

**NORTHERN VIRGINIA CIGARETTE TAX BOARD
FAIRFAX, VIRGINIA**

**AUDITED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 and 2022**

DUNHAM, AUKAMP & RHODES, PLC
Certified Public Accountants
Chantilly, VA

NORTHERN VIRGINIA CIGARETTE TAX BOARD FAIRFAX, VIRGINIA

CURRENT MEMBERS OF THE BOARD AS OF JUNE 30, 2023

Mr. William Page Johnson, II
Commissioner of the Revenue
City of Fairfax
Fairfax, Virginia

Ms. Marion Serfass
Director of Finance/Treasurer
Town of Vienna
Vienna, Virginia

Mr. Gregory Bruch
Director, Revenue Collection Division
Department of Tax Administration
County of Fairfax
Fairfax, Virginia

Mr. Kevin Greenlief
Assistant Director, Revenue Division
Department of Finance
City of Alexandria
Alexandria, Virginia

Mr. Tom Clinton
Commissioner of the Revenue
City of Falls Church
Falls Church, Virginia

Ms. Lois Jacob
Commissioner of the Revenue
City of Fredericksburg
Fredericksburg, Virginia

Mr. Tim Demeria
Commissioner of the Revenue
City of Manassas
Manassas, Virginia

Mr. Laszlo A. Palko
City Manager
City of Manassas Park
Manassas Park, Virginia

Ms. Mallory Stribling
Director
Office of Management & Budget
County of Fauquier
Warrenton, Virginia

Mr. Caleb Weitz
Assistant Director of Budget
County of Loudoun
Leesburg, Virginia

Ms. Michelle Attreed
Director of Finance, CFO
County of Prince William
Prince William, Virginia

Ms. Julie Elliott
Budget Manager
County of Spotsylvania
Spotsylvania, Virginia

Mr. Scott Mayausky
Commissioner of the Revenue
County of Stafford
Stafford, Virginia

Mr. Darrell D. Poe
Councilmember
Town of Clifton
Clifton, Virginia

Mr. Brian K. Fields
Councilmember
Town of Dumfries
Dumfries, Virginia

Mr. Roberto Gonzalez
Town Treasurer
Town of Haymarket
Haymarket, Virginia

Ms. Marjorie Sloan
Director of Finance
Town of Herndon
Herndon, Virginia

The Honorable Roger Vance
Mayor of Hillsboro
Town of Hillsboro
Hillsboro, Virginia

Ms. Ellen Windley
Finance Operations Manager
Town of Leesburg
Leesburg, Virginia

Mr. Jason Cournoyer
Town Manager
Town of Lovettsville
Leesburg, Virginia

Ms. Tina Staples
Director of Finance
Town of Middleburg
Middleburg, Virginia

Ms. Elizabeth Krens
Treasurer, Director of Finance
Town of Purcellville
Purcellville, Virginia

Ms. Cathy Owens
Town Treasurer
Town of Round Hill
Round Hill, Virginia

Ms. Stephanie Miller
Director of Finance
Town of Warrenton
Warrenton, Virginia

Ms. Rachael Brinson
Town Clerk
Town of Remington
Remington, Virginia

BOARD OF OFFICERS AS OF JUNE 30, 2023

Mr. William Page Johnson, II Chairman

Ms. Marion Serfass, Vice-Chairman

Mr. Gregory Bruch, Secretary/Treasurer

ADMINISTRATOR AS OF JUNE 30, 2023

Juan Rengel

**NORTHERN VIRGINIA CIGARETTE TAX BOARD
FAIRFAX, VIRGINIA**

Table of Contents

Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-6
Statements of Fiduciary Net Position	7
Statements of Changes in Fiduciary Net Position	8
Notes to Financial Statements	9-14
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .	15-16
Schedules of Cash Distributions to Member Jurisdictions	17
Schedules of Budget Versus Actual Administration Expenses	18

Dunham, Aukamp & Rhodes, PLC

Certified Public Accountants

4443 Brookfield Corporate Drive, Suite 110
Chantilly, VA 20151

Independent Auditor's Report

To the Board of Commissioners
Northern Virginia Cigarette Tax Board
Chantilly, VA

Opinion

We have audited the accompanying financial statements of the Northern Virginia Cigarette Tax Board as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Northern Virginia Cigarette Tax Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position and changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Northern Virginia Cigarette Tax Board, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

