487	13,932	359,419
Depreciable, net of accumulated depreciation:			
Furniture, equipment, and vehicles	548,656	623,020	1,171,676
Buildings and improvements	2,635,228	13,000	2,648,228
Infrastructure	6,011,507	44,151,887	50,163,394
Total capital assets, net	\$ 10,180,347	\$ 45,206,676	\$ 55,387,023
Total assets	\$ 20,167,558	\$ 51,243,133	\$ 71,410,691
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	\$ 500,099	\$ 461,345	\$ 961,444
OPEB related items	40,176	37,181	77,357
Total deferred outflows of resources	\$ 540,275	\$ 498,526	\$ 1,038,801
<b>LIABILITIES</b>			
Accounts payable	\$ 769,728	\$ 253,774	\$ 1,023,502
Other liabilities	102,690	58,432	161,122
Customer deposits	-	110,602	110,602
Accrued interest payable	5,100	37,581	42,681
Unearned revenue-other	4,177,771	-	4,177,771
Noncurrent liabilities:			
Due within one year	160,108	1,197,645	1,357,753
Due in more than one year	1,431,911	25,044,725	26,476,636
Total liabilities	\$ 6,647,308	\$ 26,702,759	\$ 33,350,067
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue-property taxes	\$ 928,242	\$ -	\$ 928,242
Pension related items	3,729	4,226	7,955
OPEB related items	11,379	10,996	22,375
Total deferred inflows of resources	\$ 943,350	\$ 15,222	\$ 958,572
<b>NET POSITION</b>			
Net investment in capital assets	\$ 9,527,536	\$ 19,828,483	\$ 29,356,019
Restricted for debt service	837,394	248,054	1,085,448
Restricted asset forfeitures	90,039	-	90,039
Restricted for proffers	78,344	-	78,344
Unrestricted	2,583,862	4,947,141	7,531,003
Total net position	\$ 13,117,175	\$ 25,023,678	\$ 38,140,853

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Primary Government		Total
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 1,410,192	\$ 32,741	\$ 451,294	\$ -	\$ (926,157)	\$ -	\$ (926,157)
Public safety	2,166,334	-	208,083	-	(1,958,251)	-	(1,958,251)
Public works	1,631,656	-	572,034	1,027,437	(32,185)	-	(32,185)
Health and welfare	13,573	-	-	-	(13,573)	-	(13,573)
Community development	192,280	-	-	-	(192,280)	-	(192,280)
Parks, recreation and cultural	305,861	111,065	-	-	(194,796)	-	(194,796)
Interest on long-term debt	20,408	-	-	-	(20,408)	-	(20,408)
Total governmental activities	\$ 5,740,304	\$ 143,806	\$ 1,231,411	\$ 1,027,437	\$ (3,337,650)	\$ -	\$ (3,337,650)
Business-type activities:							
Water Fund	\$ 2,779,240	\$ 2,331,884	\$ -	\$ 544,584	\$ -	\$ 97,228	\$ 97,228
Sewer Fund	2,786,672	2,242,518	-	510,171	-	(33,983)	(33,983)
Trash Fund	462,929	348,453	-	-	-	(114,476)	(114,476)
Total business-type activities	\$ 6,028,841	\$ 4,922,855	\$ -	\$ 1,054,755	\$ -	\$ (51,231)	\$ (51,231)
Total primary government	\$ 11,769,145	\$ 5,066,661	\$ 1,231,411	\$ 2,082,192	\$ (3,337,650)	\$ (51,231)	\$ (3,388,881)
General revenues:							
General property taxes					\$ 1,948,070	\$ -	\$ 1,948,070
Other local taxes:							
Local sales tax					483,851	-	483,851
Franchise taxes					137,896	-	137,896
Business licenses					167,095	-	167,095
Meals tax					822,700	-	822,700
Utility tax					147,401	-	147,401
Motor vehicle licenses					154,473	-	154,473
Other taxes					311,324	-	311,324
Grants and contributions not restricted to specific programs					185,841	14,714	200,555
Revenue from the use of money and property					2,718	13,096	15,814
Miscellaneous					181,516	61,609	243,125
Transfers					(86,315)	86,315	-
Total general revenues and transfers					\$ 4,456,570	\$ 175,734	\$ 4,632,304
Change in net position					\$ 1,118,920	\$ 124,503	\$ 1,243,423
Net position - beginning					11,998,255	24,899,175	36,897,430
Net position - ending					\$ 13,117,175	\$ 25,023,678	\$ 38,140,853

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

## **FUND FINANCIAL STATEMENTS**

**Town of Strasburg, Virginia**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2021**

**Exhibit 3**

	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,159,641
Receivables:	
Taxes, net of allowance of \$26,462	1,088,450
Accounts	115,262
Due from other governmental units	497,606
Due from other funds	73,959
Inventory	17,819
Prepaid items	28,697
Restricted assets:	
Cash and cash equivalents	1,005,777
Total assets	<u>\$ 9,987,211</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 769,728
Accrued liabilities	102,690
Unearned revenue - other	4,177,771
Total liabilities	<u>\$ 5,050,189</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - property taxes	\$ 1,117,935
Total deferred inflows of resources	<u>\$ 1,117,935</u>
<b>FUND BALANCES</b>	
<b>Nonspendable</b>	
Inventory	\$ 17,819
Prepaid items	28,697
<b>Restricted:</b>	
Debt service	837,394
Proffers	78,344
Assets forfeitures	90,039
<b>Committed:</b>	
Construction	400,000
<b>Unassigned</b>	
Total fund balances	<u>2,366,794</u>
Total fund balances	<u>\$ 3,819,087</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,987,211</u>

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

**Town of Strasburg, Virginia**  
**Reconciliation of the Balance Sheet of Governmental Fund**  
**to the Statement of Net Position**  
**June 30, 2021**

**Exhibit 4**

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Fund \$ 3,819,087

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	639,469	
Construction in progress		345,487	
Buildings and improvements		2,635,228	
Furniture, equipment and vehicles		548,656	
Infrastructure		6,011,507	10,180,347

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

Unavailable revenue - property taxes			189,693
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$	500,099	
OPEB related items		40,176	540,275

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

Compensated absences	\$	(135,403)	
General obligation bonds, net of original issue premium		(550,101)	
Capital leases		(102,711)	
Accrued interest payable		(5,100)	
Net pension liability		(664,994)	
Net OPEB liabilities		(138,810)	(1,597,119)

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

Pension related items	\$	(3,729)	
OPEB related items		(11,379)	(15,108)

Net position of governmental activities \$ 13,117,175

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

**Town of Strasburg, Virginia**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Fund**  
**For the Year Ended June 30, 2021**

**Exhibit 5**

	<u>General</u>
<b>REVENUES</b>	
General property taxes	\$ 1,941,768
Other local taxes	2,224,740
Permits, privilege fees, and regulatory licenses	20,971
Fines and forfeitures	11,770
Miscellaneous	181,516
Revenue from the use of money and property	2,718
Charges for services	111,065
Intergovernmental:	
Commonwealth	1,593,683
Federal	851,006
Total revenues	<u>\$ 6,939,237</u>
<b>EXPENDITURES</b>	
Current:	
General government administration	\$ 739,658
Public safety	2,075,598
Public works	1,393,268
Health and welfare	13,573
Parks, recreation, and cultural	266,252
Community development	191,419
Capital outlay:	
Administrative	669,102
Public safety	62,914
Community development	181,708
Debt service:	
Principal	81,217
Interest	23,123
Total expenditures	<u>\$ 5,697,832</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,241,405</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers out	\$ (86,315)
Issuance of capital leases	62,866
Total other financing sources (uses)	<u>\$ (23,449)</u>
Net change in fund balance	\$ 1,217,956
Fund balance, beginning of year	2,601,131
Fund balance, end of year	<u><u>\$ 3,819,087</u></u>

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

**Town of Strasburg, Virginia**  
**Reconciliation of Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Fund**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2021**

**Exhibit 6**

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

Net change in fund balances - total governmental funds	\$	1,217,956
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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 depreciation exceeded capital outlays in the current period.

Capital outlays	\$	446,919	
Depreciation expense		<u>(458,954)</u>	(12,035)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable property taxes is reported as revenues in the governmental funds.

Property taxes			6,302
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuances of capital leases	\$	(62,866)	
Amortization of premium on bond issue		2,436	
Principal repayments		<u>81,217</u>	20,787

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

Change in accrued interest	\$	279	
Change in compensated absences		19,937	
Change in pension related items		(138,996)	
Change in OPEB related items		<u>4,690</u>	<u>(114,090)</u>

Change in net position of governmental activities	\$	<u><u>1,118,920</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Strasburg, Virginia  
Statement of Net Position  
Proprietary Funds  
June 30, 2021

Exhibit 7

	Water Fund	Sewer Fund	Trash Fund	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 3,357,510	\$ 953,060	\$ -	\$ 4,310,570
Receivables:				
Accounts, net of allowance for uncollectible accounts \$25,443	292,215	308,482	45,544	646,241
Due from other governmental units	2,071	2,071	-	4,142
Inventory	383,451	383,307	-	766,758
Prepaid items	10,816	13,233	-	24,049
Total current assets	<u>\$ 4,046,063</u>	<u>\$ 1,660,153</u>	<u>\$ 45,544</u>	<u>\$ 5,751,760</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	\$ 234,634	\$ 124,022	\$ -	\$ 358,656
Capital assets, net of accumulated depreciation	16,504,576	28,702,100	-	45,206,676
Total noncurrent assets	<u>\$ 16,739,210</u>	<u>\$ 28,826,122</u>	<u>\$ -</u>	<u>\$ 45,565,332</u>
Total assets	<u>\$ 20,785,273</u>	<u>\$ 30,486,275</u>	<u>\$ 45,544</u>	<u>\$ 51,317,092</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	\$ 239,229	\$ 222,116	\$ -	\$ 461,345
OPEB related items	19,329	17,852	-	37,181
Total deferred outflows of resources	<u>\$ 258,558</u>	<u>\$ 239,968</u>	<u>\$ -</u>	<u>\$ 498,526</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 101,870	\$ 113,245	\$ 38,659	\$ 253,774
Accrued wages	30,914	27,518	-	58,432
Due to other funds	73,959	-	-	73,959
General obligation bonds payable current portion	293,960	811,014	-	1,104,974
Capital leases current portion	7,923	7,923	-	15,846
Compensated absences current portion	39,046	37,779	-	76,825
Customer deposits	110,602	-	-	110,602
Accrued interest payable	27,380	10,201	-	37,581
Total current liabilities	<u>\$ 685,654</u>	<u>\$ 1,007,680</u>	<u>\$ 38,659</u>	<u>\$ 1,731,993</u>
Noncurrent liabilities:				
Compensated absences, net of current portion	\$ 26,031	\$ 25,186	\$ -	\$ 51,217
General obligation bonds payable, net of current portion	10,361,341	13,865,588	-	24,226,929
Capital leases, net of current portion	15,222	15,222	-	30,444
Net pension liability	317,122	291,890	-	609,012
Net OPEB liabilities	66,195	60,928	-	127,123
Total noncurrent liabilities	<u>\$ 10,785,911</u>	<u>\$ 14,258,814</u>	<u>\$ -</u>	<u>\$ 25,044,725</u>
Total liabilities	<u>\$ 11,471,565</u>	<u>\$ 15,266,494</u>	<u>\$ 38,659</u>	<u>\$ 26,776,718</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related items	\$ 2,612	\$ 1,614	\$ -	\$ 4,226
OPEB related items	5,726	5,270	-	10,996
Total deferred inflows of resources	<u>\$ 8,338</u>	<u>\$ 6,884</u>	<u>\$ -</u>	<u>\$ 15,222</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 5,826,130	\$ 14,002,353	\$ -	\$ 19,828,483
Restricted for debt service	124,032	124,022	-	248,054
Unrestricted	3,613,766	1,326,490	6,885	4,947,141
Total net position	<u>\$ 9,563,928</u>	<u>\$ 15,452,865</u>	<u>\$ 6,885</u>	<u>\$ 25,023,678</u>

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

Town of Strasburg, Virginia  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

