



TOWN OF NEW MARKET, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2021

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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**INDEPENDENT AUDITORS' REPORT**

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**TO THE HONORABLE MEMBERS OF  
THE TOWN COUNCIL  
TOWN OF NEW MARKET, VIRGINIA**

**Report on the Financial Statements**

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

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

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

***Auditors' Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of New Market, Virginia, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-12, 58 and 59-65 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of New Market, Virginia's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2021, on our consideration of Town of New Market, 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 New Market, 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 New Market, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
November 26, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Town of New Market's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2021. The MD&A also includes a comparative analysis for the prior fiscal year ended June 30, 2020.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$13,356,649.
- The change in net position reflects a decrease of \$17,307 as a result of this year's operations. The net position of the governmental type activities decreased by \$158,504 and the net position of the business-type activities increased by \$141,197.
- In the Town's governmental activities, operating revenues increased by \$145,923 and operating expenses increased \$223,545 from the previous fiscal year.
- In the Town's business-type activities, operating revenues increased \$31,970 and operating expenses increased \$183,737.
- Non-operating revenues decreased by \$12,641 and non-operating expenses decreased by \$70,232.
- Actual revenues were \$207,856 more than budgeted for the General Fund, and expenditures were \$178,509 less than budgeted.
- The Town spent \$216,560 for capital additions during the current fiscal year.
- The Town's long-term debt decreased by \$501,881 from \$3,108,851 as of June 30, 2020 to \$2,606,970 as of June 30, 2021.
- The Town reported a net pension liability of \$1,218,363 in the current year. The net pension liability was derived from the GASB Statement No. 68 VRS actuarial valuation as of June 30, 2020. VRS contributions in the amount of \$156,265 made after the valuation measurement date of June 30, 2020 are reported as deferred outflows of resources. Please refer to Note 8 for additional information.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net position and the Statement of Activities (on pages 13 and 14-15) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 16. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

#### Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that help answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's *net position* and changes that occur in them. You can think of the Town's net position – the difference between assets and liabilities – as one way to measure the



Town's financial health, or *financial position*. Over time, *increases* or *decreases* in the Town's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property base and condition of the Town's infrastructure, to assess the *overall health* of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

- **Governmental activities** – Most of the Town's basic services are reported here, including public safety, public works, cultural and economic development, parks and recreation and general administration. Property taxes, other local taxes and state and federal grants finance most of these activities.
- **Business-type activities** – The Town charges a fee to customers/users to help it cover all or most of the cost of certain services it provides. The Town's water and sewer system is reported here.

## Reporting the Town's Most Significant Fund

The fund financial statements begin on page 16 and provide detailed information about the Town's funds – not the Town as a whole. 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 uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the budget ordinance. The Town's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- **Governmental fund** – Most of the Town's basic services are reported in the governmental fund, which focuses on how money flows into and out of the fund and the balance left at year-end that is available for spending. This fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and the governmental *fund* in reconciliations following the fund financial statements.
- **Proprietary fund** – When the Town charges customers/users for the services provided it is reported in the proprietary fund. The proprietary fund is reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise fund is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash flows, for the proprietary fund.

## THE TOWN AS A WHOLE

The Town's *combined* net position decreased from \$13,373,956 as of June 30, 2020 to \$13,356,649 as of June 30, 2021. During the year, the net position of the governmental activities decreased by 3.74% and the business-type activities increased 1.55%.