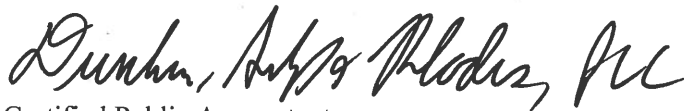
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of budget versus actual administration expenses on pages 4 through 6 and 18 be presented to supplement the basic financial statements. Such information, although 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northern Virginia Cigarette Tax Board's basic financial statements. The schedules of cash distributions to member jurisdictions on page 17 are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of cash distributions to member jurisdictions is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2023, on our consideration of the Northern Virginia Cigarette Tax Board'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 the report is 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 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 Northern Virginia Cigarette Tax Board's internal control over financial reporting and compliance.



Certified Public Accountants
Chantilly, Virginia

November 2, 2023

NORTHERN VIRGINIA CIGARETTE TAX BOARD
FAIRFAX, VIRGINIA
Management's Discussion and Analysis

Our discussion and analysis of the Northern Virginia Cigarette Tax Board's financial performance provide an overview of the Board's financial activities for the fiscal years ended June 30, 2023 and 2022. Please read it in conjunction with the accompanying financial statements that follow this section.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Board's basic financial statements. The notes to the financial statements also contain more detail on some of the important information presented in the financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The funds of the Board reporting entity consist of a single fiduciary fund.

Fiduciary Funds. The Board is trustee, or fiduciary, for cigarette tax collected on behalf of member jurisdictions and the Board is responsible for ensuring that the assets reported in this fund are used for their intended purpose. Each month Board operating expenses are paid from Tax Revenues and the remaining taxes collected are distributed to member jurisdictions. The two statements included for the fiduciary fund are the statements of fiduciary net position and changes in fiduciary net position.

The Statements of Fiduciary Net Position presents information on all of the Board's assets and liabilities, with the difference between the two reported as net position. The Board has no net position because under the operating agreement all such amounts are payable to the member jurisdictions after funding the administrative expenses.

The Statements of Changes in Fiduciary Net Position presents information showing how the Board's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, additions and deductions are recorded in these statements for some items that will only result in cash flows in future periods.

Financial Analysis

Summary Statements of Fiduciary Net Position

	<u>2023</u>	<u>2022</u>
Assets:		
Current Assets	\$2,340,706	\$2,495,575
Capital Assets, net	183,624	153,459
Other Noncurrent Assets, net	<u>1,313,629</u>	<u>1,415,336</u>
Total Assets	<u>3,837,959</u>	<u>4,064,370</u>
Liabilities:		
Current Liabilities	\$2,364,463	\$2,537,875
Noncurrent Liabilities	<u>1,473,496</u>	<u>1,526,495</u>
Total Liabilities	<u>\$3,837,959</u>	<u>\$4,064,370</u>

Summary Statements of Changes in Fiduciary Net Position

	<u>2023</u>	<u>2022</u>
Additions	<u>\$23,654,324</u>	<u>\$18,227,427</u>
Deductions		
Distributions to jurisdictions	22,445,259	17,049,968
Administration	<u>1,209,065</u>	<u>1,177,459</u>
Changes in Net Position	\$ <u> </u> -	\$ <u> </u> -

The increase to Additions to Jurisdictions during the years ended June 30, 2023 and 2022 is due to the expansion of five counties joining the Board on January 1, 2022, and one town on February 1, 2023.

The overall total increase in distributions is due to the additional revenues generated from the five new counties. Existing jurisdictions saw a slight decrease from prior year due to increased expenses and continuing downward trend in cigarette pack sales.

The Board's expansion from 19 to 25 jurisdictions resulted in the increase of Administration costs due to higher payroll costs, expansion of office space, additional purchase of equipment, the replacement of one vehicle and increased investment in staff training and development.

Economic Factors and Future Outlook

Though the trend of fewer people smoking is expected to continue, FY2024 cigarette tax collections and distributions to jurisdictions are expected to remain in sync with budget estimates for the coming fiscal year. Although increased expenses are expected to remain within the required 6% of total revenue, the addition of five new localities reduced the expense ratio per locality.

Capital Assets

Capital assets consist of office furniture and equipment, and five vehicles used in the fiduciary activities of the Board. It also contains software development costs for a customized software system to monitor and track the collection and distribution of cigarette taxes.