Exhibit 8

	Water Fund	Sewer Fund	Trash Fund	Total
<b>OPERATING REVENUES</b>				
Charges for services:				
Sale of water	\$ 2,174,878	\$ -	\$ -	\$ 2,174,878
Sewer service charges	-	2,234,149	-	2,234,149
Trash collection fees	-	-	348,453	348,453
Late payment charges	76,356	8,369	-	84,725
Lease revenue	80,650	-	-	80,650
Miscellaneous	33,075	28,534	-	61,609
Total operating revenues	<u>\$ 2,364,959</u>	<u>\$ 2,271,052</u>	<u>\$ 348,453</u>	<u>\$ 4,984,464</u>
<b>OPERATING EXPENSES</b>				
Water treatment facilities, transmission and distribution	\$ 789,808	\$ -	\$ -	\$ 789,808
Personnel	1,185,170	1,119,232	-	2,304,402
Operation and maintenance	-	890,823	-	890,823
Trash collection	-	-	462,929	462,929
Depreciation	513,620	738,738	-	1,252,358
Total operating expenses	<u>\$ 2,488,598</u>	<u>\$ 2,748,793</u>	<u>\$ 462,929</u>	<u>\$ 5,700,320</u>
Net operating income (loss)	<u>\$ (123,639)</u>	<u>\$ (477,741)</u>	<u>\$ (114,476)</u>	<u>\$ (715,856)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	\$ 6,627	\$ 6,469	\$ -	\$ 13,096
Coronavirus relief fund municipal utility relief	7,357	7,357	-	14,714
Interest expense	(290,642)	(37,879)	-	(328,521)
Total nonoperating revenues (expenses)	<u>\$ (276,658)</u>	<u>\$ (24,053)</u>	<u>\$ -</u>	<u>\$ (300,711)</u>
Income (loss) before contributions and grants	<u>\$ (400,297)</u>	<u>\$ (501,794)</u>	<u>\$ (114,476)</u>	<u>\$ (1,016,567)</u>
Capital contributions and construction grants	<u>\$ 544,584</u>	<u>\$ 510,171</u>	<u>\$ -</u>	<u>\$ 1,054,755</u>
<b>TRANSFERS</b>				
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,315</u>	<u>\$ 86,315</u>
Change in net position	\$ 144,287	\$ 8,377	\$ (28,161)	\$ 124,503
Net position - beginning	<u>9,419,641</u>	<u>15,444,488</u>	<u>35,046</u>	<u>24,899,175</u>
Net position - ending	<u>\$ 9,563,928</u>	<u>\$ 15,452,865</u>	<u>\$ 6,885</u>	<u>\$ 25,023,678</u>

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

Town of Strasburg, Virginia  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2021

Exhibit 9

	Water Fund	Sewer Fund	Trash Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 2,370,658	\$ 2,263,563	\$ 345,609	\$ 4,979,830
Payments to suppliers for goods and services	(693,658)	(928,843)	(433,590)	(2,056,091)
Payments to employees for services	(1,115,281)	(1,059,812)	-	(2,175,093)
Net cash provided by (used for) operating activities	<u>\$ 561,719</u>	<u>\$ 274,908</u>	<u>\$ (87,981)</u>	<u>\$ 748,646</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	-	-	86,315	86,315
Coronavirus utility relief	7,357	7,357	-	14,714
Net cash provided by (used for) noncapital financing activities	<u>\$ 7,357</u>	<u>\$ 7,357</u>	<u>\$ 86,315</u>	<u>\$ 101,029</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital asset additions	(136,030)	(142,440)	-	(278,470)
Principal payments on bonds	(281,044)	(804,142)	-	(1,085,186)
Principal payments on lease obligations	(15,489)	(15,489)	-	(30,978)
Interest payments	(296,478)	(43,307)	-	(339,785)
Capital contributions from others	544,584	510,171	-	1,054,755
Net cash provided by (used for) capital and related financing activities	<u>\$ (184,457)</u>	<u>\$ (495,207)</u>	<u>\$ -</u>	<u>\$ (679,664)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	6,627	6,469	-	13,096
Net cash provided by (used for) investing activities	<u>\$ 6,627</u>	<u>\$ 6,469</u>	<u>\$ -</u>	<u>\$ 13,096</u>
Net increase (decrease) in cash and cash equivalents	\$ 391,246	\$ (206,473)	\$ (1,666)	\$ 183,107
Cash and cash equivalents (including restricted) - beginning	3,200,898	1,283,555	1,666	4,486,119
Cash and cash equivalents (including restricted) - ending	<u>\$ 3,592,144</u>	<u>\$ 1,077,082</u>	<u>\$ -</u>	<u>\$ 4,669,226</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (123,639)	\$ (477,741)	\$ (114,476)	\$ (715,856)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	513,620	738,738	-	1,252,358
(Increase) decrease in accounts receivable	11,535	(5,418)	(2,844)	3,273
(Increase) decrease in due from other governmental units	(2,071)	(2,071)	-	(4,142)
(Increase) decrease in inventory	11,961	(98,186)	-	(86,225)
(Increase) decrease in prepaid items	739	252	-	991
(Increase) decrease in deferred outflows of resources	(114,349)	(109,512)	-	(223,861)
Increase (decrease) in customer deposits	(3,765)	-	-	(3,765)
Increase (decrease) in accounts payable	9,491	59,914	29,339	98,744
Increase (decrease) in accrued wages	6,416	7,555	-	13,971
Increase (decrease) in due to other funds	73,959	-	-	73,959
Increase (decrease) in compensated absences	13	(6,646)	-	(6,633)
Increase (decrease) in net pension liability	210,324	194,977	-	405,301
Increase (decrease) in net OPEB liabilities	2,373	3,014	-	5,387
Increase (decrease) in deferred inflows of resources	(34,888)	(29,968)	-	(64,856)
Net cash provided by (used for) operating activities	<u>\$ 561,719</u>	<u>\$ 274,908</u>	<u>\$ (87,981)</u>	<u>\$ 748,646</u>

## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2021

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

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

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

The Town of Strasburg, Virginia (the Town) is a municipal corporation governed by an elected mayor and eight-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

**Blended component units** – There were no blended component units for the Town for the year ended June 30, 2021.

**Discretely Presented Component Units** – There were no discretely presented component units for the Town for the year ended June 30, 2021.

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

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

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

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

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

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)

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

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

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

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

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

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

The government reports the following major governmental fund:

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

The government reports the following major proprietary funds:

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

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

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

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

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

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

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

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

**1. Cash and Cash Equivalents**

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

***Investments***

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

**2. Receivables and Payables**

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

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

## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2021 (CONTINUED)

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

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

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

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

##### **4. *Allowance for Uncollectible Accounts***

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes amounted to approximately \$26,462 at June 30, 2021 and the allowance for uncollectible water, sewer and trash billings amounted to approximately \$25,443 at June 30, 2021.

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

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

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

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

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

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

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

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

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)

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

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

**7. Capital Assets (continued)**

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

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

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

**8. Compensated Absences**

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

**9. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town's Retirement Plan's 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.

**10. Other Postemployment Benefits (OPEB)**

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, HIC, and VLDP OPEB Plans and the additions to/deductions from the VRS OPEB Plans' 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.

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

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

**11. Long-term Obligations**

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

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

**12. Fund Balance**

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

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

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

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)

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

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

**12. Fund Balance (continued)**

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

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

**13. Prepaid items**

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

**14. Net Position**

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

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

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

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

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

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

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

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

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**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

**A. Budgetary Information**

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

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

**B. Excess of Expenditures over Appropriations**

Fund	Department	Excess of Expenditures Over Appropriations
General	Public safety	\$ 130,066
General	Health and welfare	13,573
General	Parks, recreation and culutral	50,577
Total General Fund		194,216

**C. Deficit Fund Equity**

At June 30, 2021, none of the funds reported deficit fund equity.

**NOTE 3 — DEPOSITS AND INVESTMENTS:**

**Deposits**

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

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

**Investments**

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

**Credit Risk of Debt Securities**

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

The Town rated debt investments as of June 30, 2021 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

<b><u>Rated Debt Investments' Values</u></b>	
<b><u>Rated Debt Investments</u></b>	<b><u>Fair Quality Rating</u></b>
	<b><u>AAAm</u></b>
Virginia State Non-Arbitrage Pool	\$ 248,064
Total	\$ 248,064

**Interest Rate Risk**

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

<b><u>Investment Maturities (in years)</u></b>		
<b><u>Investment Type</u></b>	<b><u>Fair Value</u></b>	<b><u>Less Than 1 Year</u></b>
Virginia State Non-Arbitrage Pool	\$ 248,064	\$ 248,064
Total	\$ 248,064	\$ 248,064

**External Investment Pool**

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

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

**NOTE 4 — RECEIVABLES:**

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

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Trash</u>	<u>Total</u>
Receivables:					
Property taxes	\$ 1,114,912	\$ -	\$ -	\$ -	\$ 1,114,912
Accounts	115,262	303,791	320,578	47,315	786,946
Gross receivables	\$ 1,230,174	\$ 303,791	\$ 320,578	\$ 47,315	\$ 1,901,858
Less: allowance for uncollectibles	(26,462)	(11,576)	(12,096)	(1,771)	(51,905)
Net receivables	<u>\$ 1,203,712</u>	<u>\$ 292,215</u>	<u>\$ 308,482</u>	<u>\$ 45,544</u>	<u>\$ 1,849,953</u>

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

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Commonwealth of Virginia:			
Communications tax	\$ 9,567	\$ -	\$ 9,567
Auto rental tax	1,025	-	1,025
Asset forfeiture	1,783	-	1,783
Rolling stock	4	-	4
Sales tax	91,148	-	91,148
Total Commonwealth of Virginia	<u>\$ 103,527</u>	<u>\$ -</u>	<u>\$ 103,527</u>
Federal Government:			
Highway planning and construction	\$ 394,079	\$ -	\$ 394,079
Coronavirus relief fund	-	4,142	4,142
Total Federal Government	<u>\$ 394,079</u>	<u>\$ 4,142</u>	<u>\$ 398,221</u>
Total	<u>\$ 497,606</u>	<u>\$ 4,142</u>	<u>\$ 501,748</u>

**NOTE 6 — RESTRICTED ASSETS:**

Restricted cash and cash equivalents consist of the following for June 30, 2021:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b><u>Governmental Funds</u></b>				
Restricted for proffers	\$ 78,344	\$ -	\$ -	\$ 78,344
Restricted asset forfeitures	90,039	-	-	90,039
Restricted for debt service	837,394	-	-	837,394
Totals	<u>\$ 1,005,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,005,777</u>
<b><u>Enterprise Funds</u></b>				
Utility deposits	\$ -	\$ 110,602	\$ -	\$ 110,602
Restricted for debt service	-	124,032	124,022	248,054
Totals	<u>\$ -</u>	<u>\$ 234,634</u>	<u>\$ 124,022</u>	<u>\$ 358,656</u>

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

**NOTE 7 — CAPITAL ASSETS:**

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2021.

Governmental Activities:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Capital assets not being depreciated:				
Land	\$ 639,469	\$ -	\$ -	\$ 639,469
Construction in progress	163,779	181,708	-	345,487
Total capital assets not being depreciated	<u>\$ 803,248</u>	<u>\$ 181,708</u>	<u>\$ -</u>	<u>\$ 984,956</u>
Other capital assets:				
Buildings and improvements	\$ 4,043,867	\$ 47,118	\$ -	\$ 4,090,985
Furniture, equipment and vehicles	2,913,678	218,093	(83,028)	3,048,743
Infrastructure	8,210,938	-	-	8,210,938
Total other capital assets	<u>\$ 15,168,483</u>	<u>\$ 265,211</u>	<u>\$ (83,028)</u>	<u>\$ 15,350,666</u>
Accumulated depreciation:				
Buildings and improvements	\$ (1,344,917)	\$ (110,840)	\$ -	\$ (1,455,757)
Furniture, equipment and vehicles	(2,434,598)	(148,517)	83,028	(2,500,087)
Infrastructure	(1,999,834)	(199,597)	-	(2,199,431)
Total accumulated depreciation	<u>\$ (5,779,349)</u>	<u>\$ (458,954)</u>	<u>\$ 83,028</u>	<u>\$ (6,155,275)</u>
Other capital assets, net	<u>\$ 9,389,134</u>	<u>\$ (193,743)</u>	<u>\$ -</u>	<u>\$ 9,195,391</u>
Net capital assets	<u>\$ 10,192,382</u>	<u>\$ (12,035)</u>	<u>\$ -</u>	<u>\$ 10,180,347</u>

Depreciation expense was allocated as follows:

General government administration	\$ 128,659
Public safety	45,623
Public works	219,943
Parks, recreation and cultural	64,729
Total depreciation expense	<u>\$ 458,954</u>

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

Business-type Activities:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 404,837	\$ -	\$ -	\$ 404,837
Construction in progress	13,932	-	-	13,932
Total capital assets not being depreciated	\$ 418,769	\$ -	\$ -	\$ 418,769
Other capital assets:				
Equipment and vehicles	\$ 1,887,554	\$ 177,626	\$ (12,677)	\$ 2,052,503
Buildings and improvements	229,647	-	-	229,647
Infrastructure	56,473,886	100,844	-	56,574,730
Total other capital assets	\$ 58,591,087	\$ 278,470	\$ (12,677)	\$ 58,856,880
Accumulated depreciation:				
Equipment and vehicles	\$ (1,336,137)	\$ (106,023)	\$ 12,677	\$ (1,429,483)
Buildings and improvements	(211,977)	(4,670)	-	(216,647)
Infrastructure	(11,281,178)	(1,141,665)	-	(12,422,843)
Total accumulated depreciation	\$ (12,829,292)	\$ (1,252,358)	\$ 12,677	\$ (14,068,973)
Other capital assets, net	\$ 45,761,795	\$ (973,888)	\$ -	\$ 44,787,907
Net capital assets	\$ 46,180,564	\$ (973,888)	\$ -	\$ 45,206,676

**NOTE 8 — LONG-TERM OBLIGATIONS:**

**Primary Government – Governmental Activities:**

The following is a summary of changes in long-term obligations transactions of the Town for the year ended June 30, 2021.

