TOWN OF DUMFRIES, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

TOWN OF DUMFRIES, VIRGINIA

PRINCIPAL OFFICIALS

TOWN COUNCIL AND EXECUTIVE OFFICERS

Mayor
Derrick R. Wood

Vice-Mayor
Monae S. Nickerson

Town Manager
Keith Rogers, Jr.

Town Treasurer
Kimberly Goodwin

Chief of Police
James McCarty

Town Clerk
Dawn Leander, MMC

COUNCIL MEMBERS

Tyrone Brown
Brian K. Fields
Selonia B. Miles
Cydny A. Neville
Shaun Peet

TOWN OF DUMFRIES, VIRGINIA

Financial Report
For the Year Ended June 30, 2020

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TOWN OF DUMFRIES, VIRGINIA

Financial Report
For the Year Ended June 30, 2020

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Town of Dumfries, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Dumfries, Virginia, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Dumfries, Virginia's basic financial statements. The supporting schedule and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2021 on our consideration of Town of Dumfries, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Dumfries, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Dumfries, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
February 1, 2021

Town of Dumfries
Management's Discussion and Analysis

The following discussion provides an overview and analysis of Town of Dumfries's (Town) financial activities for the fiscal year ended June 30, 2020. Please read this information in conjunction with the Town's audited financial statements as reported herein.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Dumfries, on a government-wide basis exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $7,316,355 (net position). Of that, $3,135,292 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.

- The total assets of the Town's governmental activities for fiscal year ended June 30, 2020 were $19,254,930

- For the year ended June 30, 2020, the Town of Dumfries's governmental activities reported a positive change in net position of $260,834.

- The Town's bonds had a net decrease by $44,000 due to debt repayment and refunding and the Town's compensated absences liabilities increased by $6,228.

- Net pension liability as of June 30, 2020 was $236,921 and there was a net pension liability at June 30, 2019 of $672,194 resulting in a net decrease in liability of $435,273.

- Net OPEB liabilities as of June 30, 2020 was $389,188 and there was a net OPEB Liabilities at June 30, 2019 of $296,000 resulting in a net increase in liability of $93,188.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

Government-wide financial statements (Continued)

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

Fund financial statements

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

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

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

Notes to the Financial Statements

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

Other information

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

Government-wide Financial Analysis

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

Statement of Net Position

As of June 30, 2020 and 2019

	Governmental Activities	
	2020	**2019**
Current and other assets	$ 6,172,087	$ 5,682,349
Capital assets	13,082,843	13,197,304
Total assets	$ 19,254,930	$ 18,879,653
Deferred outflows of resources	$ 440,883	$ 308,392
Total assets and deferred outflows	$ 19,695,813	$ 19,188,045
Current and other liabilities	$ 1,550,873	$ 1,012,183
Long-term liabilities	10,015,629	10,465,479
Total liabilities	$ 11,566,502	$ 11,477,662
Deferred inflows of resources	$ 812,956	$ 654,862
Net position:		
Net investment in capital assets	$ 4,181,063	$ 4,190,891
Unrestricted	3,135,292	2,864,630
Total net position	$ 7,316,355	$ 7,055,521
Total liabilities, deferred inflows, and net position	$ 19,695,813	$ 19,188,045

The net position for the Town totals $7,316,355 which is an increase of 260,834 (3.70%) over the previous fiscal year.

Government-wide Financial Analysis (Continued)

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

Statement of Activities
For the Year Ended June 30, 2020 and 2019

	Governmental Activities	
	2020	**2019**
Revenues:		
Program Revenues:		
Charges for services	$ 468,747	$ 622,078
Operating grants & contributions	816,562	443,866
Capital grants & contributions	-	22,991
General Revenues:		
Real estate taxes	961,660	882,778
Other local taxes	2,086,465	2,257,566
Miscellaneous	42,611	132,747
Unrestricted investment earnings	599,098	678,799
Grants and contributions not restricted to specific programs	270,178	241,373
Total revenues	$ 5,245,321	$ 5,282,198
Expenses:		
Administration	$ 1,346,969	$ 1,213,774
Public safety	1,142,384	1,338,540
Public works	1,462,804	1,221,731
Community development	422,311	319,004
Interest on long-term debt	610,019	367,473
Total expenses	$ 4,984,487	$ 4,460,522
Change in net position	$ 260,834	$ 821,676
Net position beginning of year	7,055,521	6,233,845
Net position end of year	$ 7,316,355	$ 7,055,521

Governmental Activities. For fiscal year 2020, the real estate tax rate was $0.19 per $100 of assessed value.

Financial Analysis of the Town's Funds

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

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

At the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of $4,166,114, a decrease of $154,312 in comparison with the prior year. Of this total amount, $3,430,294 or 82% constitutes the unassigned fund balance. The remaining $735,820 consists of the restricted, committed and assigned fund balances designated for various items.

The General Fund is the Town's primary operating fund. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $3,430,294.

General Fund Budgetary Highlights

There were no amendments to the General Fund budget during the year ended June 30, 2020.

Capital Assets and Debt Administration

Capital assets: The Town's investment in capital assets for its governmental activities totaled $13,082,843, net of accumulated depreciation. This is a decrease of $114,461 from the previous year. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment, and construction in progress. This increase is primarily due to increases of construction in progress related to roads projects and repayment of related long-term debt.

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

Long-term obligations: At the end of the current fiscal year, the Town had total outstanding long-term obligations of $10,015,629. The decrease of $449,850 from the prior year primarily represents the payment of debt service offset by a net decrease in the net pension liability. Debt service repayments during the year totaled $2,817,376. The liability balances for compensated absences decreased by $6,228, the net pension liability decreased $435,273 and net OPEB liabilities increased by $93,188.

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

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

Economic Factors

- Economic Vitality is one of the primary areas of focus for the Town of Dumfries. As a smaller locality, there is a finite amount of land available for new construction and, as a result, there continues to be a need to encourage redevelopment options within the Town limits. The Town currently has multiple major development projects underway that will increase the local housing stock and redevelop historically underutilized parcels. These projects will also bring additional commercial business to the Town.
- The Route 1 widening project continues to progress. Funding remains to be the controlling factor and that issue is being dealt with on several different levels. Once completed, the project will result in all lanes of Route 1 through the Town of Dumfries being located where the northbound only lanes currently run. That will allow the present southbound lanes to revert to a "Main Street" setting that will encourage development and redevelopment. The Town has engaged planning consultants that will conduct visioning exercises for how this new "Main Street" will look. This feedback will also inform updated to the Town Comprehensive Plan and Town Zoning Ordinance. These updated documents will work to encourage future economic development.