Summary Statement of Net Position

	Governmental activities		Business-type activities		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Current and other assets	\$ 3,266,796	\$ 1,956,923	\$ 597,480	\$ 424,202	\$ 3,864,276	\$ 2,381,125
Capital assets	2,822,056	2,957,914	11,739,046	12,193,203	14,561,102	15,151,117
Total	\$ 6,088,852	\$ 4,914,837	\$ 12,336,526	\$ 12,617,405	\$ 18,425,378	\$ 17,532,242
Deferred outflows of resources	\$ 393,063	\$ 298,715	\$ 176,734	\$ 158,617	\$ 569,797	\$ 457,332
Long-term liabilities	\$ 922,563	\$ 666,180	\$ 3,059,143	\$ 3,467,369	\$ 3,981,706	\$ 4,133,549
Other liabilities	1,294,146	89,438	113,932	86,732	1,408,078	176,170
Total	\$ 2,216,709	\$ 755,618	\$ 3,173,075	\$ 3,554,101	\$ 5,389,784	\$ 4,309,719
Deferred inflows of resources	\$ 185,003	\$ 219,227	\$ 63,739	\$ 86,672	\$ 248,742	\$ 305,899
Net assets invested in capital assets, net of related debt	\$ 2,822,056	\$ 2,924,666	\$ 9,072,000	\$ 9,017,601	\$ 11,894,056	\$ 11,942,267
Restricted	102,682	102,181	-	-	102,682	102,181
Unrestricted	1,155,465	1,211,860	204,446	117,648	1,359,911	1,329,508
Total net position	\$ 4,080,203	\$ 4,238,707	\$ 9,276,446	\$ 9,135,249	\$ 13,356,649	\$ 13,373,956

The largest portion of the Town's net position, 89.05% reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, and infrastructure), less any debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$102,682 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$1,359,911 may be used to meet the government's ongoing obligation to citizens and creditors.

The following is a summary of the change in net position for the governmental and business-type activities for the years ended June 30, 2021 and 2020.

The Town's total revenues increased by \$177,084 or 4.65%. The total cost of all programs and services increased by \$407,282 or 11.40%. Non-operating income increased by \$3,080 and non-operating expenses decreased by \$34,467. Our analysis that follows separately considers the operations of governmental and business-type activities.

<b>Summary of Changes in Net Position</b>						
	Governmental activities		Business-type activities		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<b>Revenues:</b>						
Charges for services	\$ 178,875	\$ 133,790	\$ 1,968,468	\$ 1,936,498	\$ 2,147,343	\$ 2,070,288
General property taxes	352,636	342,257	-	-	352,636	342,257
Other taxes and fees	1,121,410	1,017,525	-	-	1,121,410	1,017,525
Intergovernmental	329,958	341,161	2,922	3,731	332,880	344,892
Miscellaneous	27,455	29,678	-	-	27,455	29,678
<b>Total Revenues</b>	<b>\$ 2,010,334</b>	<b>\$ 1,864,411</b>	<b>\$ 1,971,390</b>	<b>\$ 1,940,229</b>	<b>\$ 3,981,724</b>	<b>\$ 3,804,640</b>
<b>Expenses:</b>						
General government administration	\$ 497,191	\$ 468,102	\$ -	\$ -	\$ 497,191	\$ 468,102
Public safety	703,560	655,138	-	-	703,560	655,138
Public works	696,175	560,250	-	-	696,175	560,250
Culture & economic development	159,584	176,465	-	-	159,584	176,465
Parks and recreation	122,628	95,638	-	-	122,628	95,638
Public utilities	-	-	1,800,541	1,616,804	1,800,541	1,616,804
<b>Total Expenses</b>	<b>\$ 2,179,138</b>	<b>\$ 1,955,593</b>	<b>\$ 1,800,541</b>	<b>\$ 1,616,804</b>	<b>\$ 3,979,679</b>	<b>\$ 3,572,397</b>
<b>Net operating income (loss)</b>	<b>\$ (168,804)</b>	<b>\$ (91,182)</b>	<b>\$ 170,849</b>	<b>\$ 323,425</b>	<b>\$ 2,045</b>	<b>\$ 232,243</b>
<b>Nonoperating:</b>						
Interest income	\$ 10,300	\$ 9,978	\$ 3,622	\$ 864	\$ 13,922	\$ 10,842
Interest expense	-	-	(33,274)	(67,741)	(33,274)	(67,741)
Bond issuance costs	-	-	-	(35,765)	-	(35,765)
Gain (loss) on sale of property	-	14,912	-	-	-	14,912
<b>Total nonoperating revenue (expense)</b>	<b>\$ 10,300</b>	<b>\$ 24,890</b>	<b>\$ (29,652)</b>	<b>\$ (102,642)</b>	<b>\$ (19,352)</b>	<b>\$ (77,752)</b>
<b>Change in net position</b>	<b>\$ (158,504)</b>	<b>\$ (66,292)</b>	<b>\$ 141,197</b>	<b>\$ 220,783</b>	<b>\$ (17,307)</b>	<b>\$ 154,491</b>
Net position, beginning	4,238,707	4,304,999	9,135,249	8,914,466	13,373,956	13,219,465
Net position, ending	<u>\$ 4,080,203</u>	<u>\$ 4,238,707</u>	<u>\$ 9,276,446</u>	<u>\$ 9,135,249</u>	<u>\$ 13,356,649</u>	<u>\$ 13,373,956</u>