	Balance July 1, 2020	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2021
Direct Borrowings and Direct Placements:				
General obligation bonds	\$ 543,000	\$ -	\$ 27,000	\$ 516,000
Unamortized bond premium	36,537	-	2,436	34,101
Total Direct Borrowings and Direct Placements	\$ 579,537	\$ -	\$ 29,436	\$ 550,101
Other Long-Term Obligations:				
Capital leases	\$ 94,062	\$ 62,866	\$ 54,217	\$ 102,711
Compensated absences	155,340	61,305	81,242	135,403
Net pension liability	220,948	741,652	297,606	664,994
Net OPEB liabilities	132,038	47,914	41,142	138,810
Total Other Long-Term Obligations	\$ 602,388	\$ 913,737	\$ 474,207	\$ 1,041,918
Total Long-Term Obligations	\$ 1,181,925	\$ 913,737	\$ 503,643	\$ 1,592,019

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

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

Details of long-term obligations:

	<u>Total Amount Due</u>	<u>Amount Due Within One Year</u>
Capital Leases:		
\$30,987 issued July 17, 2019, due in monthly installments of \$906.13, interest at 3.31%, beginning August 17, 2019, through July 17, 2022 for the purchase of a SUV.	\$ 11,540	\$ 10,653
\$62,866 issued March 23, 2021, due in monthly installments of \$1,738 interest at 1.43%, beginning April 23, 2021, through April 23, 2024 for the purchase of two police vehicles.	57,871	20,158
\$64,970 issued November 20, 2018, due in monthly installments of \$1,911, interest at 3.70%, beginning December 20, 2018, through November 20, 2021 for the purchase of two SUVs.	9,456	9,456
\$119,521 issued April 4, 2019, due in monthly installments of \$2,164, interest at 4.85%, beginning May 4, 2019, through April 4, 2024 for the purchase of a loader. \$40,637 allocated to the general fund.	<u>23,844</u>	<u>8,163</u>
Total capital leases	<u>\$ 102,711</u>	<u>\$ 48,430</u>
Direct Borrowings and Direct Placements:		
General Obligation Bonds:		
Series 2014A, \$3,315,000 VRA bonds issued May 1 2014, \$663,000 allocated to the general fund, payable in varying semi-annual installments, through April 2035, with interest at 2.6174%.	<u>\$ 516,000</u>	<u>\$ 28,000</u>
Total general obligation bonds	<u>\$ 516,000</u>	<u>\$ 28,000</u>
Unamortized bond premium	<u>\$ 34,101</u>	<u>\$ 2,436</u>
Compensated absences	<u>\$ 135,403</u>	<u>\$ 81,242</u>
Net pension liability	<u>\$ 664,994</u>	<u>\$ -</u>
Net OPEB liabilities	<u>\$ 138,810</u>	<u>\$ -</u>
Total governmental activities	<u>\$ 1,592,019</u>	<u>\$ 160,108</u>

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

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

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

The Town's outstanding general obligation bonds from direct borrowings and direct placements related to governmental activities of \$516,000 contain a provision that in the event of default the entire unpaid principal and interest become immediately due and payable. The Town has pledged to secure the payment and performance of the Town's obligations under the bonds with the Town's right, title, and interest to all revenue collected by the Town.

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

Year Ending June 30,	Governmental Activities			
	Capital Leases		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2022	\$ 48,430	\$ 1,668	\$ 28,000	\$ 19,924
2023	29,772	799	29,000	18,743
2024	24,509	223	30,000	17,421
2025	-	-	31,000	16,053
2026	-	-	33,000	14,503
2027	-	-	35,000	12,861
2028	-	-	36,000	11,196
2029	-	-	38,000	9,780
2030	-	-	39,000	8,569
2031	-	-	40,000	7,278
2032	-	-	42,000	5,858
2033	-	-	43,000	4,304
2034	-	-	45,000	2,639
2035	-	-	47,000	2,096
Total	\$ <u>102,711</u>	\$ <u>2,690</u>	\$ <u>516,000</u>	\$ <u>151,225</u>

**Primary Government-Business-type Activities:**

	Balance July 1, 2020	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2021
<b>Direct Borrowings and Direct Placements:</b>				
General obligation/revenue bonds	\$ 26,280,682	\$ -	\$ 1,085,186	\$ 25,195,496
Unamortized bond premium	146,149	-	9,742	136,407
Total Direct Borrowings and Direct Placements	\$ <u>26,426,831</u>	\$ <u>-</u>	\$ <u>1,094,928</u>	\$ <u>25,331,903</u>
<b>Other Long-Term Obligations:</b>				
Capital leases	\$ 77,268	\$ -	\$ 30,978	\$ 46,290
Compensated absences	134,675	70,192	76,825	128,042
Net pension liability	203,711	678,946	273,645	609,012
Net OPEB liabilities	121,736	43,721	38,334	127,123
Total Other Long-Term Obligations	\$ <u>537,390</u>	\$ <u>792,859</u>	\$ <u>419,782</u>	\$ <u>910,467</u>
Total Long-Term Obligations	\$ <u>26,964,221</u>	\$ <u>792,859</u>	\$ <u>1,514,710</u>	\$ <u>26,242,370</u>

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

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

	Total Amount Due	Amount Due Within One Year
	<u>          </u>	<u>          </u>
Capital leases:		
 \$119,521 issued April 4, 2019, due in monthly installments of \$2,164, interest at 4.85%, beginning May 4, 2019, through April 4, 2024 for the purchase of a loader. \$78,884 allocated to the business-type activities.	\$ 46,290	\$ 15,846
	<u>          </u>	<u>          </u>
Total capital leases	\$ 46,290	\$ 15,846
Direct Borrowings and Placements:		
General Obligation Bonds:		
Series 2001, \$1,926,000 issued November 2000, payable in semi-annual installments of \$48,150 through September 2022 at 0% interest.	\$ 141,491	\$ 94,781
Series 2009, \$9,000,000 bonds issued October 5, 2008 payable in monthly installments of \$31,860 through October 2049, with interest at 2.625%.	7,447,750	181,431
Series 2009, \$2,554,000 bonds issued October 5, 2008 payable in monthly installments of \$9,042 through October 2049, with interest at 2.625%.	2,107,348	51,657
Series 2014A, \$3,315,000 VRA bonds issued May 1 2014, \$2,652,000 allocated to the business-type activities, payable in varying semi-annual installments, through April 2035, with interest at 2.6174%.	2,064,000	112,000
Series 2014, \$16,392,792 VRA loan issued June 17, 2014 payable in semi-annual installments through June 17, 2042 with interest at 0%.	13,434,907	655,361
	<u>          </u>	<u>          </u>
Total general obligation bonds	\$ 25,195,496	\$ 1,095,230
Unamortized bond premium	\$ 136,407	\$ 9,744
Compensated absences	\$ 128,042	\$ 76,825
Net pension liability	\$ 609,012	\$ -
Net OPEB liabilities	\$ 127,123	\$ -
Total Business-type Activities	<u>\$ 26,242,370</u>	<u>\$ 1,197,645</u>

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements  
 JUNE 30, 2021 (CONTINUED)

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

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

The Town's outstanding general obligation bonds from direct borrowings and direct placements related to business-type activities of \$25,195,496 contain a provision that in the event of default the entire unpaid principal and interest become immediately due and payable. The Town has pledged to secure the payment and performance of the Town's obligations under the bonds with the Town's right, title, and interest to all revenue collected by the Town.

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

Year Ending June 30,	Business-type Activities			
	Direct Borrowings and Direct Placements		Capital Lease	
	Principal	Interest	Principal	Interest
2022	\$ 1,095,230	\$ 383,723	\$ 15,846	\$ 1,289
2023	1,057,353	374,808	16,377	758
2024	1,020,999	365,163	14,067	214
2025	1,031,525	355,164	-	-
2026	1,046,225	346,265	-	-
2027	1,061,102	336,817	-	-
2028	1,072,163	325,099	-	-
2029	1,087,411	316,187	-	-
2030	1,098,851	305,904	-	-
2031	1,110,489	295,098	-	-
2032	1,126,330	285,577	-	-
2033	1,138,379	273,313	-	-
2034	1,154,642	262,392	-	-
2035	1,171,125	250,920	-	-
2036	991,833	144,644	-	-
2037	1,000,773	135,705	-	-
2038	1,009,950	126,528	-	-
2039	1,019,370	117,107	-	-
2040	1,029,041	107,436	-	-
2041	1,038,969	97,508	-	-
2042	721,480	87,316	-	-
2043	404,262	76,853	-	-
2044	415,003	66,113	-	-
2045	426,029	55,087	-	-
2046	437,348	43,768	-	-
2047	448,967	32,149	-	-
2048	460,895	20,221	-	-
2049	473,140	7,976	-	-
2050	46,612	135	-	-
Total	\$ 25,195,496	\$ 5,594,976	\$ 46,290	\$ 2,261

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

**Capital Leases:**

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

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>
Asset:		
Equipment and vehicles	\$ 411,685	\$ 170,924
Accumulated depreciation	(213,645)	(33,314)
Total	<u>\$ 198,040</u>	<u>\$ 137,610</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2021, were as follows:

<b><u>Fiscal Year Ending June 30,</u></b>	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>
2022	\$ 50,098	\$ 17,135
2023	30,571	17,135
2024	24,732	14,281
Total minimum lease payments	\$ 105,401	\$ 48,551
Less: amount representing interest	(2,690)	(2,261)
Present value of minimum lease payments	<u>\$ 102,711</u>	<u>\$ 46,290</u>

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## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2021 (CONTINUED)

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#### **NOTE 9 — PENSION PLAN:**

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

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

##### ***Benefit Structures***

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

- a. Employees 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.
- b. 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.
- c. 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 STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

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

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

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

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

***Employees Covered by Benefit Terms***

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

	<b>Primary Government</b>
Inactive members or their beneficiaries currently receiving benefits	43
Inactive members:	
Vested inactive members	14
Non-vested inactive members	13
Inactive members active elsewhere in VRS	36
Total inactive members	63
Active members	61
Total covered employees	167

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

***Contributions***

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

The Town’s contractually required employer contribution rate for the year ended June 30, 2021 was 8.14% 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 \$239,304 and \$199,620 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 liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was 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 STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

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

Mortality rates:

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

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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%

***Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits***

The total pension liability for Public Safety employees in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 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 STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

**NOTE 9 — 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 STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

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

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	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	<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 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 are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)

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

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

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 11,778,911	\$ 11,354,252	\$ 424,659
Changes for the year:			
Service cost	\$ 302,837	\$ -	\$ 302,837
Interest	778,518	-	778,518
Differences between expected and actual experience	330,550	-	330,550
Contributions - employer	-	203,890	(203,890)
Contributions - employee	-	147,721	(147,721)
Net investment income	-	218,545	(218,545)
Benefit payments, including refunds	(490,630)	(490,630)	-
Administrative expenses	-	(7,340)	7,340
Other changes	-	(258)	258
Net changes	\$ 921,275	\$ 71,928	\$ 849,347
Balances at June 30, 2020	\$ 12,700,186	\$ 11,426,180	\$ 1,274,006

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town			
Net Pension Liability (Asset)	\$ 3,120,705	\$ 1,274,006	\$ (231,442)

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements  
 JUNE 30, 2021 (CONTINUED)

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

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

For the year ended June 30, 2021, the Town recognized pension expense of \$509,433. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Primary Government</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 230,686	\$ 7,142
Change of assumptions	150,704	-
Net difference between projected and actual earnings on pension plan investments	339,937	-
Change in proportionate share	813	813
Employer contributions subsequent to the measurement date	<u>239,304</u>	<u>-</u>
Total	<u>\$ 961,444</u>	<u>\$ 7,955</u>

\$239,304 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 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:

<b>Year Ended June 30</b>	<b>Primary Government</b>
2022	\$ 226,129
2023	233,829
2024	145,644
2025	108,583
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 <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 STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

***Plan Description***

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

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

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

***Eligible Employees***

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

***Benefit Amounts***

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

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)

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

**Contributions**

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% 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 \$16,866 and \$15,851 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 \$247,154 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. 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 0.01480% as compared to 0.01490% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$9,136. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 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	\$ 15,853	\$ 2,220
Net difference between projected and actual earnings on GLI OPEB plan investments	7,424	-
Change of assumptions	12,361	5,161
Changes in proportionate share	2,953	5,546
Employer contributions subsequent to the measurement date	<u>16,866</u>	<u>-</u>
Total	<u>\$ 55,457</u>	<u>\$ 12,927</u>

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)

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

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

\$16,866 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	\$ 3,434
2023	5,530
2024	7,074
2025	7,661
2026	1,872
Thereafter	93

***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. The assumptions include several employer groups. Salary increases and mortality rates 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 - 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 OPEB liabilities.