Requests for Information

This financial report is designed to provide a general overview of the Town's financial condition as of fiscal year ended June 30, 2020. Questions concerning this report or requests for additional information should be directed to the Treasurer, Town of Dumfries, 17739 Main Street, Suite 200 Dumfries, VA 22026.

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
June 30, 2020

		Primary Government Governmental Activities
ASSETS		
Cash and cash equivalents	$	4,890,303
Receivables (net of allowance for uncollectibles):		
Taxes receivable		549,222
Accounts receivable		109,695
Due from other governmental units		236,032
Prepaid items		398
Cash and cash equivalents		386,437
Capital assets (net of accumulated depreciation):		
Land		1,051,765
Buildings and improvements		5,183,752
Machinery and equipment		287,105
Infrastructure		6,057,526
Construction in progress		502,695
Total assets	$	19,254,930
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	$	250,129
OPEB related items		190,754
Total deferred outflows of resources	$	440,883
LIABILITIES		
Accounts payable	$	352,236
Accrued liabilities		92,772
Escrow and other deposits		155,558
Accrued interest payable		77,893
Unearned revenue		872,414
Long-term liabilities:		
Due within one year		413,666
Due in more than one year		9,601,963
Total liabilities	$	11,566,502
DEFERRED INFLOWS OF RESOURCES		
Pension related items	$	295,440
OPEB related items		50,412
Deferred revenue - property taxes		467,104
Total deferred inflows of resources	$	812,956
NET POSITION		
Net investment in capital assets	$	4,181,063
Unrestricted		3,135,292
Total net position	$	7,316,355

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

TOWN OF DUMFRIES, VIRGINIA

Exhibit 2

Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government Governmental Activities
PRIMARY GOVERNMENT:					
Governmental activities:					
General government administration	$ 1,346,969	$ 25,232	$ 5,750	$ -	$ (1,315,987)
Public safety	1,142,384	-	228,587	-	(913,797)
Public works	1,462,804	-	558,826	-	(903,978)
Community development	422,311	443,515	23,399	-	44,603
Interest on long-term debt	610,019	-	-	-	(610,019)
Total governmental activities	$ 4,984,487	$ 468,747	$ 816,562	$ -	$ (3,699,178)
General revenues:					
General property taxes					$ 961,660
Local sales and use taxes					389,411
Consumers' utility taxes					185,507
Business licenses					353,320
Restaurant food taxes					675,250
Transient occupancy taxes					159,484
Cigarette tax					180,595
Other local taxes					142,898
Unrestricted revenues from use of money and property					599,098
Miscellaneous					42,611
Grants and contributions not restricted to specific programs					270,178
Total general revenues					$ 3,960,012
Change in net position					$ 260,834
Net position - beginning					7,055,521
Net position - ending					$ 7,316,355

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

Fund Financial Statements

Balance Sheet
Governmental Funds
June 30, 2020

	General	Capital Projects	Total
ASSETS			
Cash and cash equivalents	$ 4,707,304	$ 182,999	$ 4,890,303
Receivables (net of allowance for uncollectibles):			
Taxes receivable	549,222	-	549,222
Accounts receivable	109,695	-	109,695
Due from other governmental units	74,117	161,915	236,032
Prepaid items	398	-	398
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	386,437	-	386,437
Total assets	$ 5,827,173	$ 344,914	$ 6,172,087
LIABILITIES			
Accounts payable	$ 352,236	$ -	$ 352,236
Accrued liabilities	92,772	-	92,772
Escrow and other deposits	155,558	-	155,558
Unearned revenue	872,414	-	872,414
Total liabilities	$ 1,472,980	$ -	$ 1,472,980
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	$ 532,993	$ -	$ 532,993
Total deferred inflows of resources	$ 532,993	$ -	$ 532,993
FUND BALANCES			
Nonspendable:			
Prepaid items	$ 398	$ -	$ 398
Restricted:			
Asset forfeiture	498	-	498
Courthouse maintenance funds	3,573	-	3,573
Debt reserve funds	386,437	-	386,437
Assigned:			
Capital projects	-	344,914	344,914
Unassigned:			
General fund	3,430,294	-	3,430,294
Total fund balances	$ 3,821,200	$ 344,914	$ 4,166,114
Total liabilities, deferred inflows of resources and fund balances	$ 5,827,173	$ 344,914	$ 6,172,087

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

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2020

Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		$ 4,166,114
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		13,082,843
Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds.		
Unavailable revenue - property taxes		65,889
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	$ 250,129	
OPEB related items	190,754	440,883
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expense when due.		(77,893)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	$ (9,101,000)	
Bond premium	(79,233)	
Capital lease	(108,188)	
Compensated absences	(101,099)	
Net pension liability	(236,921)	
Net OPEB liabilities	(389,188)	(10,015,629)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	$ (295,440)	
OPEB related items	(50,412)	(345,852)
Net position of governmental activities		$ 7,316,355

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General	Capital Projects	Total
REVENUES			
General property taxes	$ 931,169	$ -	$ 931,169
Other local taxes	2,086,465	-	2,086,465
Permits, privilege fees, and regulatory licenses	443,515	-	443,515
Fines and forfeitures	25,232	-	25,232
Revenue from the use of money and property	599,094	4	599,098
Miscellaneous	42,611	-	42,611
Intergovernmental:			
Commonwealth	833,117	161,915	995,032
Federal	91,708	-	91,708
Total revenues	$ 5,052,911	$ 161,919	$ 5,214,830
EXPENDITURES			
Current:			
General government administration	$ 1,306,869	$ -	$ 1,306,869
Public safety	1,141,688	-	1,141,688
Public works	1,123,045	-	1,123,045
Community development	398,165	-	398,165
Capital projects	215,206	425,460	640,666
Debt service:			
Principal retirement	214,776	-	214,776
Interest and other fiscal charges	662,333	-	662,333
Total expenditures	$ 5,062,082	$ 425,460	$ 5,487,542
Excess (deficiency) of revenues over (under) expenditures	$ (9,171)	$ (263,541)	$ (272,712)
OTHER FINANCING SOURCES (USES)			
Transfers in	$ -	$ 608,254	$ 608,254
Transfers out	(608,254)	-	(608,254)
Issuance of bonds	2,721,000	-	2,721,000
Payment to refund escrow agent	(2,602,600)		(2,602,600)
Total other financing sources (uses)	$ (489,854)	$ 608,254	$ 118,400
Net change in fund balances	$ (499,025)	$ 344,713	$ (154,312)
Fund balances - beginning	4,320,225	201	4,320,426
Fund balances - ending	$ 3,821,200	$ 344,914	$ 4,166,114

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

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
For the Year Ended June 30, 2020

			Governmental Funds
Amounts reported for governmental activities in the statement of activities are different because:			
Net change in fund balances - total governmental funds		$	(154,312)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation or vice versa in the current period.			
Capital outlay	$ 410,388		
Depreciation expense	(524,849)		(114,461)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Property taxes			30,491
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.			
Issuance of long term debt	$ (2,721,000)		
Payment to refund escrow agent	2,602,600		
Principal repayments	214,776		96,376
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.			
Change in compensated absences	$ 6,228		
Change in pension related items	362,244		
Change in OPEB related items	(18,046)		
Amortization of bond premium	5,161		
Change in interest payable	47,153		402,740
Change in net position of governmental activities		$	260,834

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile:

Town of Dumfries received its charter in 1749. The Town has a population of 5,922 and a land area of 1.63 square miles.