## Governmental Activities

### Revenues

For fiscal year 2021, revenues for the Town's governmental activities increased by \$145,923 or 7.83%. The factors driving these results include:

- *Charges for services* which consist of garbage collection fees, revenues from pool attendance and concession stand sales, fees collected from shelter rentals, zoning permits and fees, and court fines were up \$45,085 from the previous fiscal year. This was primarily due to an increase in garbage collection fees. The monthly trash collection fee that the Town charges increased from \$11 per household to \$16 effective July 1, 2020 due to the Town entering a contract with a new sanitation company. The former company was no longer able to service our area.
- *General property taxes* which are comprised of real estate and personal property taxes increased \$10,379 from the previous fiscal year. The Town's real estate tax rate was \$0.14 per \$100 of assessed value for the 2020 and 2021 tax years. The Town's personal property tax rate was \$0.80 per \$100 of assessed value for the 2020 and 2021 tax years. Under the provisions of the Personal Property Tax Relief Act (PPTRA), the State's share of local personal property tax was \$45,157.
- *Other local taxes* which include meals taxes, transient occupancy taxes, bank franchise taxes, utility taxes, cigarette taxes, county sales taxes, licenses and fees, and other taxes increased \$103,885. Cigarette tax, Meals Tax and Transient Occupancy Tax revenues were up from the previous fiscal year. These revenues were down from the previous fiscal year due to the pandemic.
- *Intergovernmental revenues* overall decreased \$11,203. Intergovernmental revenues consist of funds received from the Commonwealth of Virginia and the federal government. Police State Aid, Fire Program Funds, VDOT Snow Removal, and Auto Rental Tax revenues were up from the previous fiscal year. The Town also received USDA Grant funding for the purchase of two new public safety vehicles, as well as revenue from currency-operated video games located in convenience stores within the Town. These increases were offset by decreases in the fees received from the Virginia Early Childhood Foundation Mixed-Delivery Preschool Grant Program initiative. At the beginning of this fiscal year, the Town agreed to a reduction in fees collected as Fiscal Agent. In addition, the remaining balance of Coronavirus Aid, Relief, and Economic Security (CARES) Act funds allocated from Shenandoah County were lower than the initial amount received in the previous fiscal year.
- *Miscellaneous revenues* overall decreased \$2,223. Miscellaneous revenue includes fingerprinting fees, copies of accident report fees, and other miscellaneous revenues including marketing and events activities and the sale of property and equipment. In FY2020, the Town sold more used equipment than in FY2021.
- The Town's governmental activities included an increase in interest revenue of \$322. Non-operating revenue decreased in the amount of \$10,776. The Town received insurance proceeds for a public safety vehicle totaled in an accident the previous fiscal year.