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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.

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

***Actuarial Assumptions (Continued)***

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

The actuarial assumptions used in the June 30, 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%

***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>GLI OPEB Plan</b>
		<hr/>
Total GLI OPEB Liability	\$	3,523,937
Plan Fiduciary Net Position		1,855,102
GLI Net OPEB Liability (Asset)	\$	<hr/> <u>1,668,835</u>
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 STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

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

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Asset Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	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	<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 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 STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town's proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 324,903	\$ 247,154	\$ 184,015

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

***Plan Description***

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

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

***Eligible Employees***

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

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

***Benefit Amounts***

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

***HIC Plan Notes***

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

***Employees Covered by Benefit Terms***

As of the June 30, 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	<u>9</u>
Total inactive members	9
Active members	<u>61</u>
Total covered employees	<u><u>70</u></u>

***Contributions***

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Town contractually required employer contribution rate for the year ended June 30, 2021 was 0.12% 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 \$3,748 and \$3,658 for the years ended June 30, 2021 and June 30, 2020, respectively.

***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.

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

***Actuarial Assumptions***

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

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%

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)

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

***Actuarial Assumptions (Continued)***

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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%

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

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

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

<b>Asset Class (Strategy)</b>	<b>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 Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	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 Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation. 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.

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)

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

**Changes in Net HIC OPEB Liability**

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 85,936	\$ 78,713	\$ 7,223
Changes for the year:			
Service cost	\$ 2,527	\$ -	\$ 2,527
Interest	5,650	-	5,650
Differences between expected and actual experience	6,735	-	6,735
Contributions - employer	-	3,658	(3,658)
Net investment income	-	1,598	(1,598)
Benefit payments	(4,471)	(4,471)	-
Administrative expenses	-	(151)	151
Other changes	-	(1)	1
Net changes	\$ 10,441	\$ 633	\$ 9,808
Balances at June 30, 2020	\$ 96,377	\$ 79,346	\$ 17,031

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town's Net HIC OPEB Liability	\$ 28,575	\$ 17,031	\$ 7,305

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements  
 JUNE 30, 2021 (CONTINUED)

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

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

For the year ended June 30, 2021, the Town recognized HIC Plan OPEB expense of \$3,079. 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,870	\$ 5,165
Net difference between projected and actual earnings on HIC OPEB plan investments	2,570	-
Change of assumptions	1,795	1,854
Employer contributions subsequent to the measurement date	<u>3,748</u>	<u>-</u>
Total	<u>\$ 13,983</u>	<u>\$ 7,019</u>

\$3,748 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:

**Year Ended June 30,**

2022	\$	28
2023		608
2024		632
2025		550
2026		252
Thereafter		1,146

***HIC Plan 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.

## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2021 (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

The contribution requirements for active hybrid plan employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2021 was 0.83% of covered employee compensation for employees in the VRS Political Subdivision VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 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 VLDP were \$6,169 and \$4,698 for the years ended June 30, 2021 and June 30, 2020, respectively.

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)

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

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

At June 30, 2021, the Town reported a liability of \$1,748 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 0.17510% as compared to 0.20180% at June 30, 2019.

For the year ended June 30, 2021, the Town recognized VLDP OPEB expense of \$5,022. 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,416	\$ 2,052
Net difference between projected and actual earnings on VLDP OPEB program investments	186	-
Change of assumptions	81	117
Changes in proportionate share	65	260
Employer contributions subsequent to the measurement date	<u>6,169</u>	<u>-</u>
Total	<u>\$ 7,917</u>	<u>\$ 2,429</u>

\$6,169 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 future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ 154
2023	151
2024	154
2025	140
2026	(267)
Thereafter	(1,013)

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

***Actuarial Assumptions***

The total VLDP OPEB liability for the VLDP was based on an actuarial valuation as of June 30, 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:	
Political Subdivision Employees	3.50%-5.95%
Investment rate of return	6.75%, net of program investment expenses, including inflation*

\*Administrative expenses as a percent of the 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.

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%



**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

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

\*The above allocation provides a one-year return of 7.14%. 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.

***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:

	<b>Rate</b>		
	<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
	<b>(5.75%)</b>	<b>(6.75%)</b>	<b>(7.75%)</b>
Town's proportionate share of the VLDP Net OPEB Liability	\$ 2,344	\$ 1,748	\$ 1,228

***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.

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liabilities</u>	<u>OPEB Expense</u>
VRS OPEB Plans:				
Group Life Insurance Plan (Note 10)	\$ 55,457	\$ 12,927	\$ 247,154	\$ 9,136
Town Health Insurance Credit Plan (Note 11)	13,983	7,019	17,031	3,079
Virginia Local Disability Program (Note 12)	7,917	2,429	1,748	5,022
Totals	<u>\$ 77,357</u>	<u>\$ 22,375</u>	<u>\$ 265,933</u>	<u>\$ 17,237</u>

**NOTE 14 — SURETY BONDS:**

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

**NOTE 15 — RISK MANAGEMENT:**

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

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

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

**NOTE 16 – INTERFUND TRANSFERS:**

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 86,315
Trash Fund	86,315	-
Total	<u>\$ 86,315</u>	<u>\$ 86,315</u>

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

**NOTE 17 — COMMITMENTS AND CONTINGENCIES:**

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

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

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

The Town has an active construction project as of June 30, 2021. The project consists of Phase III of the Strasburg Downtown Enhancement Project. At year end the Town’s commitment with the contractor is as follows:

	<b>Original Contract Amount</b>	<b>Amount Spent to Date</b>	<b>Amount of Contract Remaining at Year End</b>
Strasburg Downtown Enhancement Project Phase III	\$ <u>1,080,292</u>	\$ <u>598,849</u>	\$ <u>481,443</u>

**NOTE 18 — DEFERRED, UNAVAILABLE, AND UNEARNED REVENUE:**

Deferred and unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred, unavailable, and unearned revenue in the government-wide financial statements and fund financial statements totaling \$928,242, \$1,117,935, and \$4,177,771, respectively, is comprised of the following:

- A. Prepaid Property Taxes -Property taxes due subsequent to June 30, 2021 but paid in advance by the taxpayers totaled \$76,675 at June 30, 2021.
- B. Unbilled Property Taxes – Property taxes for the second half of 2021 that had not been billed as of June 30, 2021 amounted to \$851,567.
- C. Unavailable Property Taxes – Uncollected tax billings not available for funding of current expenditures totaled \$189,693.
- D. Unearned Revenue – VDOT carryover – unearned revenue representing VDOT highway maintenance funds not available to fund current expenditures totaled \$714,540. In addition, unearned revenue representing American Rescue Plan Act funds not expended at year end totaled \$3,463,231.

## TOWN OF STRASBURG, VIRGINIA

### Notes to Financial Statements JUNE 30, 2021 (CONTINUED)

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#### **NOTE 19 — LITIGATION:**

At June 30, 2021, there were no matters of litigation involving the Town or which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to such entities.

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

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

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

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

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

Statement No. 97, *Certain Component Unit Criteria, and accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

**TOWN OF STRASBURG, VIRGINIA**

**Notes to Financial Statements  
JUNE 30, 2021 (CONTINUED)**

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

The COVID-19 pandemic and its impact on operation 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. The Town was allocated a total of \$466,008 from the County of Shenandoah, Virginia.

**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.

On June 25, 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, 2021, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$3,463,231 from the initial allocation are reported as unearned revenue as of June 30.

**NOTE 22 – OTHER SUBSEQUENT DISCLOSURE:**

On September 14, 2021, Town Council approved motion to adopt resolution for issuance and sale of a taxable General Obligation Public Improvement Bond, Series 2021, in a principal amount not to exceed \$3,550,000.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

## General Fund

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

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 1,723,244	\$ 1,723,244	\$ 1,941,768	\$ 218,524
Other local taxes	1,863,131	2,138,132	2,224,740	86,608
Permits, privilege fees and regulatory licenses	28,000	28,000	20,971	(7,029)
Fines and forfeitures	35,000	35,000	11,770	(23,230)
Revenue from the use of money and property	19,000	19,000	2,718	(16,282)
Charges for services	123,580	123,580	111,065	(12,515)
Miscellaneous	26,100	26,100	181,516	155,416
Intergovernmental:				
Commonwealth	985,500	985,500	1,593,683	608,183
Federal	2,888,394	3,444,295	851,006	(2,593,289)
Total revenues	<u>\$ 7,691,949</u>	<u>\$ 8,522,851</u>	<u>\$ 6,939,237</u>	<u>\$ (1,583,614)</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 657,808	\$ 1,145,347	\$ 739,658	\$ 405,689
Public safety	1,899,311	1,945,532	2,075,598	(130,066)
Public works	1,641,752	1,670,306	1,393,268	277,038
Health and welfare	-	-	13,573	(13,573)
Parks, recreation and cultural	181,593	215,675	266,252	(50,577)
Community development	230,474	273,980	191,419	82,561
Capital outlay:				
Administrative	3,030,000	3,145,000	669,102	2,475,898
Public safety	-	66,000	62,914	3,086
Parks, recreation and cultural	10,000	10,000	-	10,000
Community development	-	-	181,708	(181,708)
Debt service:				
Principal	82,888	93,888	81,217	12,671
Interest	23,123	23,123	23,123	-
Total expenditures	<u>\$ 7,756,949</u>	<u>\$ 8,588,851</u>	<u>\$ 5,697,832</u>	<u>\$ 2,891,019</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (65,000)</u>	<u>\$ (66,000)</u>	<u>\$ 1,241,405</u>	<u>\$ 1,307,405</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ -	\$ -	\$ (86,315)	\$ (86,315)
Issuance of capital leases	65,000	66,000	62,866	(3,134)
Total other financing sources (uses)	<u>\$ 65,000</u>	<u>\$ 66,000</u>	<u>\$ (23,449)</u>	<u>\$ (89,449)</u>
Net change in fund balances	\$ -	\$ -	\$ 1,217,956	\$ 1,217,956
Fund balances - beginning	-	-	2,601,131	2,601,131
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,819,087</u>	<u>\$ 3,819,087</u>

**Town of Strasburg, Virginia**

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
Pension Plan  
For the Measurement Dates of June 30, 2014 through June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total pension liability</b>			
Service cost	\$ 302,837	\$ 287,428	\$ 294,693
Interest	778,518	741,685	703,570
Changes of assumptions	-	393,776	-
Differences between expected and actual experience	330,550	(14,309)	(16,806)
Benefit payments	(490,630)	(450,333)	(423,595)
<b>Net change in total pension liability</b>	<u>\$ 921,275</u>	<u>\$ 958,247</u>	<u>\$ 557,862</u>
<b>Total pension liability - beginning</b>	<u>11,778,911</u>	<u>10,820,664</u>	<u>10,262,802</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 12,700,186</u>	<u>\$ 11,778,911</u>	<u>\$ 10,820,664</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 203,890	\$ 194,528	\$ 185,164
Contributions - employee	147,721	140,638	137,868
Net investment income	218,545	718,307	748,589
Benefit payments	(490,630)	(450,333)	(423,595)
Administrative expense	(7,340)	(7,022)	(6,418)
Other	(258)	(453)	(668)
<b>Net change in plan fiduciary net position</b>	<u>\$ 71,928</u>	<u>\$ 595,665</u>	<u>\$ 640,940</u>
<b>Plan fiduciary net position - beginning</b>	<u>11,354,252</u>	<u>10,758,587</u>	<u>10,117,647</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 11,426,180</u>	<u>\$ 11,354,252</u>	<u>\$ 10,758,587</u>
<b>Town's net pension liability (asset) - ending (a) - (b)</b>	\$ 1,274,006	\$ 424,659	\$ 62,077
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	89.97%	96.39%	99.43%
<b>Covered payroll</b>	\$ 3,048,350	\$ 2,920,517	\$ 2,809,635
<b>Town's net pension liability (asset) as a percentage of covered payroll</b>	41.79%	14.54%	2.21%