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

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

A. Financial Reporting Entity

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

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

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

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

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

A. Financial Reporting Entity: (Continued)

Budgetary Comparison Schedules: (Continued)

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

The following is a brief description of the specific funds used by the Town in FY 2020.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

D. Budgets and Budgetary Accounting

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

1. Budgets and Budgetary Accounting

    a. The Town Manager submits a proposed operating and capital budget to the Town Council prior to June 30 of each year. The budget includes proposed expenditures and the means of financing them.

    b. Public hearings are conducted to obtain citizen comments.

    c. Prior to June 30, the budget is legally enacted through Council vote.

    d. The Town Manager is authorized to transfer budgeted amounts between line items within a department without prior approval from the Town Council.

    e. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

2. Legally Adopted Budgets

    The general fund has a legally adopted annual budget.

E. Cash and Cash Equivalents

Cash and cash equivalents include all cash on hand and in banks, certificates of deposit, and highly liquid investments with original maturities of three months or less.

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

F. Investments

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

G. Property Taxes

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

H. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes for the General Fund was $11,401 at June 30, 2020.

I. Capital Assets

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

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

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

J. Compensated Absences and Other Employee Benefit Amounts

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

K. Long-term Obligations

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

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

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

K. Long-term Obligations: (Continued)

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

L. Fund Balance

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

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

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

M. Credit Risk

Concentrations of credit risk with respect to receivables are limited due to the large number of customers comprising the Town's customer base. As of June 30, 2020, the Town had no significant concentrations of credit risk.

N. Use of Estimates

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

O. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 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.

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

P. Net Position

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

Q. Net Position Flow Assumption

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

R. Pensions

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

S. Other Postemployment Benefits

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, LODA, VLDP and HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary 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 2—DEPOSITS AND INVESTMENTS:

Deposits:

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

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments:

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

Custodial Credit Risk (Investments):

The Town's investments at June 30, 2020 were held by the Town or in the Town's name by the Town's custodial banks.

Credit Risk of Debt Securities:

The Town does not have a policy related to credit risk of debt securities. The Town's rated debt investments as of June 30, 2020 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

Town's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Rating	
	AAAm	AA+F/S1
VML/VACO Virginia Investment Pool	$ -	$ 1,090,697
US Revenue Bonds	386,437	-
Total	$ 386,437	$ 1,090,697

Fair Value Measurements:

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

Redemption Restrictions:

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

NOTE 3—DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2020 the Town has receivables from other governments as follows:

	General Fund	Capital Projects Fund
Commonwealth of Virginia:		
Department of Environmental Quality	$ -	$ 161,915
Prince William County		
Sales tax	74,117	-
Totals	$ 74,117	$ 161,915

NOTE 4—CAPITAL ASSETS:

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

Governmental Activities:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated:				
Land	$ 1,051,765	$ -	$ -	$ 1,051,765
Construction in progress	749,570	-	246,875	502,695
Total capital assets not being depreciated	$ 1,801,335	$ -	$ 246,875	$ 1,554,460
Capital assets being depreciated:				
Buildings and improvements	$ 6,098,563	$ 297,776	$ -	$ 6,396,339
Machinery and equipment	1,342,375	40,858	-	1,383,233
Infrastructure	7,542,881	318,629	-	7,861,510
Total capital assets being depreciated	$ 14,983,819	$ 657,263	$ -	$ 15,641,082
Accumulated depreciation:				
Buildings and improvements	$ 1,024,314	$ 188,273	$ -	$ 1,212,587
Machinery and equipment	1,010,981	85,147	-	1,096,128
Infrastructure	1,552,555	251,429	-	1,803,984
Total accumulated depreciation	$ 3,587,850	$ 524,849	$ -	$ 4,112,699
Total capital assets being depreciated, net	$ 11,395,969	$ 132,414	$ -	$ 11,528,383
Governmental activities capital assets, net	$ 13,197,304	$ 132,414	$ 246,875	$ 13,082,843

Assets acquired under capital leases included in above:

	Cost	Depreciation Expense	Accumulated Depreciation
Machinery and equipment	$ 262,000	$ 33,877	$ 80,657
	$ 262,000	$ 33,877	$ 80,657

NOTE 4—CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	$ 172,783
Public Safety	150,944
Public Works	148,480
Community Development	52,642
Total	$ 524,849

NOTE 5—COMPENSATED ABSENCES:

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

Governmental Funds	$ 101,099

NOTE 6—LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term obligation transactions for the fiscal year ended June 30, 2020:

	Balance at July 1, 2019	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2020	Amounts Due Within One Year
Direct Borrowings and Direct Placements:					
General obligation bonds	$ 5,350,000	$ 2,721,000	$ 100,000	$ 7,971,000	$ 210,000
Revenue bonds	3,795,000	-	2,665,000	1,130,000	135,000
Other Liabilities:					
Premium on bonds	84,394	-	5,161	79,233	5,043
Capital lease	160,564	-	52,376	108,188	53,513
Net pension liability	672,194	709,923	1,145,196	236,921	-
Net OPEB liabilities	296,000	265,019	171,831	389,188	-
Compensated absences	107,327	6,321	12,549	101,099	10,110
Total Governmental Activities	$ 10,465,479	$ 3,702,263	$ 4,152,113	$ 10,015,629	$ 413,666

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Obligations:

	Amount Outstanding	Amounts Due Within One Year
Revenue Bonds:		
$1,615,000 Revenue Refunding Bonds, issued May 2010, maturing annually in installments ranging from $15,000 to $135,000 through October 1, 2026, interest ranging from 2.20% to 5.20% payable semiannually (1)	$ 830,000	$ 105,000
$485,000 Revenue Refunding Bonds, issued July 2012, maturing annually in installments ranging from $5,000 to $45,000 through October 1, 2027, interest ranging from 2.125% to 5.125% payable semiannually (1)	300,000	30,000
Total revenue bonds	$ 1,130,000	$ 135,000
General Obligation Bonds:		
$1,850,000 General Refunding Bond, issued May 2020, maturing annually in installments ranging from $99,000 to $167,000 through Feb 1, 2041 interest at 2.80% payable semiannually (1)	$ 2,721,000	$ 105,000
$1,850,000 General Obligation Public Improvement Bond, issued April 2018, maturing annually in installments ranging from $30,000 to $100,000 through April 1, 2048 interest ranging from 3.625% to 5.125% payable semiannually (1)	1,785,000	35,000
$3,610,000 General Obligation Public Improvement Bond, issued April 2018, maturing annually in installments ranging from $70,000 to $205,000 through April 1, 2048, interest ranging from 2.300% to 4.190% payable semiannually (1)	3,465,000	70,000
Total general obligation bonds	$ 7,971,000	$ 210,000
Premium on bonds	$ 79,233	$ 5,043
Capital Lease:		
$262,000 capital lease obligation, issued June 2017, due in semi-annual installments of $27,781 through June 15, 2022, interest payable at 2.16%, secured by vehicles.	$ 108,188	$ 53,513
Net pension liability	$ 236,921	$ -
Net OPEB liabilities	$ 389,188	$ -
Compensated absences	$ 101,099	$ 10,110
Total Governmental Activities	$ 10,015,629	$ 413,666

(1) Represents direct borrowings and direct placements

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

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

	Direct Borrowings and Direct Placement General Obligation and Revenue Bonds		Capital Lease	
Year	**Principal**	**Interest**	**Principal**	**Interest**
2021	$ 345,000	$ 322,405	$ 53,513	$ 2,049
2022	349,000	320,012	54,675	888
2023	363,000	306,555	-	-
2024	382,000	291,962	-	-
2025	386,000	276,744	-	-
2026	415,000	260,790	-	-
2027	419,000	244,162	-	-
2028	297,000	230,488	-	-
2029	266,000	220,403	-	-
2030	269,000	210,923	-	-
2031	281,000	201,084	-	-
2032	289,000	191,290	-	-
2033	306,000	181,357	-	-
2034	313,000	170,855	-	-
2035	325,000	160,047	-	-
2036	336,000	148,523	-	-
2037	347,000	136,675	-	-
2038	362,000	124,368	-	-
2039	372,000	111,494	-	-
2040	382,000	98,399	-	-
2041	397,000	84,958	-	-
2042	240,000	70,967	-	-
2043	250,000	61,251	-	-
2044	260,000	51,146	-	-
2045	270,000	40,596	-	-
2046	280,000	29,600	-	-
2047	295,000	18,108	-	-
2048	305,000	6,103	-	-
	$ 9,101,000	$ 4,571,265	$ 108,188	$ 2,937

NOTE 7—PENSION PLAN

Plan Description

All full-time, salaried permanent employees of the Town and (nonprofessional) employees of public school divisions 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 hired 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 hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of 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 hired 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.

NOTE 7—PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	33
Inactive members:	
Vested inactive members	10
Non-vested inactive members	19
Inactive members active elsewhere in VRS	19
Total inactive members	48
Active members	24
Total covered employees	105

NOTE 7—PENSION PLAN: (CONTINUED)

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2020 was 13.25% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 $188,877 and $189,784 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Town's net pension liabilities were measured as of June 30, 2019. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019.

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, 2018, 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, 2019.

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 market 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.

NOTE 7—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees: (Continued)

Mortality rates:

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

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

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

NOTE 7—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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*

* Administrative expenses as a percent of the market 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, 2018 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:

NOTE 7—PENSION PLAN: (CONTINUED)

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

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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%

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

NOTE 7—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return: (Continued)

* The above allocation provides a one-year return of 7.63%. 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%. 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,

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, 2019, 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, 2019 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	$ 5,428,660	$ 4,756,466	$ 672,194
Changes for the year:			
Service cost	$ 203,408	$ -	$ 203,408
Interest	369,045	-	369,045
Differences between expected and actual experience	(558,057)	-	(558,057)
Assumption changes	134,170	-	134,170
Contributions - employer	-	196,608	(196,608)
Contributions - employee	-	72,842	(72,842)
Net investment income	-	317,689	(317,689)
Benefit payments, including refunds	(313,191)	(313,191)	-
Administrative expenses	-	(3,099)	3,099
Other changes	-	(201)	201
Net changes	$ (164,625)	$ 270,648	$ (435,273)
Balances at June 30, 2019	$ 5,264,035	$ 5,027,114	$ 236,921

NOTE 7—PENSION PLAN: (CONTINUED)

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

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

	Rate		
	1% Decrease (5.75)	Current Discount (6.75%)	1% Increase (7.75%)
Town Net Pension Liability (Asset)	$ 843,107	$ 236,921	$ (246,097)

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

For the year ended June 30, 2020, the Town recognized pension expense of ($166,543). At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 254,765
Change in assumptions	61,252	-
Net difference between projected and actual earnings on pension plan investments	-	40,675
Employer contributions subsequent to the measurement date	188,877	-
Total	$ 250,129	$ 295,440

$188,877 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. 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:

Year Ended June 30	
2021	$ (192,833)
2022	(43,165)
2023	(912)
2024	2,722
2025	-
Thereafter	-

NOTE 7—PENSION PLAN: (CONTINUED)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2019-annual-report.pdfor by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, 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 $8,463 as of June 30, 2020.

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

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% 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, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 $7,622 and $7,600 for the years ended June 30, 2020 and June 30, 2019, 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, 2020, the entity reported a liability of $121,394 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 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, 2018, and rolled forward to the measurement date of June 30, 2019 as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was .00746% as compared to .00729% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of $3,947. 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.

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

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

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 8,073	$ 1,573
Net difference between projected and actual earnings on GLI OPEB plan investments	-	2,494
Change in assumptions	7,664	3,661
Changes in proportion	25,064	15,506
Employer contributions subsequent to the measurement date	7,622	-
Total	$ 48,423	$ 23,234

$7,622 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, 2021. 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:

Year Ended June 30	
2021	$ 1,571
2022	1,571
2023	2,627
2024	6,061
2025	4,904
Thereafter	833

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be retained in the VRS CAFR.

Inflation	2.5%
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 market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

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

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

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

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

The actuarial assumptions used in the June 30, 2018 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:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 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:

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

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

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the Plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	$	3,390,238
Plan Fiduciary Net Position		1,762,972
Employers' Net GLI OPEB Liability (Asset)	$	1,627,266
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.00%

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.

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strateg	6.00%	3.52%	0.21%
PIP - Private Investment Partner:	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

*The above allocation provides a one-year return of 7.63%. 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%. 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.

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, 2019, 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, 2019 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.