### Expenses

For fiscal year 2021, expenses for the Town's governmental activities increased by \$233,545 or 11.43%. This increase is largely attributable to the amount by which depreciation expenses exceeded the capital outlays in the current period and the related changes in the actuarially determined OPEB and pension liabilities during the fiscal year 2021 as noted on page 19. Other factors affecting this increase include a

onetime bonus of \$800 for all full-time employees and a 3% cost of living adjustment (COLA) effective January 1, 2021. The Town also filled the Town Planner's position in March 2021. Fringe benefits increased due to the salary changes, as well as a 7% increase in the employer's share of the Virginia Retirement system (VRS) rates. Waste collection costs increased due to a change in contractors. Landfill fees also increased due to Shenandoah County's 20% increase in tipping fees.

## **Business-Type Activities**

In fiscal year 2021, revenues for the Town's business-type activities increased in the amount of \$31,970 or 1.65% and expenses increased by \$183,737 or 11.36%. The factors driving these results include:

### Revenues

- *Water and sewer revenues:* There were no changes in the water or sewer billing rates in this fiscal year. The increase in revenues is primarily due to the Town resuming service disconnections due to non-payment and charging penalties for late payments. Due to the pandemic, the Town had a moratorium on charging late fees and discontinuing service due to non-payment in the previous fiscal year.
- Non-operating revenue increased \$1,949. Interest revenue was up \$2,758 from the previous fiscal year. Offsetting this, the remaining balance of Coronavirus Aid, Relief, and Economic Security (CARES) Act funds allocated from Shenandoah County were lower than the initial amount received in the previous fiscal year

### Expenses

- *Water and sewer expense:* Increases in employee salaries and fringe benefits affecting the General Fund also affected the Enterprise Fund. Sewer treatment costs charged by the Town of Broadway increased \$84,000 due to more rain events than the previous fiscal year. Water treatment repairs and materials, water meters and outside contracted repair costs were also up from FY2020.
- Non-operating expenses decreased \$70,232. Interest expense on debt services was down \$34,467. This is largely due to the cost savings from the refinancing of the VRA General Obligation Loan in the previous fiscal year. In addition, there were bond issuance costs of \$35,765 associated with this refinancing that were realized in the previous fiscal year.

## **THE TOWN'S FUNDS**

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a fund balance of \$1,735,254, which is an increase of \$53,971 from last year's total of \$1,681,283. The primary reasons for the General Fund's increase mirror the changes noted in the previous section under "governmental" activities.

As the Town completed the year, its proprietary fund (as presented in the balance sheet on page 20) reported a net position of \$9,276,446, which is an increase of \$141,197 from last year's total of \$9,135,249. Significant changes in the change in net position are noted in the previous section under "business-type" activities.

In addition, The Town expended \$216,560 on capital additions (see pages 34 and 35), a decrease of \$115,727 from fiscal year 2020.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Fiscal year 2021 actual revenues were \$207,357 more than the fiscal year 2021 final budgeted revenues while fiscal year 2021 actual expenditures were \$178,509 less than budgeted. There were three amendments to the budget during FY2021 due to changing circumstances. The significant variations of actual results to the final General Fund budget are summarized below.

<b>Account</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>	
General Property Taxes	\$ 24,674
Other Local Taxes	154,410
Permits, Privilege Fees, and Regulatory Licenses	(475)
Fines and Forfeitures	(3,157)
Revenue from the Use of Money and Property	4,799
Charges for Services	4,507
Miscellaneous	11,925
Intergovernmental revenues:	
Commonwealth	12,364
Federal	(1,191)
Total revenues	\$ <u>207,856</u>
<b>Expenditures</b>	
General Government Administration	\$ 90,257
Public Safety	(14,546)
Public Works	34,295
Cultural and Economic Development	69,229
Parks and Recreation	(726)
Total expenditures	\$ <u>178,509</u>