Contacting the Board's Financial Management

This financial report is designed to provide a general overview of the Board's finances and show the Board's accountability for the money it receives. If you have questions about this report or need additional information, contact the Board's Administrator at 14150 Newbrook Drive, Suite 210, Chantilly, VA 20151.

NORTHERN VIRGINIA CIGARETTE TAX BOARD
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30,

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 241,594	\$ 276,877
Cigarette tax revenue receivable	2,068,688	2,162,708
Seized cigarettes inventory	21,586	40,290
Prepaid expense	337	7,199
Rental deposits	8,501	8,501
TOTAL CURRENT ASSETS	<u>2,340,706</u>	<u>2,495,575</u>
NONCURRENT ASSETS		
Capital Assets		
Furniture and equipment	99,926	66,132
Vehicle	165,118	159,448
Software development	19,907	19,907
Less: Accumulated depreciation	(101,327)	(92,028)
Total Capital Assets, net	<u>183,624</u>	<u>153,459</u>
Right to Use Lease Assets		
Right to use lease assets	1,590,182	1,600,954
Less: Accumulated Amortization	(276,553)	(185,618)
Total Right to Use Lease Assets, net	<u>1,313,629</u>	<u>1,415,336</u>
TOTAL NONCURRENT ASSETS	<u>1,497,253</u>	<u>1,568,795</u>
TOTAL ASSETS	<u><u>\$ 3,837,959</u></u>	<u><u>\$ 4,064,370</u></u>

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 9,123	\$ 22,003
Distributions payable	1,932,456	2,067,476
Undistributed receipts	(2,443)	2,934
Compensated absences	44,324	40,004
Restitution payable	48,663	48,393
Reserve for seized cigarette revenues	226,143	272,800
Reserve for software	20,093	20,093
Reserve for automobile replacement	12,551	7,551
Reserve for expenses	5,000	5,000
Lease liability, current portion	68,553	51,621
TOTAL CURRENT LIABILITIES	<u>2,364,463</u>	<u>2,537,875</u>
NONCURRENT LIABILITIES		
Lease liability, net of current portion	<u>1,473,496</u>	<u>1,526,495</u>
TOTAL LIABILITIES	<u><u>\$ 3,837,959</u></u>	<u><u>\$ 4,064,370</u></u>

The accompanying notes are an integral part of these financial statements.

NORTHERN VIRGINIA CIGARETTE TAX BOARD
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30,

ADDITIONS	<u>2023</u>	<u>2022</u>
Cigarette tax collected		
Wholesalers	\$ 23,541,800	\$ 18,130,106
Vendors	-	35
Miscellaneous income	7,000	10,119
Sale of cigarette seizures	104,833	86,807
Interest	691	360
TOTAL ADDITIONS	<u>23,654,324</u>	<u>18,227,427</u>
DEDUCTIONS		
Distributions to jurisdictions	22,445,259	17,049,968
Administration expenses		
Payroll	652,816	616,334
Retirement contribution	158,704	148,976
Occupancy expense	78,292	92,809
Medical insurance	75,051	62,500
Depreciation	43,749	32,500
Interest expense	42,739	43,737
Computer services	34,836	30,093
Tax stamps	18,075	54,318
Professional services	14,175	30,052
Office equipment	13,710	2,420
Training and development	11,038	830
Automobile expense	9,153	6,312
Social Security	9,135	9,521
Bond and insurance	9,094	8,486
Miscellaneous	8,572	261
Telephone	7,158	10,880
Office supplies	4,167	4,700
Travel	3,639	-
Disability plan	3,529	3,010
Retirement plan maintenance	2,996	8,945
Life insurance	2,434	1,777
Unemployment insurance	2,079	3,907
Loss on disposal of property and equipment	1,486	-
Printing	1,101	1,500
Office equipment repair	722	220
Rent	556	1,669
Postage	59	1,529
Bank fees	-	173
TOTAL DEDUCTIONS	<u>23,654,324</u>	<u>18,227,427</u>
CHANGE IN FIDUCIARY NET POSITION	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

NORTHERN VIRGINIA CIGARETTE TAX BOARD FAIRFAX, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Northern Virginia Cigarette Tax Board (“The Board”) is a regional tax agency responsible for administering, collecting and enforcing the cigarette tax ordinances of twenty-five jurisdictions located in Northern Virginia. The Board has been in existence since July 1, 1970 and its offices are currently located in Chantilly, Virginia.