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

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

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

		Rate	
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 159,478	$ 121,394	$ 90,509

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	7
Active members	24
Total covered employees	31

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 County/City/Town/ABC's contractually required employer contribution rate for the year ended June 30, 2020 was .11% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 $1,612 and $1,608 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

Net HIC OPEB Liability

The Town's net HIC OPEB liability was measured as of June 30, 2019. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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 market 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.

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

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

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

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

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investement Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

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

Long-Term Expected Rate of Return: (Continued)

*The above allocation provides a one-year return of 7.63%. 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%. 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.

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, 2019, 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, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability (Asset)

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2018	$ 25,156	$ 28,546	$ (3,390)
Changes for the year:			
Service cost	$ 1,880	$ -	$ 1,880
Interest	1,646	-	1,646
Differences between expected and actual experience	4,420	-	4,420
Assumption changes	641	-	641
Contributions - employer	-	1,665	(1,665)
Net investment income	-	1,793	(1,793)
Benefit payments	(3,270)	(3,270)	-
Administrative expenses	-	(38)	38
Other changes	-	(2)	2
Net changes	$ 5,317	$ 148	$ 5,169
Balances at June 30, 2019	$ 30,473	$ 28,694	$ 1,779

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

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town's Net HIC OPEB Liability (Asset)	$ 4,602	$ 1,779	$ (654)

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, 2020, the Town recognized HIC Plan OPEB expense of $1,396. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to the Town's HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,707	$ 2,962
Net difference between projected and actual earnings on HIC OPEB plan investments	-	416
Change in assumptions	538	227
Employer contributions subsequent to the measurement date	1,612	-
Total	$ 5,857	$ 3,605

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

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

$1,612 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, 2021. 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		
2020	$	(230)
2021		(230)
2022		16
2023		103
2024		816
Thereafter		165

HIC Plan Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

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

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

Eligible Employees

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

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, 2020 was 0.72% of covered employee compensation for employees in the VRS Political Subdivision VDLP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 VDLP were $3,401 and $2,061 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

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

At June 30, 2020, the Town reported a liability of $1,877 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2019 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of June 20, 2018 and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Town's proportion of the VLDP was .09263% as compared to .09541% at June 30, 2018.

For the year ended June 30, 2020, the Town recognized VLDP OPEB expense of $2,202. 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, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 941	$ 58
Net difference between projected and actual earnings on VLDP OPEB plan investments	6	-
Change in assumptions	54	72
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	22
Employer contributions subsequent to the measurement date	3,401	-
Total	$ 4,402	$ 152

$3,401 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will be recognized in the VLDP OPEB expense in the future reporting periods as follows:

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

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

Year Ended June 30		
2021	$	177
2022		176
2023		175
2024		177
2025		167
Thereafter		(23)

Actuarial Assumptions

The total VLDP OPEB liability for the VLDP was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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

*Administrative expenses as a percent of the market 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.

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

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Net VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision VLDP represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Political Subdivision VLDP is as follows (amounts expressed in thousands):

		Political Subdivision Employee VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	$	3,989
Plan Fiduciary Net Position		1,962
Political Subdivision net VLDP OPEB Liability (Asset)	$	2,027
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability		49.19%

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

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strateg	6.00%	3.52%	0.21%
PIP - Private Investment Partner	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

*The above allocation provides a one-year return of 7.63%. 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%. 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.

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, 2019, 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, 2019 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.

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

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town's proportionate share of the Net VLDP OPEB Liability	$ 2,158	$ 1,877	$ 1,630

Political Subdivision VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision VLDP's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/ Publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

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

Eligible Employees

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

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

Benefit Amounts

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

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

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2020 was $705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were $7,763 and $10,000 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the entity reported a liability of $264,138 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2019 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward to the measurement date of June 30, 2019. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2019, the entity's proportion was .07362% as compared to .05860% at June 30, 2018.

For the year ended June 30, 2020, the entity recognized LODA OPEB expense of $32,132. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

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

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

At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 38,392	$ -
Net difference between projected and actual earnings on LODA OPEB program investments	-	523
Change in assumptions	12,394	22,898
Change in proportion	73,523	-
Employer contributions subsequent to the measurement date	7,763	-
Total	$ 132,072	$ 23,421

$7,763 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year Ended June 30	
2021	$ 13,686
2022	13,687
2023	13,768
2024	13,854
2025	13,880
Thereafter	32,013

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

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Locality employees	N/A
Medical cost trend rates assumption:	
Under age 65	7.25%-4.75%
Ages 65 and older	5.50%-4.75%
Year of ultimate trend rate	
Post-65	Fiscal year ended 2023
Pre-65	Fiscal year ended 2028
Investment rate of return	3.50%, including inflation*

*Administrative expenses as a percent of the market 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 3.50%. However, since the difference was minimal, a more conservative 3.50% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return.

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

Actuarial Assumptions: (Continued)

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

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

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net LODA OPEB Liability

The net OPEB liability (NOL) for the LODA Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

	LODA Program
Total LODA OPEB Liability	$ 361,626
Plan Fiduciary Net Position	2,839
Employers' Net OPEB Liability (Asset)	$ 358,787
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.79%

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

Net LODA OPEB Liability

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.50% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2019.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.50%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

	Discount Rate		
	1% Decrease (2.50%)	Current (3.50%)	1% Increase (4.50%)
Town's proportionate share of the LODA Net OPEB Liability	$ 306,419	$ 264,138	$ 230,697

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

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

Because the LODA Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.75% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 3.75%) or one percentage point higher (8.75% decreasing to 5.75%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.75% decreasing to 3.75%)	Current (7.75% decreasing to 4.75%)	1% Increase (8.75% decreasing to 5.75%)
Town's proportionate share of the total LODA Net OPEB Liability	$ 223,326	$ 264,138	$ 315,607

LODA OPEB Plan Fiduciary Net Position

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

	Net OPEB Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
LODA	$ 264,138	$ 132,072	$ 23,421	$ 32,132
Group Life	121,394	48,423	23,234	3,947
HIC	1,779	5,857	3,605	1,396
VLDP	1,877	4,402	152	2,202
Total	$ 389,188	$ 190,754	$ 50,412	$ 39,677

NOTE 13—DEFERRED/UNAVAILABLE/UNEARNED REVENUE:

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

	Unearned Revenue
	Statement of Net Position
Grant revenue received in advance	$ 482,604
Coronavirus relief funds (CRF)	367,470
Other	22,340
Total unearned revenue	$ 872,414

	Deferred/Unavailable Revenue	
	Balance Sheet	Statement of Net Position
	Governmental Funds	Governmental Activities
2nd half assessments representing uncollected property tax which has not been billed but for which an enforceable lien is in effect.	$ 463,432	$ 463,432
Prepaid property tax revenues representing collections for property taxes that are applicable to the subsequent budget year.	3,672	3,672
Unavailable revenue representing uncollected property tax billings for which revenue recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	65,889	-
Total deferred/unavailable revenue	$ 532,993	$ 467,104

NOTE 14—FIDELITY BOND:

Fidelity bond coverage with Virginia Municipal League during the fiscal year 2020 was as follows:

	Coverage
Fidelity and Crime	$ 20,000

NOTE 15—COMMITMENTS AND CONTINGENCIES:

State and Federal Programs

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

Construction Commitments

At June 30, 2020, the Town has no outstanding construction contracts and commitments

NOTE 16—LITIGATION:

At June 30, 2020, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

NOTE 17—TOWN HALL MUNCIPAL BUILDING:

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

NOTE 18—COVID-19 PANDEMIC SUBSEQUENT EVENT NOTE:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the "COVID-19 outbreak"). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. Town of Dumfries, Virginia is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

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. Among the CARES Act key provisions was $339.8 billion designated for programs for state and local government, which included $150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID-19 pandemic.