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

Exhibit 11

	2017	2016	2015	2014
\$	315,556	\$ 290,071	\$ 309,266	\$ 286,988
	655,845	618,895	558,470	521,309
	(193,159)	-	-	-
	314,951	(44,972)	296,203	-
	(399,205)	(273,073)	(328,372)	(226,479)
\$	693,988	\$ 590,921	\$ 835,567	\$ 581,818
	9,568,814	8,977,893	8,142,326	7,560,508
\$	<u>10,262,802</u>	<u>\$ 9,568,814</u>	<u>\$ 8,977,893</u>	<u>\$ 8,142,326</u>
\$	187,961	\$ 208,363	\$ 201,363	\$ 243,570
	138,404	154,447	127,682	146,184
	1,108,684	160,669	390,762	1,147,301
	(399,205)	(273,073)	(328,372)	(226,479)
	(6,345)	(5,402)	(5,273)	(5,980)
	(989)	(67)	(83)	60
\$	1,028,510	\$ 244,937	\$ 386,079	\$ 1,304,656
	9,089,137	8,844,200	8,458,121	7,153,465
\$	<u>10,117,647</u>	<u>\$ 9,089,137</u>	<u>\$ 8,844,200</u>	<u>\$ 8,458,121</u>
\$	145,155	\$ 479,677	\$ 133,693	\$ (315,795)
	98.59%	94.99%	98.51%	103.88%
\$	2,810,614	\$ 2,686,938	\$ 2,573,711	\$ 2,637,833
	5.16%	17.85%	5.19%	-11.97%

## Schedule of Employer Contributions

## Pension Plan

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

<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
2021	\$ 239,304	\$ 239,304	\$ -	\$ 3,123,353	7.66%
2020	199,620	199,620	-	3,048,350	6.55%
2019	194,529	194,529	-	2,920,517	6.66%
2018	185,413	185,413	-	2,809,635	6.60%
2017	187,962	187,962	-	2,810,614	6.69%
2016	208,363	208,363	-	2,686,938	7.75%
2015	201,363	201,363	-	2,573,711	7.82%
2014	243,570	243,570	-	2,637,833	9.23%
2013	225,728	225,728	-	2,440,299	9.25%
2012	167,000	167,000	-	2,511,276	6.65%

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 service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2020	0.01480% \$	247,154	\$ 3,048,350	8.11%	52.64%
2019	0.01490%	242,463	2,920,517	8.30%	52.00%
2018	0.01478%	224,000	2,809,635	7.97%	51.22%
2017	0.01524%	229,000	2,810,614	8.15%	48.86%

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

Schedule of Employer Contributions  
 Group Life Insurance (GLI) Plan  
 For the Years Ended June 30, 2012 through June 30, 2021

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<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
2021	\$ 16,866	\$ 16,866	\$ -	\$ 3,123,353	0.54%
2020	15,851	15,851	-	3,048,350	0.52%
2019	15,187	15,187	-	2,920,517	0.52%
2018	14,615	14,615	-	2,809,635	0.52%
2017	14,615	14,615	-	2,810,614	0.52%
2016	12,897	12,897	-	2,686,938	0.48%
2015	12,354	12,354	-	2,573,711	0.48%
2014	12,662	12,662	-	2,637,833	0.48%
2013	11,713	11,713	-	2,440,299	0.48%
2012	7,032	7,032	-	2,509,449	0.28%

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 Town's Net OPEB Liability and Related Ratios  
 Health Insurance Credit (HIC) Plan  
 For the Measurement Dates of June 30, 2017 through June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total HIC OPEB Liability</b>				
Service cost	\$ 2,527	\$ 2,486	\$ 3,000	\$ 3,000
Interest	5,650	5,797	6,000	6,000
Differences between expected and actual experience	6,735	(5,557)	(2,000)	-
Changes of assumptions	-	2,393	-	(4,000)
Benefit payments	(4,471)	(3,985)	(5,000)	(2,000)
Other changes	-	(198)	-	-
<b>Net change in total HIC OPEB liability</b>	\$ 10,441	\$ 936	\$ 2,000	\$ 3,000
<b>Total HIC OPEB Liability - beginning</b>	85,936	85,000	83,000	80,000
<b>Total HIC OPEB Liability - ending (a)</b>	<u>\$ 96,377</u>	<u>\$ 85,936</u>	<u>\$ 85,000</u>	<u>\$ 83,000</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 3,658	\$ 3,505	\$ 4,000	\$ 4,000
Net investment income	1,598	4,780	5,000	7,000
Benefit payments	(4,471)	(3,985)	(5,000)	(2,000)
Administrator charges	(151)	(104)	-	-
Other	(1)	(483)	-	-
<b>Net change in plan fiduciary net position</b>	\$ 633	\$ 3,713	\$ 4,000	\$ 9,000
<b>Plan fiduciary net position - beginning</b>	78,713	75,000	71,000	62,000
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 79,346</u>	<u>\$ 78,713</u>	<u>\$ 75,000</u>	<u>\$ 71,000</u>
<b>Town's net HIC OPEB liability - ending (a) - (b)</b>	\$ 17,031	\$ 7,223	\$ 10,000	\$ 12,000
<b>Plan fiduciary net position as a percentage of the total HIC OPEB liability</b>	82.33%	91.59%	88.24%	85.54%
<b>Covered payroll</b>	\$ 3,048,350	\$ 2,920,517	\$ 2,809,635	\$ 2,810,614
<b>Town's net HIC OPEB liability as a percentage of covered payroll</b>	0.56%	0.25%	0.36%	0.43%

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

Schedule of Employer Contributions  
 Health Insurance Credit (HIC) Plan  
 For the Years Ended June 30, 2012 through June 30, 2021

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<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
2021	\$ 3,748	\$ 3,748	\$ -	\$ 3,123,353	0.12%
2020	3,658	3,658	-	3,048,350	0.12%
2019	3,505	3,505	-	2,920,517	0.12%
2018	3,653	3,653	-	2,809,635	0.13%
2017	3,653	3,653	-	2,810,614	0.13%
2016	3,224	3,224	-	2,686,938	0.12%
2015	3,088	3,088	-	2,573,711	0.12%
2014	4,484	4,484	-	2,637,833	0.17%
2013	4,149	4,149	-	2,440,299	0.17%
2012	4,266	4,266	-	2,509,449	0.17%

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

**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 Town'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 (2)	Employer's Proportionate Share of the Net VLDP OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net VLDP OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6)
2020	0.17510%	\$ 1,748	\$ 652,494	0.27%	76.84%
2019	0.20180%	4,088	623,632	0.66%	49.19%
2018	0.19136%	1,000	464,636	0.22%	51.39%
2017	0.20940%	1,000	384,513	0.26%	38.40%

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

Schedule of Employer Contributions  
 Virginia Local Disability Program (VLDP)  
 For the Years Ended June 30, 2015 through June 30, 2021

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<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
2021	\$ 6,169	\$ 6,169	\$ -	\$ 743,208	0.83%
2020	4,698	4,698	-	652,494	0.72%
2019	4,490	4,490	-	623,632	0.72%
2018	2,788	2,788	-	464,636	0.60%
2017	2,307	2,307	-	384,513	0.60%
2016	1,304	1,304	-	217,359	0.60%
2015	718	718	-	119,629	0.60%

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

Notes to Required Supplementary Information  
 Virginia Local Disability Program (VLDP)  
 For the Year Ended June 30, 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 of the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

## STATISTICAL SECTION

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

### Contents

### Tables

#### **Financial Trends**

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

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#### **Revenue Capacity**

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

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#### **Debt Capacity**

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

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

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

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#### **Operating Information**

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

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#### **Sources:**

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

**Town of Strasburg, Virginia**

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities					
Net investment in capital assets	\$ 3,008,739	\$ 3,595,924	\$ 4,855,784	\$ 5,738,149	\$ 5,783,452
Restricted	67,389	67,857	69,420	70,166	104,765
Unrestricted	<u>1,905,170</u>	<u>1,340,874</u>	<u>1,524,614</u>	<u>1,878,675</u>	<u>2,249,153</u>
Total governmental activities net position	<u>\$ 4,981,298</u>	<u>\$ 5,004,655</u>	<u>\$ 6,449,818</u>	<u>\$ 7,686,990</u>	<u>\$ 8,137,370</u>
Business-type activities					
Net investment in capital assets	\$ 7,868,785	\$ 8,725,596	\$ 12,310,772	\$ 14,889,482	\$ 17,755,091
Restricted	-	-	-	-	-
Unrestricted	<u>4,144,733</u>	<u>5,464,303</u>	<u>4,600,322</u>	<u>5,727,679</u>	<u>5,953,491</u>
Total business-type activities net position	<u>\$ 12,013,518</u>	<u>\$ 14,189,899</u>	<u>\$ 16,911,094</u>	<u>\$ 20,617,161</u>	<u>\$ 23,708,582</u>
Primary government					
Net investment in capital assets	\$ 10,877,524	\$ 12,321,520	\$ 17,166,556	\$ 20,627,631	\$ 23,538,543
Restricted	67,389	67,857	69,420	70,166	104,765
Unrestricted	<u>6,049,903</u>	<u>6,805,177</u>	<u>6,124,936</u>	<u>7,606,354</u>	<u>8,202,644</u>
Total primary government net position	<u>\$ 16,994,816</u>	<u>\$ 19,194,554</u>	<u>\$ 23,360,912</u>	<u>\$ 28,304,151</u>	<u>\$ 31,845,952</u>

**Table 1**

<b>Fiscal Year</b>				
<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$ 6,277,653	\$ 6,369,543	\$ 7,262,064	\$ 9,518,783	\$ 9,527,536
111,629	120,864	133,117	157,765	1,005,777
<u>2,330,229</u>	<u>3,009,846</u>	<u>2,969,903</u>	<u>2,321,707</u>	<u>2,583,862</u>
<u>\$ 8,719,511</u>	<u>\$ 9,500,253</u>	<u>\$ 10,365,084</u>	<u>\$ 11,998,255</u>	<u>\$ 13,117,175</u>
\$ 21,167,424	\$ 19,953,063	\$ 20,182,125	\$ 19,676,465	\$ 19,828,483
-	246,480	252,414	250,458	248,054
<u>3,998,422</u>	<u>4,811,769</u>	<u>4,639,621</u>	<u>4,972,252</u>	<u>4,947,141</u>
<u>\$ 25,165,846</u>	<u>\$ 25,011,312</u>	<u>\$ 25,074,160</u>	<u>\$ 24,899,175</u>	<u>\$ 25,023,678</u>
\$ 27,445,077	\$ 26,322,606	\$ 27,444,189	\$ 29,195,248	\$ 29,356,019
111,629	367,344	385,531	408,223	1,253,831
<u>6,328,651</u>	<u>7,821,615</u>	<u>7,609,524</u>	<u>7,293,959</u>	<u>7,531,003</u>
<u>\$ 33,885,357</u>	<u>\$ 34,511,565</u>	<u>\$ 35,439,244</u>	<u>\$ 36,897,430</u>	<u>\$ 38,140,853</u>