Financial Statement Presentation

The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies followed in the preparation of these financial statements:

Basis of Accounting

The Board accounts for its operations as a fiduciary fund, using the economic resources measurement focus and the accrual basis of accounting. Under the accrual method, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

Private-sector standards of accounting and financial reporting issued prior to December 31, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Revenue Recognition

The Board recognizes assets from derived tax revenue transactions when the underlying exchange takes place. Revenue is recognized net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized. Resources received in advance are reported as deferred revenues (liabilities) until the period of exchange.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid debt instruments with an initial maturity of three months or less when purchased are considered to be cash equivalents.

Cigarette Tax Revenue Receivable

Cigarette tax revenue receivable are reported at their gross value when earned as the underlying exchange transaction occurs. Receivables related to non-exchange transactions are recognized when their eligibility requirements have been met. Receivables are reduced by the estimated portion that is expected to be uncollectible. This estimate is made based on collection history and current information regarding the credit worthiness of the debtors. When continued collection activity results in receipts of amounts previously written off, revenue is recognized for the amount collected. Management considers all of the receivables collectible at June 30, 2023 and 2022, and no allowance for doubtful accounts has been provided. Bad debt expense for the fiscal years ended June 30, 2023 and 2022, were \$-0- and \$-0-, respectively.

Seized Cigarettes Inventory

Seized cigarettes inventory is held for disposal by sale and is valued at the current average bid price, which approximates fair market value.

**NORTHERN VIRGINIA CIGARETTE TAX BOARD
FAIRFAX, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Capital Assets

The Board records equipment at cost and provides for depreciation using the straight-line method over the useful life of the assets. Asset lives include: vehicles - 5 years, furniture – 7 years, office equipment – 5 years, and computer software – 3 years. Maintenance and repairs are charged to earnings. Costs for normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are expensed as incurred. The Board policy is to capitalize new purchases with a cost exceeding \$1,000.

Right to Use Assets

The Board has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Concentration of Credit Risk

Financial instruments, which potentially expose the Board to concentrations of credit risk, consist principally of cash and cash equivalents. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution. At times amounts may exceed federally insured limits. The financial institutions used by the Board participate in the Virginia Security of Public Deposits Act, whereby securities are pledged by the Institution to the Treasury Board of Virginia to cover all funds on deposit in excess of FDIC insurance coverage. The Board periodically assesses the financial condition of the institution and believes the risk of any loss is minimal.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Advertising Costs

Advertising costs are expensed as incurred.

**NORTHERN VIRGINIA CIGARETTE TAX BOARD
FAIRFAX, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 2 – CASH AND CASH EQUIVALENTS

The Board's cash and cash equivalents consist of the following as of June 30,:

	<u>2023</u>	<u>2022</u>
Demand deposits, interest bearing	\$241,494	\$276,777
Petty cash	<u>100</u>	<u>100</u>
Total	<u>\$241,594</u>	<u>\$276,877</u>

All demand deposits are held by the Board or in the Board's name, and are completely covered by Federal depositary insurance or collateralized by the financial institution acquiring the deposit. The carrying amount of the deposits as of June 30, 2023 and 2022, were \$241,494 and \$276,777 respectively, and the bank balance as of June 30, 2023 and 2022, were \$249,628 and \$314,758, respectively. Accordingly, the deposits of the Board are considered to be insured.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023, was as follows:

	Balance <u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2023</u>
Capital assets being depreciated				
Furniture and Equipment	\$ 66,132	\$ 43,499	\$ 9,705	\$ 99,926
Software	19,907	-	-	19,907
Vehicles	<u>159,448</u>	<u>33,901</u>	<u>28,231</u>	<u>165,118</u>
Total Depreciable Assets	<u>245,487</u>	<u>77,400</u>	<u>37,936</u>	<u>284,951</u>
Less Accumulated Depreciation for:				
Furniture and Equipment	34,805	15,647	6,219	44,233
Vehicles	<u>57,223</u>	<u>28,102</u>	<u>28,231</u>	<u>57,094</u>
Total accumulated depreciation	<u>92,028</u>	<u>43,749</u>	<u>34,450</u>	<u>101,327</u>
 Depreciable Assets, Net	 <u>\$153,459</u>	 <u>\$ 33,651</u>	 <u>\$ 3,486</u>	 <u>\$183,624</u>

Capital assets activity for the year ended June 30, 2022, was as follows:

	Balance <u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2022</u>
Capital assets being depreciated				
Furniture and Equipment	\$ 52,760	\$ 16,172	\$ 2,800	\$ 66,132
Software	19,907	-	-	19,907
Vehicles	<u>84,616</u>	<u>104,313</u>	<u>29,481</u>	<u>159,448</u>
Total Depreciable Assets	<u>157,283</u>	<u>120,485</u>	<u>32,281</u>	<u>245,487</u>
Less Accumulated Depreciation for:				
Furniture and Equipment	26,474	11,131	2,800	34,805
Vehicles	<u>65,335</u>	<u>21,369</u>	<u>29,481</u>	<u>57,223</u>
Total accumulated depreciation	<u>91,809</u>	<u>32,500</u>	<u>32,281</u>	<u>92,028</u>
 Depreciable Assets, Net	 <u>\$ 65,474</u>	 <u>\$ 87,985</u>	 <u>\$ -</u>	 <u>\$153,459</u>

**NORTHERN VIRGINIA CIGARETTE TAX BOARD
FAIRFAX, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 4 – RIGHT TO USE ASSETS

Right to use assets activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Right to use assets being amortized				
Office Space	\$1,600,954	\$ -	\$10,772	\$1,590,182
Total Right to Use Assets	<u>1,600,954</u>	<u>-</u>	<u>10,772</u>	<u>1,590,182</u>
Less Accumulated Amortization for:				
Office Space	<u>185,618</u>	<u>92,184</u>	<u>1,249</u>	<u>276,553</u>
Total accumulated depreciation	<u>185,618</u>	<u>92,184</u>	<u>1,249</u>	<u>276,553</u>
Right to Use Assets, Net	<u>\$1,415,336</u>	<u>\$ 92,184</u>	<u>\$ 9,523</u>	<u>\$1,313,629</u>

Right to use assets activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Right to use assets being amortized				
Office Space	\$1,600,954	\$ -	\$ -	\$1,600,954
Total Right to Use Assets	<u>1,600,954</u>	<u>-</u>	<u>-</u>	<u>1,600,954</u>
Less Accumulated Amortization for:				
Office Space	<u>92,809</u>	<u>92,809</u>	<u>-</u>	<u>185,618</u>
Total accumulated depreciation	<u>92,809</u>	<u>92,809</u>	<u>-</u>	<u>185,618</u>
Right to Use Assets, Net	<u>\$1,508,145</u>	<u>\$ 92,809</u>	<u>\$ -</u>	<u>\$1,415,336</u>

NOTE 5 – UNDISTRIBUTED RECEIPTS

The undistributed receipts account serves as a holding account for taxes paid to the Board in excess of actual taxes owed by the authorized agents, or for those monies that are remitted by authorized agents but not identified as to jurisdiction of sale. Once identified as to a particular jurisdiction or applied as a credit to an authorized agent's account, the monies are placed into the applicable revenue account. The undistributed receipts account consists of the following categories at June 30,:

	2023	2022
Wholesalers	\$(2,443)	\$2,934
Total	<u>\$(2,443)</u>	<u>\$2,934</u>

**NORTHERN VIRGINIA CIGARETTE TAX BOARD
FAIRFAX, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 6 – COMPENSATED ABSENCES

All employees of the Board accrue both annual and sick leave each month. Annual leave is accumulated based on years of service and number of paid hours each work week. When employees leave Board employment, they are paid for any unused annual leave. There is no maximum amount of annual leave that employees can accumulate; however, only 300 hours per calendar can be carried over to the next calendar year. Any annual leave above and beyond 300 hours at the end of each calendar year shall be converted to sick leave. Full-time employees accrue sick leave at the rate of nine hours per month. There is no maximum amount of sick leave that employees can accumulate. Sick leave credits are not paid to an employee upon separation. Upon application for retirement, an employee's sick leave credits can be applied towards membership service credit at the rate of one month of credit for each 173 hours of accrued unused sick leave and prorated for any fraction of this amount. As of June 30, 2023 and 2022, the liability for compensated absences were \$44,324 and \$40,004, respectively.

NOTE 7 – RESTITUTION PAYABLE

In 2008, three individuals plead guilty in Fairfax County court to conspiracy to possess and distribute contraband cigarettes and were ordered to pay Fairfax County restitution totaling \$151,120. The restitution payments are made to the Board, and the Board has been asked to collect all funds before transferring the payments to Fairfax County. As of June 30, 2023 and 2022, the Board collected a total of \$48,663 and \$48,393, respectively.