The Commonwealth of Virginia received approximately $3.1 billion from the CRF, of which $1.3 billion was allocated for localities with fewer than 500,000 people. Localities with populations greater than 500,000 could apply to receive funds directly. All other CRF funds were distributed to the states to determine the allocations to localities.

On May 12, 2020, the first round of the allocations to local governments was authorized by the Commonwealth. On June 1, 2020, each locality received its share of the first half, or fifty (50) percent, of the locally based allocations. Unspent funds at June 30 from the initial allocation are reported as unearned revenue. Like the first round, the second round of allocations was based on population and was for the same total amount distributed in the first round. Town of Dumfries, Virginia, received the second round of CRF funds in the amount of $451,384 after June 30, 2020.

The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. CRF funds are considered one-time funds and should not be used for ongoing services or base operations. As a condition of receiving CRF funds, any funds unexpended as of December 30, 2021 will be returned to the federal government.

Required Supplementary Information

Note to Required Supplementary Information:

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

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended June 30, 2020

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
General property taxes	$ 869,386	$ 869,386	$ 931,169	$ 61,783
Other local taxes	2,223,128	2,223,128	2,086,465	(136,663)
Permits, privilege fees, and regulatory licenses	440,000	440,000	443,515	3,515
Fines and forfeitures	85,000	85,000	25,232	(59,768)
Revenue from the use of money and property	516,972	516,972	599,094	82,122
Miscellaneous	8,300	8,300	42,611	34,311
Intergovernmental:				
Commonwealth	761,128	761,128	833,117	71,989
Federal	10,000	81,000	91,708	10,708
Total revenues	$ 4,913,914	$ 4,984,914	$ 5,052,911	$ 67,997
Expenditures:				
General government administration:				
Legislative:				
Governing body	$ 94,432	$ 94,432	$ 83,089	$ 11,343
General and financial administration:				
Administration	$ 1,222,569	$ 1,273,569	$ 1,126,740	$ 146,829
Information technology	138,643	138,643	97,040	41,603
Total general and financial administration	$ 1,361,212	$ 1,412,212	$ 1,223,780	$ 188,432
Total general government administration	$ 1,455,644	$ 1,506,644	$ 1,306,869	$ 199,775
Public safety:				
Law enforcement and traffic control:				
Police	$ 1,388,647	$ 1,388,647	$ 1,141,688	$ 246,959
Public works:				
Maintenance of general buildings and grounds	$ -	$ -	$ 231,716	$ (231,716)
Facilities and other public works	834,461	834,461	793,690	40,771
Stormwater management	149,621	149,621	97,639	51,982
Total public works	$ 984,082	$ 984,082	$ 1,123,045	$ (138,963)
Community development:				
Planning and community development:				
Community development	$ 422,755	$ 422,755	$ 395,056	$ 27,699
Community services	-	-	559	(559)
Boards and commissions	9,500	9,500	2,550	6,950
Total community development	$ 432,255	$ 432,255	$ 398,165	$ 34,090
Capital projects	$ -	$ -	$ 215,206	$ (215,206)
Debt service:				
Principal retirement	$ 214,776	$ 214,776	$ 214,776	$ -
Interest and other fiscal charges	438,510	438,510	662,333	(223,823)
Total debt service	$ 653,286	$ 653,286	$ 877,109	$ (223,823)
Total expenditures	$ 4,913,914	$ 4,964,914	$ 5,062,082	$ (97,168)
Excess (deficiency) of revenues over (under) expenditures	$ -	$ 20,000	$ (9,171)	$ (29,171)
Other financing sources (uses):				
Transfers out	$ -	$ -	$ (608,254)	$ (608,254)
Issuance of bonds	-	-	2,721,000	2,721,000
Payment to refund escrow agent	-	-	(2,602,600)	(2,602,600)
Total other financing sources (uses)	$ -	$ -	$ (489,854)	$ (489,854)
Net change in fund balance	$ -	$ 20,000	$ (499,025)	$ (519,025)
Fund balances at beginning of year	-	(20,000)	4,320,225	4,340,225
Fund balances at end of year	$ -	$ -	$ 3,821,200	$ 3,821,200

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2019

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

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

Schedule of Employer Contributions - Pension Plan
For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	$ 188,877	$ 188,877	$ -	$ 1,465,786	13%
2019	189,784	189,784	-	1,461,581	13%
2018	177,737	177,737	-	1,386,322	13%
2017	126,700	126,700	-	974,616	13%
2016	204,790	204,790	-	1,238,898	17%
2015	187,584	187,584	-	1,134,812	17%
2014	218,931	218,931	-	1,146,836	19%
2013	208,600	208,600	-	1,092,717	19%
2012	153,746	153,746	-	1,127,998	14%
2011	165,916	165,916	-	1,217,288	14%

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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

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

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

Schedule of Employer's Share of Net OPEB Liability
Line of Duty Act (LODA) Program
For the Measurement Dates of June 30, 2017 through June 30, 2019

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

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

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

Schedule of Employer Contributions
Line of Duty Act (LODA) Program
For the Years Ended June 30, 2017 through June 30, 2020

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

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

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

Notes to Required Supplementary Information
Line of Duty Act (LODA) Program
For the Year Ended June 30, 2020

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, 2018 valuation were based on results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2019

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

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

Schedule of Employer Contributions
Group Life Insurance GLI (Plan)
For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	$ 7,622	$ 7,622	$ -	$ 1,465,786	0.52%
2019	7,600	7,600	-	1,461,581	0.52%
2018	7,209	7,209	-	1,386,321	0.52%
2017	5,068	5,068	-	974,616	0.52%
2016	5,947	5,947	-	1,238,898	0.48%
2015	5,447	5,447	-	1,134,812	0.48%
2014	5,505	5,505	-	1,146,836	0.48%
2013	5,245	5,245	-	1,092,717	0.48%
2012	3,158	3,158	-	1,127,998	0.28%
2011	3,408	3,408	-	1,217,288	0.28%

Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2020

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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2019

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

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

Schedule of Employer Contributions
Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	$ 1,612	$ 1,612	$ -	$ 1,465,786	0.11%
2019	1,608	1,608	-	1,461,581	0.11%
2018	1,525	1,525	-	1,386,321	0.11%
2017	1,072	1,072	-	974,616	0.11%
2016	1,239	1,239	-	1,238,898	0.10%
2015	1,135	1,135	-	1,134,812	0.10%
2014	1,376	1,376	-	1,146,836	0.12%
2013	1,318	1,318	-	1,092,717	0.12%
2012	1,692	1,692	-	1,127,998	0.15%
2011	1,826	1,826	-	1,217,288	0.15%

Notes to Required Supplementary Information
Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2020

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, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 though June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60%.00 to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Employer's Share of Net OPEB Liability
Virginia Local Disability Program (VLDP)
For the Measurement Dates of June 30, 2017 through June 30, 2019

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

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

Schedule of Employer Contributions
Virginia Local Disability Program (VLDP)
For the Years Ended June 30, 2015 through June 30, 2020

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

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

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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 thorugh June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Supporting Schedule

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 839,810	$ 839,810	$ 898,920	$ 59,110
Real and personal public service corporation taxes	20,776	20,776	26,629	5,853
Penalties	8,000	8,000	5,496	(2,504)
Interest	800	800	124	(676)
Total general property taxes	$ 869,386	$ 869,386	$ 931,169	$ 61,783
Other local taxes:				
Local sales and use taxes	$ 395,000	$ 395,000	$ 389,411	$ (5,589)
Consumers' utility taxes	176,000	176,000	185,507	9,507
Business license taxes	371,447	371,447	353,320	(18,127)
Motor vehicle licenses	60,000	60,000	38,589	(21,411)
Franchise license taxes	78,000	78,000	75,732	(2,268)
Bank stock taxes	47,526	47,526	-	(47,526)
Transient occupancy taxes	180,700	180,700	159,484	(21,216)
Cigarette tax	180,000	180,000	180,595	595
Meals taxes	695,000	695,000	675,250	(19,750)
Other	39,455	39,455	28,577	(10,878)
Total other local taxes	$ 2,223,128	$ 2,223,128	$ 2,086,465	$ (136,663)
Permits, privilege fees, and regulatory licenses:				
Building and related permits	$ 80,000	$ 80,000	$ 220,525	$ 140,525
Stormwater management fees	149,000	149,000	134,913	(14,087)
Landfill host fees	195,000	195,000	88,077	(106,923)
Other permits and licenses	16,000	16,000	-	(16,000)
Total permits, privilege fees, and regulatory licenses	$ 440,000	$ 440,000	$ 443,515	$ 3,515
Fines and forfeitures:				
Court and other fines and forfietures	$ 85,000	$ 85,000	$ 25,232	$ (59,768)
Revenue from use of money and property:				
Revenue from use of money	$ 6,000	$ 6,000	$ 51,706	$ 45,706
Revenue from use of property	510,972	510,972	547,388	36,416
Total revenue from use of money and property	$ 516,972	$ 516,972	$ 599,094	$ 82,122
Miscellaneous:				
VML risk management grant	$ 2,000	$ 2,000	$ -	$ (2,000)
Blighted properties	-	-	1,606	1,606
Miscellaneous	6,300	6,300	41,005	34,705
Total miscellaneous	$ 8,300	$ 8,300	$ 42,611	$ 34,311
Total revenue from local sources	$ 4,142,786	$ 4,142,786	$ 4,128,086	$ (14,700)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	$ 84,000	$ 84,000	$ 102,816	$ 18,816
Rolling stock tax	61	61	73	12
Telecommunications sales tax	183,000	183,000	167,289	(15,711)
Total noncategorical aid	$ 267,061	$ 267,061	$ 270,178	$ 3,117
Categorical aid:				
Street and highway maintenance	$ 275,739	$ 275,739	$ 380,808	$ 105,069
Litter control	2,792	2,792	-	(2,792)
State fire funds	19,000	19,000	18,069	(931)
Public safety grants	153,601	153,601	151,753	(1,848)
VHDA community impact grant	40,000	40,000	10,000	(30,000)
DEQ Grants	2,935	2,935	2,309	(626)
Total other categorical aid	$ 494,067	$ 494,067	$ 562,939	$ 68,872
Total categorical aid	$ 494,067	$ 494,067	$ 562,939	$ 68,872
Total revenue from the Commonwealth	$ 761,128	$ 761,128	$ 833,117	$ 71,989
Revenue from the federal government:				
Noncategorical aid:				
Coronavirus relief fund (CRF)	$ -	$ 71,000	$ 77,914	$ 6,914
Total noncategorical aid	$ -	$ 71,000	$ 77,914	$ 6,914
Categorical aid:				
DMV grants	$ 10,000	$ 10,000	$ 13,794	$ 3,794
Total categorical aid	$ 10,000	$ 10,000	$ 13,794	$ 3,794
Total revenue from the federal government	$ 10,000	$ 81,000	$ 91,708	$ 10,708
Total General Fund	$ 4,913,914	$ 4,984,914	$ 5,052,911	$ 67,997
Capital Projects Fund:				
Revenue from use of money and property:				
Revenue from the use of money	$ -	$ -	$ 4	$ 4
Total revenue from use of money and property	$ -	$ -	$ 4	$ 4
Revenue from the Commonwealth:				
Categorical aid:				
SLAF - Quantico Creek Restoration	$ -	$ -	$ 161,915	$ 161,915
Total noncategorical aid	$ -	$ -	$ 161,915	$ 161,915
Total revenue from the Commonwealth	$ -	$ -	$ 161,919	$ 161,919
Total Capital Projects Funds	$ -	$ -	$ 161,919	$ 161,919
Total Governmental Funds	$ 4,913,914	$ 4,984,914	$ 5,214,830	$ 229,916