**Town of Strasburg, Virginia**

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Expenses</b>					
Governmental activities:					
General government administration	\$ 505,436	\$ 532,547	\$ 473,961	\$ 627,706	\$ 732,892
Public safety	1,723,170	1,773,475	1,870,902	1,829,034	1,734,851
Public works	1,210,481	1,247,980	1,181,572	848,525	1,538,358
Health and welfare	9,272	9,399	9,661	10,265	10,109
Parks and recreation	40,116	55,221	52,258	54,697	39,561
Community development	179,400	177,249	211,906	209,150	148,674
Interest on long-term debt	45,836	38,526	43,664	68,012	39,749
Total governmental activities expenses	<u>\$ 3,713,711</u>	<u>\$ 3,834,397</u>	<u>\$ 3,843,924</u>	<u>\$ 3,647,389</u>	<u>\$ 4,244,194</u>
Business-type activities:					
Water	\$ 1,437,482	\$ 1,725,249	\$ 1,931,953	\$ 2,223,318	\$ 2,123,742
Sewer	1,547,325	1,554,539	1,692,520	1,673,529	1,639,280
Trash	295,362	301,194	314,263	278,159	296,281
Total business-type activities expenses	<u>\$ 3,280,169</u>	<u>\$ 3,580,982</u>	<u>\$ 3,938,736</u>	<u>\$ 4,175,006</u>	<u>\$ 4,059,303</u>
Total primary government expenses	<u>\$ 6,993,880</u>	<u>\$ 7,415,379</u>	<u>\$ 7,782,660</u>	<u>\$ 7,822,395</u>	<u>\$ 8,303,497</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government administration	\$ 40,318	\$ 43,845	\$ 45,298	\$ 50,025	\$ 40,034
Parks and recreation	70,523	57,886	57,706	53,954	43,849
Operating grants and contributions:					
General government administration	-	-	-	-	-
Public safety	99,792	99,792	241,820	177,667	142,022
Public works	-	-	532,424	389,713	750,277
Community development	-	-	-	-	60,000
Capital grants and contributions:					
General government administration	-	-	953,814	444,196	-
Public works	521,818	709,684	11,712	397,570	17,364
Community development	-	-	-	-	-
Total governmental activities program revenues	<u>\$ 732,451</u>	<u>\$ 911,207</u>	<u>\$ 1,842,774</u>	<u>\$ 1,513,125</u>	<u>\$ 1,053,546</u>
Business-type activities:					
Charges for services:					
Water	\$ 2,005,028	\$ 2,340,205	\$ 2,497,474	\$ 2,436,912	\$ 2,387,365
Sewer	2,314,599	2,639,755	2,562,664	2,374,755	2,136,257
Trash	285,855	292,404	292,585	274,757	261,927
Recreation	-	-	-	-	-
Capital grants and contributions:					
Water	951,349	423,208	862,974	558,257	102,350
Sewer	77,300	-	359,159	2,265,896	2,106,372
Total business-type activities program revenues	<u>\$ 5,634,131</u>	<u>\$ 5,695,572</u>	<u>\$ 6,574,856</u>	<u>\$ 7,910,577</u>	<u>\$ 6,994,271</u>
Total primary government program revenues	<u>\$ 6,366,582</u>	<u>\$ 6,606,779</u>	<u>\$ 8,417,630</u>	<u>\$ 9,423,702</u>	<u>\$ 8,047,817</u>
Net (expense)/revenue					
Governmental activities	\$ (2,981,260)	\$ (2,923,190)	\$ (2,001,150)	\$ (2,134,264)	\$ (3,190,648)
Business-type activities	<u>2,353,962</u>	<u>2,114,590</u>	<u>2,636,120</u>	<u>3,735,571</u>	<u>2,934,968</u>
Total primary government net (expense) revenue	<u>\$ (627,298)</u>	<u>\$ (808,600)</u>	<u>\$ 634,970</u>	<u>\$ 1,601,307</u>	<u>\$ (255,680)</u>

Table 2

Fiscal Year				
2017	2018	2019	2020	2021
\$ 842,138	\$ 823,092	\$ 641,716	\$ 651,290	\$ 1,410,192
1,742,668	1,722,076	1,807,172	2,038,606	2,166,334
1,015,530	2,136,644	1,144,775	1,537,002	1,631,656
10,236	10,569	11,721	11,613	13,573
85,929	139,839	171,641	203,543	192,280
244,311	166,666	181,478	218,608	305,861
33,567	27,573	20,347	23,193	20,408
<u>\$ 3,974,379</u>	<u>\$ 5,026,459</u>	<u>\$ 3,978,850</u>	<u>\$ 4,683,855</u>	<u>\$ 5,740,304</u>
\$ 2,402,888	\$ 2,390,787	\$ 2,512,248	\$ 2,590,736	\$ 2,779,240
1,847,774	2,525,810	2,572,113	2,616,985	2,786,672
311,124	313,627	326,688	323,762	462,929
<u>\$ 4,561,786</u>	<u>\$ 5,230,224</u>	<u>\$ 5,411,049</u>	<u>\$ 5,531,483</u>	<u>\$ 6,028,841</u>
<u>\$ 8,536,165</u>	<u>\$ 10,256,683</u>	<u>\$ 9,389,899</u>	<u>\$ 10,215,338</u>	<u>\$ 11,769,145</u>
\$ 40,989	\$ 65,704	\$ 57,085	\$ 59,040	\$ 32,741
55,907	43,483	48,358	69,274	111,065
-	-	-	-	451,294
123,766	129,523	133,107	141,115	208,083
149,304	1,196,347	291,290	517,279	572,034
-	-	-	-	-
169,492	398,529	79,979	52,000	-
-	-	-	1,043,755	1,027,437
-	-	-	-	-
<u>\$ 539,458</u>	<u>\$ 1,833,586</u>	<u>\$ 609,819</u>	<u>\$ 1,882,463</u>	<u>\$ 2,402,654</u>
2,373,740	2,316,231	\$ 2,329,302	\$ 2,266,984	\$ 2,331,884
2,159,970	2,226,086	2,280,585	2,259,977	2,242,518
299,265	300,991	310,135	316,616	348,453
-	-	-	-	-
52,000	162,223	161,151	186,829	544,584
1,067,131	433,480	118,299	175,500	510,171
<u>\$ 5,952,106</u>	<u>\$ 5,439,011</u>	<u>\$ 5,199,472</u>	<u>\$ 5,205,906</u>	<u>\$ 5,977,610</u>
<u>\$ 6,491,564</u>	<u>\$ 7,272,597</u>	<u>\$ 5,809,291</u>	<u>\$ 7,088,369</u>	<u>\$ 8,380,264</u>
\$ (3,434,921)	\$ (3,192,873)	\$ (3,369,031)	\$ (2,801,392)	\$ (3,337,650)
1,390,320	208,787	(211,577)	(325,577)	(51,231)
<u>\$ (2,044,601)</u>	<u>\$ (2,984,086)</u>	<u>\$ (3,580,608)</u>	<u>\$ (3,126,969)</u>	<u>\$ (3,388,881)</u>

**Town of Strasburg, Virginia**

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities:					
Taxes:					
Property taxes	\$ 1,401,461	\$ 1,408,679	\$ 1,551,809	\$ 1,653,993	\$ 1,728,462
Other local taxes:					
Local sales tax	267,608	338,067	336,230	342,601	342,955
Franchise tax	73,739	80,662	120,473	149,687	90,889
Business licenses	107,798	102,633	108,961	112,537	121,515
Meals tax	527,138	554,176	553,157	583,465	597,419
Utility tax	57,970	60,111	62,063	72,204	61,165
Motor vehicle licenses	139,039	137,955	132,468	135,976	152,316
Other local taxes	350,241	336,494	351,910	352,562	353,132
Revenues from use of money and property	72,216	67,610	65,900	59,172	70,882
Miscellaneous	57,580	83,481	57,458	70,403	58,341
Grants and contributions not restricted to specific programs	206,826	153,531	105,884	140,921	146,609
Transfers	533,048	(29,076)	-	-	(82,657)
Total governmental activities	<u>\$ 3,794,664</u>	<u>\$ 3,294,323</u>	<u>\$ 3,446,313</u>	<u>\$ 3,673,521</u>	<u>\$ 3,641,028</u>
Business-type activities:					
Revenues from use of money and property	\$ 41,627	\$ 31,174	\$ 36,229	\$ 23,968	\$ 57,304
Loss on disposal of assets	-	(3,234)	-	-	-
Grants and contributions not restricted to specific programs	-	-	-	-	-
Miscellaneous	39,486	3,150	48,846	13,829	16,492
Transfers	(533,048)	29,076	-	-	82,657
Total business-type activities	<u>\$ (451,935)</u>	<u>\$ 61,791</u>	<u>\$ 85,075</u>	<u>\$ 37,797</u>	<u>\$ 156,453</u>
<b>Change in Net Position</b>					
Governmental activities	\$ 813,404	\$ 371,133	\$ 1,445,163	\$ 1,539,257	\$ 450,380
Business-type activities	<u>1,902,027</u>	<u>2,176,381</u>	<u>2,721,195</u>	<u>3,773,368</u>	<u>3,091,421</u>
Total primary government	<u>\$ 2,715,431</u>	<u>\$ 2,547,514</u>	<u>\$ 4,166,358</u>	<u>\$ 5,312,625</u>	<u>\$ 3,541,801</u>

Table 2

		Fiscal Year							
		2017	2018	2019	2020	2021			
\$	1,749,159	\$	1,774,648	\$	1,795,837	\$	1,929,963	\$	1,948,070
	375,711		388,597		394,025		460,590		483,851
	104,147		111,074		123,756		127,035		137,896
	122,849		131,925		137,475		141,739		167,095
	713,532		735,500		803,566		770,085		822,700
	142,684		165,133		155,648		144,462		147,401
	125,751		185,071		158,497		160,004		154,473
	385,251		389,570		391,920		346,656		311,324
	80,640		108,020		108,463		98,813		2,718
	55,647		3,749		90,000		87,157		181,516
	161,691		159,829		157,961		168,059		185,841
	-		(40,647)		(83,286)		-		(86,315)
\$	<u>4,017,062</u>	\$	<u>4,112,469</u>	\$	<u>4,233,862</u>	\$	<u>4,434,563</u>	\$	<u>4,456,570</u>
\$	45,539	\$	45,946	\$	172,097	\$	132,834	\$	13,096
	-		(41,923)		-		-		-
	-		-		-		-		14,714
	21,405		13,461		19,042		17,758		61,609
	-		40,647		83,286		-		86,315
\$	<u>66,944</u>	\$	<u>58,131</u>	\$	<u>274,425</u>	\$	<u>150,592</u>	\$	<u>175,734</u>
\$	582,141	\$	919,596	\$	864,831	\$	1,633,171	\$	1,118,920
	1,457,264		266,918		62,848		(174,985)		124,503
\$	<u>2,039,405</u>	\$	<u>1,186,514</u>	\$	<u>927,679</u>	\$	<u>1,458,186</u>	\$	<u>1,243,423</u>

**Town of Strasburg, Virginia**

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

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	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund					
Nonspendable	\$ 7,635	\$ 8,700	\$ 11,858	\$ 15,848	\$ 19,712
Restricted	67,389	67,857	738,605	776,143	734,493
Committed	-	-	47,375	70,672	71,803
Unassigned	<u>1,883,741</u>	<u>1,341,011</u>	<u>1,499,513</u>	<u>1,776,510</u>	<u>2,012,068</u>
Total general fund	<u>\$ 1,958,765</u>	<u>\$ 1,417,568</u>	<u>\$ 2,297,351</u>	<u>\$ 2,639,173</u>	<u>\$ 2,838,076</u>
Total governmental funds	<u>\$ 1,958,765</u>	<u>\$ 1,417,568</u>	<u>\$ 2,297,351</u>	<u>\$ 2,639,173</u>	<u>\$ 2,838,076</u>

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

**Table 3**

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<b>Fiscal Year</b>				
<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$ 14,601	\$ 15,831	\$ 15,831	\$ 44,844	\$ 46,516
241,111	120,864	133,117	157,765	1,005,777
27,141	891,350	1,257,500	400,000	400,000
<u>2,133,018</u>	<u>2,113,065</u>	<u>1,717,615</u>	<u>1,998,522</u>	<u>2,366,794</u>
<u>\$ 2,415,871</u>	<u>\$ 3,141,110</u>	<u>\$ 3,124,063</u>	<u>\$ 2,601,131</u>	<u>\$ 3,819,087</u>
<u>\$ 2,415,871</u>	<u>\$ 3,141,110</u>	<u>\$ 3,124,063</u>	<u>\$ 2,601,131</u>	<u>\$ 3,819,087</u>