NOTE 8 – MISSIONSQUARE RETIREMENT CORPORATION 457 PLAN

MissionSquare eligible employees of the Board may also participate in a deferred compensation plan in accordance with Internal Revenue Service Code 457. The deferred compensation is not available to employees until termination of employment, retirement, death or an unforeseen emergency. An independent administrator, ICMA Retirement Corporation, monitors contributions to the plan. The plan assets are maintained in custodial accounts for the exclusive use of the plan's participants and beneficiaries. In accordance with GASB 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, these assets and the related liability are not included in the accompanying financial statements.

NOTE 9 – PENSION PLAN

The Board maintains a defined contribution pension plan (effective May 1, 1983), which is named the Northern Virginia Cigarette Tax Board Pension Trust and covers all full-time employees who have attained six months of credited service. The mandatory contribution rate for the years ended June 30, 2023 and 2022, was 30.71% and 30.61%, respectively, of each eligible employee's compensation.

The participants in the plan reserve the authority to direct the investment activities of their portion of the pension trust. However, the Trustee retains the right to determine administrative feasibility and propriety of such investment activities within terms set forth in the trust agreement.

Pension expense for the years ended June 30, 2023 and 2022 were \$158,704 and \$148,976, respectively.

**NORTHERN VIRGINIA CIGARETTE TAX BOARD
FAIRFAX, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Concluded)**

NOTE 10 – LONG-TERM OBLIGATIONS - LEASES

The Board has entered into an agreement to lease office space in Chantilly, Virginia, under an 18-year lease which expires September 30, 2037. The lease agreement qualifies as other than short-term under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of the date of its inception.

The lease calls for an annual rent increase of 2.75% and included rental abatement of eight months. The lease liability is measured at a discount rate of 2.75%, which is the rate in the lease agreement. As a result of the lease the Board has recorded a right to use asset with net book values of \$1,313,629 and \$1,415,336 as of June 30, 2023 and 2022, respectively. For the fiscal years ended June 30, 2023 and 2022, interest expense on the lease liability was \$42,739 and \$43,737, respectively.

The future minimum lease obligations and the net present value of these minimum lease payments as of as of June 30, 2023 are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 68,553	\$ 41,554	\$ 110,107
2025	73,529	39,607	113,136
2026	78,727	37,520	116,247
2027	84,156	35,287	119,443
2028	89,826	32,902	122,728
2029-2033	543,246	122,915	666,161
2034-2038	<u>604,012</u>	<u>37,377</u>	<u>641,289</u>
Total payments	<u>\$1,542,049</u>	<u>\$347,162</u>	<u>\$1,889,111</u>

NOTE 11 – EVALUATION OF SUBSEQUENT EVENTS

The Board has evaluated subsequent events through November 2, 2023, the date which the financial statements were available to be issued.

Dunham, Aukamp & Rhodes, PLC

Certified Public Accountants

4443 Brookfield Corporate Drive, Suite 110
Chantilly, VA 20151

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

To the Board of Commissioners
Northern Virginia Cigarette Tax Board
Fairfax, VA

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 Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the fiduciary activities of the Northern Virginia Cigarette Tax Board as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Northern Virginia Cigarette Tax Board's basic financial statements, and have issued our report thereon dated November 2, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northern Virginia Cigarette Tax Board's internal control over financial reporting (internal control) to determine the 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 Northern Virginia Cigarette Tax Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Northern Virginia Cigarette Tax Board'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 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 over financial reporting 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 Northern Virginia Cigarette Tax Board'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 determination of financial statement amounts. 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



Certified Public Accountants
Chantilly, Virginia

November 2, 2023

NORTHERN VIRGINIA CIGARETTE TAX BOARD
SCHEDULES OF CASH DISTRIBUTIONS
TO MEMBER JURISDICTIONS
FOR THE YEARS ENDED JUNE 30,