Statistical Information

TOWN OF DUMFRIES, VIRGINIA **Table 1**

General Fund Expenditures by Function
Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Government Administration	Public Safety	Public Works	Community Development	Non-Departmental	Debt Service	Capital Outlays	Total
2020	$ 1,306,869	$ 1,141,688	$ 1,123,045	$ 398,165	$ -	$ 877,109	$ 215,206	$ 5,062,082
2019	1,179,368	1,258,438	1,174,072	305,150		745,966	454,461	5,117,455
2018	1,133,917	1,547,818	1,177,787	218,306	-	546,928	5,793,908	10,418,664
2017	1,157,458	1,000,511	1,417,674	183,444	-	383,893	348,049	5,167,764
2016	1,058,433	1,159,248	1,283,106	258,288	-	388,108	1,020,581	4,353,347
2015	1,027,429	1,034,409	1,387,421	304,127	-	388,609	211,352	3,867,778
2014	1,298,958	1,135,714	911,123	125,704	8,150	388,129	-	3,758,443
2013	814,069	1,277,980	1,203,515	170,583	80,607	211,689	-	3,849,728
2012	989,472	1,201,994	1,214,505	114,253	137,803	105,000	86,701	3,772,567
2011	1,122,360	1,157,029	1,141,320	48,416	112,093	105,000	86,349	3,819,154

General Fund Revenue by Source
Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Property Taxes	Other Local Taxes	Licenses Permits, and Privilege Fees	Fines and Penalties	Use of Money and Property	Miscel-laneous	Inter-Govern-mental	Total
2020	$ 931,169	$ 2,086,465	$ 443,515	$ 25,232	$ 599,094	$ 42,611	$ 924,825	$ 5,052,911
2019	868,244	2,257,866	542,743	79,335	678,495	132,747	708,230	5,267,660
2018	843,439	2,264,138	322,266	95,116	41,332	12,604	931,653	4,510,548
2017	816,258	2,254,710	307,373	32,012	26,323	81,217	1,216,221	4,734,114
2016	785,006	2,076,084	198,635	74,223	39,264	73,194	1,144,938	4,391,344
2015	906,071	2,082,798	195,261	118,058	26,775	15,265	2,057,401	5,401,629
2014	1,066,225	1,934,150	709,415	62,117	31,412	21,367	622,864	4,447,550
2013	1,006,758	2,656,046	258,267	102,690	28,631	20,788	578,385	4,651,565
2012	1,009,185	2,244,838	234,215	80,063	32,630	38,303	504,934	4,144,168
2011	1,039,493	2,126,602	253,549	51,181	34,159	10,677	463,308	3,978,969

TOWN OF DUMFRIES, VIRGINIA **Table 3**

Real Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Total Tax Levy [1]	Total Tax Collections [2]	Percent of Levy Collected	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2020	$ 910,981	$ 925,549	101.60%	$ 97,191	10.67%
2019	858,496	861,676	100.37%	63,325	7.38%
2018	823,413	834,352	101.33%	40,601	4.93%
2017	771,530	806,502	104.53%	45,638	5.92%
2016	761,100	775,967	101.95%	59,775	7.85%
2015	901,736	893,814	99.12%	65,258	7.24%
2014	954,205	962,884	100.91%	83,233	8.72%
2013	1,063,060	1,006,758	94.70%	88,366	8.31%
2012	1,033,885	1,009,185	97.61%	78,083	7.55%
2011	1,011,245	1,039,493	102.79%	67,923	6.72%

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

[2] Penalties and interest not included.

TOWN OF DUMFRIES, VIRGINIA **Table 4**

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year		Real Estate
2020	$	482,929,105
2019		451,840,205
2018		433,375,267
2017		406,068,190
2016		404,117,855
2015		388,811,330
2014		359,345,592
2013		339,310,600
2012		310,196,400
2011		284,878,800

Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	Real Estate
2020	$.1899/$100
2019	$.1899/$100
2018	$.1899/$100
2017	$.1899/$100
2016	$.1899/$100
2015	$.2333/$100
2014	$.2733/$100
2013	$.3133/$100
2012	$.3333/$100
2011	$.3533/$100

Legal Debt Margin
June 30, 2020

Total assessed value of taxed real property	$	482,929,105
Debt limit - 10% of total assessed value	$	48,292,911
Less: Amount of debt applicable to debt limit - gross debt		9,101,000
Legal debt margin	$	39,191,911

Miscellaneous Statistics
Last Ten Fiscal Years

Fiscal Year	Population
2020	5,922
2019	5,234
2018	5,230
2017	5,186
2016	5,217
2015	4,961
2014	5,207
2013	5,207
2012	4,937
2011	4,937

Compliance

Robinson, Farmer, Cox Associates, PLLC
Certified Public Accountants
CPAs | Consultants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of Town of Dumfries, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Town of Dumfries, Virginia's basic financial statements, and have issued our report thereon dated February 1, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as item number 2020-002, that we consider to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Dumfries, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item number 2020-001.

Town of Dumfries, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
February 1, 2021

Schedule of Findings and Responses
Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

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

Section II - Financial Statement Findings

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

Criteria:

Sections 33.2-319 and 33.2-366 of the Code of Virginia requires an annual categorical report accounting for all expenditures of highway maintenance funds. Such reporting is done via the Weldon-Cooper Center Local Finance Survey and is due on March 15th each year.

Condition:

The Town did not submit an accurate annual Weldon-Cooper Center survey in fiscal year 2020 for the year ended June 30, 2019 and a reconciliation of revenues (total allocation) and expenditures per the Weldon Cooper Center Local Finance Survey to the locality's general ledger was not completed.

Cause:

The Town's internal controls in place to prepare and reconcile the Weldon-Cooper Center Local Finance Survey were not adequate for the Survey due in fiscal year 2020 for the year ended June 30, 2019.

Effect:

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

Recommendation:

It is recommended that the Town strengthen internal controls to accurately and timely report highway maintenance expenditures on the Weldon-Cooper Center Local Finance Survey and reconcile the Survey to the automated accounting system.

Management's Response:

The inaccuracies in the report provided are a result of poor historical record keeping for capital projects as far back as 2016. Going forward Public Works and Finance will confer with internal audit prior to submitting the Weldon Cooper report.

Section II - Financial Statement Findings: (Continued)

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

Criteria:

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

Condition:

The financial statements required material adjustments to ensure such statements complied with Generally Accepted Accounting Principles (GAAP). Material audit adjustments were proposed to several accounts and financial statement groups including, Investments, Taxes Receivable, Deferred Inflows of Resources-Property Taxes, Bonds, Accounts Payable, Due from OtherGgovernments and Municipal Complex Activity to be in accordance with Generally Accepted Accounting Principles.

Cause:

The Town's internal controls in place to capture and record all necessary balances in the automated accounting system were not adequate for the year end June 30, 2020.

Effect:

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

Recommendation:

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

Management's Response:

Management concurs with this recommendation. Changes in Finance staff occurred during FY20; the new Director of Finance/Treasurer has been working to transition from manual processes to fully utilizing system software and ensuring proper segregation of duties.

Section III - Prior Audit Findings

2019-001: Reporting and Reconciliation of Weldon Cooper Survey (Material Weakness and Noncompliance Material to Financial Statements)

Finding 2019-001 was recuring in fiscal year 2020 as 2020-001.