**Town of Strasburg, Virginia**

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Revenues</b>					
General property taxes	\$ 1,428,349	\$ 1,416,634	\$ 1,539,495	\$ 1,660,060	\$ 1,609,642
Other local taxes	1,525,357	1,614,343	1,665,262	1,749,032	1,719,391
Permits, privilege fees and regulatory licenses	11,351	9,065	16,316	8,504	10,727
Fines and forfeitures	28,967	34,780	28,982	41,521	29,307
Revenue from the use of money and property	72,216	67,610	65,900	59,172	70,882
Charges for service	70,523	57,886	57,706	53,954	43,849
Miscellaneous	57,580	83,481	57,458	70,403	58,341
Intergovernmental:					
Commonwealth	763,402	926,210	825,916	663,285	1,082,232
Federal	63,210	32,552	1,019,738	886,782	34,040
<b>Total revenues</b>	<u>\$ 4,020,955</u>	<u>\$ 4,242,561</u>	<u>\$ 5,276,773</u>	<u>\$ 5,192,713</u>	<u>\$ 4,658,411</u>
<b>Expenditures</b>					
General government administration	\$ 492,867	\$ 584,702	\$ 615,777	\$ 603,203	\$ 622,318
Public safety	1,705,800	1,731,835	1,799,586	1,753,368	1,747,335
Public works	1,051,948	1,095,096	1,040,866	1,225,170	1,406,917
Health and welfare	9,272	9,399	9,661	10,265	10,109
Parks and recreation	141,934	150,335	177,049	180,424	160,597
Community development	40,116	55,221	52,258	54,697	39,561
Capital projects	58,560	543,984	1,284,192	680,275	148,549
Debt service:					
Principal	235,646	226,512	191,725	198,051	219,039
Interest and other fiscal charges	46,541	39,284	44,456	64,946	49,842
<b>Total expenditures</b>	<u>\$ 3,782,684</u>	<u>\$ 4,436,368</u>	<u>\$ 5,215,570</u>	<u>\$ 4,770,399</u>	<u>\$ 4,404,267</u>
Excess of revenues over (under) expenditures	<u>\$ 238,271</u>	<u>\$ (193,807)</u>	<u>\$ 61,203</u>	<u>\$ 422,314</u>	<u>\$ 254,144</u>
Other financing sources (uses)					
Transfers out	\$ (9,445)	\$ (29,076)	\$ -	\$ -	\$ (82,657)
Issuance of bonds	-	-	714,152	12,523	-
Issuance of capital leases	24,323	29,462	104,428	112,898	27,416
<b>Total other financing sources (uses)</b>	<u>\$ 14,878</u>	<u>\$ 386</u>	<u>\$ 818,580</u>	<u>\$ 125,421</u>	<u>\$ (55,241)</u>
<b>Net change in fund balances</b>	<u>\$ 253,149</u>	<u>\$ (193,421)</u>	<u>\$ 879,783</u>	<u>\$ 547,735</u>	<u>\$ 198,903</u>
Debt service as a percentage of noncapital expenditures	7.46%	5.99%	4.53%	5.51%	6.11%

Table 4

		Fiscal Year				
		2017	2018	2019	2020	2021
\$	1,719,391	\$ 1,845,728	\$ 1,797,419	\$ 1,930,881	\$ 1,941,768	
	1,969,925	2,106,870	2,164,887	2,150,571	2,224,740	
	18,469	34,991	24,803	36,262	20,971	
	22,520	30,713	32,282	22,778	11,770	
	80,640	108,020	108,463	98,813	2,718	
	55,907	43,483	48,358	69,274	111,065	
	55,647	124,811	90,000	87,157	181,516	
	427,858	1,478,849	577,129	805,279	1,593,683	
	176,395	405,379	85,208	1,116,929	851,006	
\$	<u>4,526,752</u>	<u>6,178,844</u>	<u>4,928,549</u>	<u>6,317,944</u>	<u>6,939,237</u>	
\$	626,031	\$ 556,163	\$ 591,782	\$ 505,917	\$ 739,658	
	1,683,359	1,675,417	1,782,529	1,937,711	2,075,598	
	887,546	1,916,320	1,079,742	1,308,049	1,393,268	
	10,236	10,569	11,721	11,613	13,573	
	209,759	148,837	177,662	158,722	266,252	
	85,674	136,152	173,773	183,898	191,419	
	1,240,872	753,157	892,441	2,610,928	913,724	
	237,074	232,368	227,225	129,218	81,217	
	43,745	38,226	31,039	25,807	23,123	
\$	<u>5,024,296</u>	<u>5,467,209</u>	<u>4,967,914</u>	<u>6,871,863</u>	<u>5,697,832</u>	
\$	<u>(497,544)</u>	<u>711,635</u>	<u>(39,365)</u>	<u>(553,919)</u>	<u>1,241,405</u>	
\$	-	\$ (40,647)	\$ (83,286)	\$ -	\$ (86,315)	
	-	-	105,604	30,987	62,866	
	75,339	58,251	-	-	-	
\$	<u>75,339</u>	<u>17,604</u>	<u>22,318</u>	<u>30,987</u>	<u>(23,449)</u>	
\$	<u>(422,205)</u>	<u>729,239</u>	<u>(17,047)</u>	<u>(522,932)</u>	<u>1,217,956</u>	
	5.59%	5.56%	6.63%	3.60%	1.99%	

**Town of Strasburg, Virginia**

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

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<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Local Sales Tax</u>	<u>Consumer Utility Tax</u>	<u>Tele-communications Tax</u>	<u>Franchise Tax</u>	<u>Cigarette Tax</u>
2021	\$ 1,941,768	\$ 483,851	\$ 147,401	\$ 61,337	\$ 137,896	\$ 100,515
2020	1,930,881	460,590	144,462	69,057	127,035	102,457
2019	1,797,419	394,025	155,648	70,668	123,756	121,020
2018	1,845,728	388,597	165,133	76,175	111,074	117,549
2017	1,719,391	375,711	142,684	78,633	104,147	118,674
2016	1,609,642	342,955	61,165	80,615	90,889	128,240
2015	1,660,060	342,601	72,204	90,102	149,687	121,681
2014	1,539,495	336,230	62,063	76,778	120,473	121,452
2013	1,416,634	338,067	60,111	85,256	80,662	121,359
2012	1,428,349	267,608	57,970	85,030	73,739	142,424

**Table 5**

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<u>Meals Tax</u>	<u>Transient Occupancy Tax</u>	<u>Public Right- of-Way Fees</u>	<u>Motor Vehicle Licenses</u>	<u>Business Licenses</u>	<u>Total</u>
\$ 822,700	\$ 121,975	\$ 27,497	\$ 154,473	\$ 167,095	\$ 4,166,508
770,085	144,944	30,198	160,004	141,739	4,081,452
803,566	182,577	17,655	158,497	137,475	3,962,306
735,500	195,846	-	185,071	131,925	3,952,598
713,532	187,944	-	125,751	122,849	3,689,316
597,419	144,277	-	152,316	121,515	3,329,033
583,465	136,059	-	135,976	112,537	3,404,372
553,157	138,719	-	132,468	108,961	3,189,796
554,176	129,429	-	137,955	102,633	3,026,282
527,138	110,514	-	139,039	107,798	2,939,609

**Town of Strasburg, Virginia**

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service Corporation	
				Real Estate	Personal Property
2021	\$ 623,198	\$ 68,831	\$ 49,000	\$ 35,352	\$ -
2020	615,361	54,510	41,158	32,970	-
2019	606,910	51,026	36,559	16,284	-
2018	602,606	48,698	40,632	21,332	-
2017	601,362	46,781	46,977	21,332	-
2016	600,385	47,253	33,332	21,786	-
2015	606,784	43,443	30,369	21,544	-
2014	604,013	43,492	32,588	21,201	-
2013	555,327	40,461	17,530	20,076	-
2012	552,866	40,134	21,105	22,843	-

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

**Table 6**

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<u>Total Taxable Assessed Total</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>	<u>Total Direct Rate</u>
\$ 776,381	\$ 776,381	100%	2.29
743,999	743,999	100%	2.29
710,779	710,779	100%	2.29
713,268	713,268	100%	2.29
716,452	716,452	100%	2.29
702,756	702,756	100%	2.29
702,140	702,140	100%	2.29
701,294	701,294	100%	2.29
633,394	633,394	100%	2.29
636,948	636,948	100%	2.29

**Town of Strasburg, Virginia**

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

Fiscal Year	Direct Rates				Overlapping Rates County of Shenandoah, Virginia			
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
2021	\$ 0.16	\$ 1.11	\$ 0.16	\$ 0.86	\$ 0.64	\$ 3.90	\$ 0.64	\$ 3.15
2020	0.16	1.11	0.16	0.86	0.64	3.90	0.64	3.15
2019	0.16	1.11	0.16	0.86	0.64	3.90	0.64	3.15
2018	0.16	1.11	0.16	0.86	0.64	3.90	0.64	3.15
2017	0.16	1.11	0.16	0.86	0.60	3.60	0.60	3.15
2016	0.16	1.11	0.16	0.86	0.57	3.50	0.57	3.15
2015	0.16	1.11	0.16	0.86	0.57	3.50	0.57	3.15
2014	0.16	1.11	0.16	0.86	0.57	3.50	0.57	3.15
2013	0.16	1.11	0.16	0.86	0.51/0.54	3.50	0.51/0.54	3.15
2012	0.16	1.11	0.16	0.86	0.47/0.51	3.15	0.47/0.51	3.15

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

Table 7

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

Principal Property Taxpayers  
Current Year and the Period Nine Years Prior

Taxpayer	Type of Business	Fiscal Year 2021	
		2020 Assessed Valuation	% of Total Assessed Valuation
EIP 495 Radio Station Road LLC	Rental Property/Commercial	\$ 20,428,900	3.28%
Art Mortgage Borrower	Real Estate	12,357,400	1.98%
294 Front Royal Road LLC	Manufacturing	8,522,300	1.37%
Walter Enterprises	Rental Property/Commercial	5,208,900	0.84%
Strasburg Hotel Group	Hotel	4,849,800	0.78%
Massanutten Preservation LP	Real Estate	4,545,200	0.73%
Sanwood Hospitality LLC	Real Estate	4,162,400	0.67%
IAC Strasburg LLC	Manufacturing	4,143,200	0.66%
Homewood at the Shenandoah Valley	Real Estate	3,629,700	0.58%
SFC Properties	Real Estate	3,197,200	0.51%
		<u>\$ 71,045,000</u>	<u>11.40%</u>

Taxpayer	Type of Business	Fiscal Year 2012	
		2011 Assessed Valuation	% of Total Assessed Valuation
King Plumbing	Rental Property&Recreation Ctr.	\$ 11,555,300	2.09%
294 Front Royal LLC	Manufacturing	11,454,700	2.07%
IAC Corp	Manufacturing	8,763,800	1.59%
Homewood Retirement	Rental & Shopping	6,311,400	1.14%
Toothman Investments	Real Estate /Rental Property	6,253,500	1.13%
Massanutten Elderly	Rental Property	5,037,500	0.91%
Greenfield Ass. Living/Reflections	Residential	4,898,800	0.89%
Sunlight Properties	Real Estate/ Rental Property	4,670,500	0.84%
SFC Properties	Rental Property	4,055,700	0.73%
Frank Yeakle III	Rental Property	3,743,500	0.68%
		<u>\$ 62,178,200</u>	<u>11.25%</u>

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

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Total Tax Collections	Percentage of Levy
2021	\$ 1,913,047	\$ 1,823,262	95.31%	\$ -	1,823,262	95.31%
2020	1,846,891	1,803,601	97.66%	4,901	1,808,502	97.92%
2019	1,739,312	1,688,776	97.09%	34,374	1,723,150	99.07%
2018	1,739,692	1,647,491	94.70%	82,728	1,730,219	99.46%
2017	1,715,312	1,625,964	94.79%	79,473	1,705,437	99.42%
2016	1,630,544	1,546,964	94.87%	74,657	1,621,621	99.45%
2015	1,612,273	1,567,292	97.21%	42,787	1,567,292	97.21%
2014	1,615,808	1,571,938	97.28%	42,025	1,613,963	99.89%
2013	1,510,934	1,480,446	97.98%	28,881	1,509,327	99.89%
2012	1,539,343	1,455,015	94.52%	83,046	1,538,061	99.92%

Source: Department of Finance

**Town of Strasburg, Virginia**

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-type Activities	
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Capital Leases
2021	\$ 550,101	\$ 102,711	\$ 25,331,903	\$ 46,290
2020	579,537	94,062	26,426,831	77,268
2019	633,664	140,602	27,510,285	120,086
2018	801,565	103,689	28,727,122	87,074
2017	916,706	118,325	28,561,830	55,572
2016	1,070,425	126,341	26,288,079	65,478
2015	1,217,333	171,056	19,913,636	102,054
2014	1,374,504	114,238	15,796,871	41,456
2013	874,226	38,813	13,954,938	10,432
2012	1,066,946	43,142	14,511,890	24,000