Member Jurisdictions	<u>2023</u>	<u>2022</u>
County of Prince William	\$ 4,596,172	\$ 2,102,257
Fairfax County	4,516,087	4,689,566
County of Loudoun	3,741,219	1,616,462
City of Alexandria	2,088,433	2,148,796
County of Spotsylvania	1,735,234	720,526
County of Stafford	1,635,799	614,136
County of Fauquier	662,887	278,910
Town of Leesburg	625,635	617,103
City of Fairfax	491,713	490,689
City of Manassas	483,624	504,371
City of Fredericksburg	408,014	472,848
Town of Warrenton	301,655	143,381
City of Manassas Park	211,402	214,234
Town of Vienna	206,835	218,293
Town of Purcellville	191,751	200,274
Town of Herndon	167,255	175,432
City of Falls Church	166,785	186,314
Town of Haymarket	156,776	139,447
Town of Dumfries	149,506	183,693
Town of Lovettsville	26,082	22,365
Town of Round Hill	20,403	24,429
Town of Middleburg	15,831	17,311
Town of Hillsboro	15,227	666
Town of Remington	6,427	-
Town of Clifton	1,185	1,330
Total Distributions to Member Jurisdictions	<u>\$ 22,621,937</u>	<u>\$ 15,782,833</u>

NORTHERN VIRGINIA CIGARETTE TAX BOARD
SCHEDULES OF BUDGET VERSUS ACTUAL ADMINISTRATION EXPENSES
FOR THE YEARS ENDED JUNE 30,

	2023			2022		
		(Budgetary - Cash Basis)	Variance		(Budgetary - Cash Basis)	Variance
	Approved Budget	Actual Expenses	Favorable (Unfavorable)	Approved Budget	Actual Expenses	Favorable (Unfavorable)
Payroll	\$ 795,000	\$ 648,496	\$ 146,504	\$ 723,660	\$ 671,642	\$ 52,018
Retirement contribution	189,000	158,704	30,296	219,953	148,976	70,977
Medical insurance	80,000	75,051	4,949	79,503	63,107	16,396
Office equipment	29,500	57,209	(27,709)	18,900	18,592	308
Rent	65,000	55,946	9,054	59,000	57,720	1,280
Computer services	35,000	34,836	164	30,000	30,093	(93)
Vehicle repair and replacement	40,000	33,901	6,099	75,000	104,313	(29,313)
Tax stamps	49,900	28,915	20,985	49,900	43,478	6,422
Professional services	15,000	13,875	1,125	33,500	46,987	(13,487)
Automobile expense	10,000	9,153	847	10,000	6,312	3,688
Social Security	11,600	9,135	2,465	10,605	9,521	1,084
Bond and insurance	10,000	9,094	906	10,300	8,486	1,814
Training and development	5,000	7,538	(2,538)	4,500	4,330	170
Telephone	9,500	7,158	2,342	9,500	10,880	(1,380)
Retirement plan maintenance	6,000	5,359	641	10,000	6,582	3,418
Miscellaneous	5,000	4,851	149	1,500	3,960	(2,460)
Office supplies	5,000	4,167	833	4,500	4,939	(439)
Travel	5,250	3,945	1,305	5,250	-	5,250
Disability plan	4,000	3,529	471	3,975	3,010	965
Life insurance	2,700	2,434	266	1,713	1,777	(64)
Unemployment insurance	5,000	2,079	2,921	450	3,907	(3,457)
Printing	1,000	1,101	(101)	803	1,500	(697)
Office equipment maintenance	750	722	28	750	220	530
Postage	3,000	89	2,911	3,212	1,529	1,683
Bank fees	-	-	-	-	173	(173)
Total Expenses	<u>\$ 1,382,200</u>	<u>\$ 1,177,287</u>	<u>\$ 204,913</u>	<u>\$1,366,474</u>	<u>\$ 1,252,034</u>	<u>\$ 114,440</u>

Reconciliation of financial statements prepared under generally accepted accounting principles:

Total administration expenses - budgetary basis	\$ 1,177,287	\$ 1,252,034
Increase (decrease) in compensated absences	4,320	(55,308)
Depreciation expense not budgeted	43,749	32,500
Amortization expense not budgeted	78,292	92,809
Interest expense on lease not budgeted	42,739	43,737
Vehicle and equipment purchases	(77,400)	(120,485)
Rent expense reported as lease liability payments	(55,390)	(56,051)
Decrease in accounts payable and accrued expenses	(12,880)	(4,578)
Decrease (increase) in prepaid expense	6,862	(7,199)
Loss on disposal of assets	1,486	-
Total administration expenses under generally accepted accounting principles	<u>\$ 1,209,065</u>	<u>\$ 1,177,459</u>