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

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

Table 10

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	<b>Total Primary Government</b>	<b>Percentage of Personal Income (1)</b>	<b>Per Capita (1)</b>
\$	26,031,005	1.18%	\$ 3,876
	27,177,698	1.33%	4,071
	28,404,637	1.40%	4,229
	29,719,450	1.72%	4,486
	29,652,433	1.75%	4,515
	27,550,323	1.67%	4,200
	21,404,079	1.31%	3,271
	17,327,069	1.11%	2,662
	14,878,409	0.96%	2,285
	15,645,978	1.07%	2,417

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

<b>Fiscal Year</b>	<b>Gross Bonded Debt</b>	<b>Less: Amounts Reserved for Debt Service</b>	<b>Net Bonded Debt (3)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value (2)</b>	<b>Net Bonded Debt per Capita (1)</b>
2021	\$ 25,882,004	\$ 1,085,448	\$ 24,796,556	3.19%	\$ 3,692
2020	27,006,368	250,458	26,755,910	3.60%	3,984
2019	28,143,949	246,480	27,897,469	3.92%	4,190
2018	29,528,687	246,480	29,282,207	4.11%	4,420
2017	29,478,536	-	29,478,536	4.11%	4,489
2016	27,358,504	-	27,358,504	3.89%	4,171
2015	21,130,969	-	21,130,969	3.01%	3,230
2014	17,171,375	-	17,171,375	2.45%	2,638
2013	14,829,164	-	14,829,164	2.34%	2,277
2012	15,578,836	-	15,578,836	2.45%	2,407

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

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

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

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**Town of Strasburg, Virginia**

Legal Debt Margin Information  
Last Ten Fiscal Years

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Assessed Valuations</b>				
Assessed value of taxed real property	\$ <u>552,866,000</u>	\$ <u>555,327,000</u>	\$ <u>604,013,000</u>	\$ <u>606,784,000</u>
<b>Legal debt margin</b>				
Debt limit - 10 percent of total assessed value	\$ <u>55,286,600</u>	\$ <u>55,532,700</u>	\$ <u>60,401,300</u>	\$ <u>60,678,400</u>
Debt applicable to limitation:				
Total bonded debt	\$ 15,578,836	\$ 14,829,164	\$ 17,171,375	\$ 21,130,969
Less: Business-type activities bonds	<u>(14,511,890)</u>	<u>(13,954,938)</u>	<u>(15,796,871)</u>	<u>(19,913,636)</u>
Total amount of debt applicable to debt limitation	\$ <u>1,066,946</u>	\$ <u>874,226</u>	\$ <u>1,374,504</u>	\$ <u>1,217,333</u>
<b>Legal debt margin</b>	\$ <u>54,219,654</u>	\$ <u>54,658,474</u>	\$ <u>59,026,796</u>	\$ <u>59,461,067</u>
Total net debt applicable to the limit as a percentage of debt limit	1.93%	1.57%	2.28%	2.01%

Table 12

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ <u>600,385,000</u>	\$ <u>601,362,000</u>	\$ <u>602,606,000</u>	\$ <u>606,910,000</u>	\$ <u>615,361,000</u>	\$ <u>623,198,000</u>
\$ <u>60,038,500</u>	\$ <u>60,136,200</u>	\$ <u>60,260,600</u>	\$ <u>60,691,000</u>	\$ <u>61,536,100</u>	\$ <u>62,319,800</u>
\$ 27,358,504	\$ 29,478,536	\$ 29,282,207	\$ 27,891,535	\$ 26,755,910	\$ 25,882,004
<u>(26,288,079)</u>	<u>(28,561,830)</u>	<u>(28,727,122)</u>	<u>(27,510,285)</u>	<u>(26,426,831)</u>	<u>(25,331,903)</u>
\$ <u>1,070,425</u>	\$ <u>916,706</u>	\$ <u>555,085</u>	\$ <u>381,250</u>	\$ <u>329,079</u>	\$ <u>550,101</u>
\$ <u>58,968,075</u>	\$ <u>59,219,494</u>	\$ <u>59,705,515</u>	\$ <u>60,309,750</u>	\$ <u>61,207,021</u>	\$ <u>61,769,699</u>
1.78%	1.52%	0.92%	0.63%	0.53%	0.88%

Direct and Overlapping Governmental Activities Debt  
June 30, 2021

Governmental Unit	Debt Outstanding	Estimated Percentage	Amount applicable to Primary Government
County of Shenandoah, Virginia	\$ 44,150,772	13.45%	\$ 5,936,506
Town of Strasburg, Virginia direct debt			<u>652,812</u>
Total direct and overlapping debt			<u><u>\$ 6,589,318</u></u>

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

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

Demographic and Economic Statistics  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (000's) (2)</b>	<b>Per Capita Personal Income (3)</b>	<b>Unemployment Rate (4)</b>
2021	6,716	\$ 2,207,002	\$ 49,948	4.10%
2020	6,676	2,035,995	46,680	6.90%
2019	6,658	1,974,201	45,387	2.60%
2018	6,625	1,724,404	39,940	3.32%
2017	6,567	1,696,997	39,291	3.60%
2016	6,559	1,647,658	37,896	3.60%
2015	6,543	1,630,305	36,627	4.99%
2014	6,509	1,565,050	35,016	5.90%
2013	6,512	1,550,472	35,016	6.20%
2012	6,473	1,464,248	35,016	6.60%

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

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

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

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

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

**Town of Strasburg, Virginia**

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

<b>Function</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>General government</b>					
General administration	2.0	2.0	2.0	1.0	2.0
Financial administration	5.0	5.0	5.0	5.0	5.0
Planning Office	1.0	1.0	1.0	1.0	1.0
<b>Public safety</b>					
Sworn Officers	18.0	18.0	15.0	18.0	18.0
Administrative	1.0	1.0	1.0	1.0	1.0
<b>Public works</b>	18.0	18.0	19.0	18.0	19.0
<b>Economic/Community development</b>	0.0	0.0	1.0	1.0	1.0
<b>Parks and recreation</b>	0.0	0.0	0.0	0.0	0.0
<b>Water and sewer</b>	11.0	11.0	12.0	12.0	11.0
<b>Totals</b>	<u>56.0</u>	<u>56.0</u>	<u>56.0</u>	<u>57.0</u>	<u>58.0</u>

Source: Department of Finance; Staffing Reports

Table 15

Fiscal Year				
2017	2018	2019	2020	2021
1.5	2.0	2.0	2.0	2.0
4.5	5.0	5.0	5.0	5.0
1.0	1.0	1.0	1.0	1.0
17.0	17.0	17.0	18.0	18.0
1.0	1.0	1.0	1.0	2.0
19.0	19.0	19.0	22.0	22.0
1.0	1.0	2.0	2.0	2.0
0.0	0.0	0.0	0.0	0.0
11.0	13.0	13.0	13.0	13.0
56.0	59.0	60.0	64.0	65.0

**Town of Strasburg, Virginia**

Operating Indicators by Function  
Last Ten Fiscal Years

<b>Function</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Public safety</b>				
Police department				
Number of complaints investigated	8,471	9,080	8,659	8,403
Number of vehicle accidents investigated	125	149	138	146
Number of traffic summons (adult & juvenile)	491	466	665	557
Number of criminal arrests (adult)	*	*	290	410
Number of criminal arrests (juvenile)	47	42	35	45
<b>Public works</b>				
Streets	128	128	128	128
Streets resurfaced (miles per year)	3.17	0.12	1.79	0.33
Refuse				
Refuse collected (tons per year)	1,794	1,820	1,777	2,094
Recycling				
Recycling collected (tons per year)	200	200	207	188
<b>Community development</b>				
Planning and zoning				
Zoning permits issued	78	30	116	129
<b>Water</b>				
Number of water main break repairs	*	*	*	9
Average daily finished water production (mgd)	0.7272	0.7333	0.7307	0.7357
<b>Sewer</b>				
Number of sewer line repairs	*	*	*	4
Average daily effluent wastewater treatment (mgd)	0.6876	0.7982	0.9092	0.7078

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

Source: Town individual departments

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

**Table 16**

<b>Fiscal Year</b>					
<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
8,882	8,120	8,001	7,502	6,650	11,933
142	109	124	138	84	96
407	502	589	664	181	207
408	314	380	380	383	221
24	8	38	26	14	10
128	128	128	130	130	130
3.34	1.17	11.38	0.00	0.00	3.66
2,207	2,329	2,469	2,523	2,361	2,327
193	218	206	211	102	0
106	135	177	113	196	202
6	5	10	9	6	6
0.7128	0.7140	0.6698	0.7283	0.6880	0.7780
6	3	4	5	5	5
0.7052	0.7488	1.2956	1.0459	0.8524	0.9947

## Town of Strasburg, Virginia

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

Function/Program	2012	2013	2014	2015	2016
<b>Public safety</b>					
Police department					
Stations	1	1	1	1	1
Law enforcement vehicles	*	*	*	*	*
<b>Public works</b>					
Streets department					
Number of streets	128	128	128	128	128
Number of street lights	485	485	516	516	516
<b>Parks and recreation</b>					
		7			
Number of parks	2	2	2	2	2
Number of swimming pools	1	1	1	1	1
Number of picnic shelters	7	8	8	8	8
Number of tennis courts	2	2	2	2	2
<b>Water</b>					
Miles of water distribution lines	40.39	40.39	40.39	40.39	40.39
Storage capacity (mg)	3.4	3.4	3.4	3.4	3.4
<b>Sewer</b>					
Miles of sanitary sewer lines	40.48	40.48	40.48	40.48	40.48
Number of sewer lift/pumping station:	11	11	11	11	11

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

\* Information is not available.

Source: Town individual departments

Table 17

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Fiscal Year				
2017	2018	2019	2020	2021
1	1	1	1	1
12	12	13	13	13
128	128	130	130	130
516	522	522	542	573
2	2	3	3	4
1	1	1	1	1
8	8	8	8	8
2	2	2	2	2
40.39	40.39	40.39	40.39	40.39
3.4	3.4	3.4	3.4	3.4
40.48	40.48	40.48	40.48	40.48
12	12	12	12	12

## **COMPLIANCE SECTION**



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

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

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

**Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
November 30, 2021



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

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

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

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

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

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

## Report on Internal Control over Compliance

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

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

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

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

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
November 30, 2021

**Town of Strasburg, Virginia**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2021

Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
United States Department of Agriculture, US Forest Service Pass Through Payments: Virginia Department of Forestry Cooperative Forestry Assistance	10.664	Not available	\$ <u>3,850</u>
Total Department of Housing and Urban Development			\$ <u>3,850</u>
Department of Justice: Pass Through Payments: Virginia Department of Criminal Justice Services: Equitable Sharing Program	16.922	Not available	\$ <u>1,783</u>
Total Department of Justice			\$ <u>1,783</u>
Department of Transportation: Pass Through Payments: Virginia Department of Transportation Highway Planning and Construction Cluster: Highway Planning and Construction	20.205	Not available	<u>394,079</u>
Total Department of Transportation			\$ <u>394,079</u>
Department of Treasury: Pass Through Payments: County of Shenandoah, Virginia COVID-19 Coronavirus Relief Fund	21.019	STL0022	\$ <u>466,008</u>
Total Department of Treasury			\$ <u>466,008</u>
Total Expenditures of Federal Awards			\$ <u><u>865,720</u></u>

**Town of Strasburg, Virginia**  
 Schedule of Expenditures of Federal Awards (Continued)  
 For the Year Ended June 30, 2021

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Notes to Schedule of Expenditures of Federal Awards:

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Strasburg, Virginia under programs of the federal government for the year ended June 30, 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 Strasburg, Virginia, it is not intended to and does not present the financial position, change in net position, or cash flows of the Town of Strasburg, Virginia.

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

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

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

Pass-through identifying numbers are presented where available.

**NOTE C - SUBRECIPIENTS**

No awards were passed through to subrecipients.

**NOTE D - LOANS**

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

**NOTE E - RELATIONSHIP TO FINANCIAL STATEMENTS**

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
Governmental funds	\$ 851,006
Enterprise funds	14,714
Total primary government	<u>\$ 865,720</u>

Total federal expenditures per the Schedule of Expenditures of  
 Federal awards

\$ 865,720

**Town of Strasburg, Virginia  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2021**

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

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Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ yes x no

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

Noncompliance material to financial statements noted? \_\_\_ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? \_\_\_ yes x no

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

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported  
 in accordance with 2 CFR section 200.516(a)? \_\_\_ yes x no

Identification of major programs:

Assistance Listing # Name of Federal Program or Cluster

---

21.019 ..... COVID-19 Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_ yes x no

**Section II-Financial Statement Findings**

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None

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

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None

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

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There were no prior year findings.