- The initial budget for general property and other local taxes was conservative due to the economic uncertainties caused by the pandemic. In FY2020 many local taxes were down due to the COVID-19 restrictions impacting travel and dining. Mid-year the Town council approved an amendment to the FY2021 budget which increased the meals tax and transient occupancy tax budgeted revenues. General property taxes and other local taxes were \$179,084 more than budgeted due to better than expected economic conditions.
- Charges for services were also more than budgeted by \$4,507. Although trash collection fees were more than budgeted, pool and park revenues were under budget. Due to staffing shortages, the Town pool was not open as many days as anticipated.
- Miscellaneous revenue was more than budgeted by \$11,925. This was due to the sale of used public works equipment, the receipt of insurance proceeds for a public safety vehicle damaged in an accident and community donations for the National Night Out event held by the police department.
- Intergovernmental revenues were \$11,174 higher than budgeted. The mid-year budget amendment added \$45,000 anticipated funding from the USDA rural development grant, and \$39,018 remaining CARES Act funding from Shenandoah County. In addition, this amendment removed the \$175,000 funding expected from the VDOT Revenue Sharing Grant to fund a sidewalk project. The Town was notified that this funding was being pushed out into the future. In addition, funding from the Virginia Early Childhood Foundation Mixed-Delivery Preschool Grant Program was lower than originally budgeted. Approval was granted to carry over expenditures into fiscal year 2022.

- General Fund expenditures were \$178,509 less than budgeted. Funds allocated for possible annexation costs including attorney and survey fees and for replacement signs, banners and vehicle decals with the new Town logo were not incurred in this fiscal year. The FY2021 budget anticipated hiring a new Town Planner and included salary and fringe benefits for the whole year, however the position was not filled until the last quarter of the fiscal year. Mixed-Delivery Preschool Grant Program expenditures were lower than the previous fiscal year, and Community Park and public works improvements including the maintenance shop roof replacement were delayed.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2021, the Town had \$14.5 million invested in capital assets including public works and police equipment, buildings and land, park facilities, sidewalks, and the water and sewer system. (See table below). This represents a net decrease of \$556,767 or (3.68%) from last year.

	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 276,070	\$ 276,070	\$ 509,247	\$ 509,247	\$ 785,317	\$ 785,317
Construction in progress	20,300	40,150	76,473	57,609	96,773	97,759
Buildings	332,765	352,672	-	-	332,765	352,672
Park and improvements	278,737	306,217	-	-	278,737	306,217
Equipment	344,561	239,349	23,025	43,152	367,586	282,501
Infrastructure	1,569,623	1,710,208	-	-	1,569,623	1,710,208
Utility system	-	-	9,523,159	9,911,767	9,523,159	9,911,767
Intangible	-	-	1,607,142	1,671,428	1,607,142	1,671,428
Total	\$ 2,822,056	\$ 2,924,666	\$ 11,739,046	\$ 12,193,203	\$ 14,561,102	\$ 15,117,869

This year's major additions included:

Branding Study completion	4,300
2021 Ford Explorer & accessories	44,591
Light Tower	3,400
2021 Ford Explorer & accessories	44,370
2021 Chevrolet Colorado & accessories	30,636
Replace Roof - Shelter 5 & Pool House	7,153
2021 Dodge Durango & accessories	40,814
Tax Billing / Collection Software	8,245
Rebuild pump @ North Fork Pump Station	14,187
Elevated Water Storage Tank Preliminary Engineering	18,864
	<u>\$ 216,560</u>



## Debt

At year-end, the Town had \$2,606,970 in outstanding loans compared to \$3,108,851 last year. This is a decrease of 16.14% as shown in the following table.

Business-Type Activities	Outstanding June 30,	
	2021	2020
Water & Sewer Fund loans payable	\$ 2,606,970	\$ 3,108,851

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town's revenue and expenditure estimates for the fiscal year 2022 budget were conservatively established in light of the economic uncertainty concerning the COVID-19 pandemic. The Town will monitor revenue collections and amend the budget as needed.

- In fiscal year 2022 the Town anticipates an 11% growth in General Fund revenues compared to the amended fiscal year 2021 budget. There are no proposed real estate or personal property tax rate increases planned for FY2022. Local tax revenues are projected to be slightly higher in this fiscal year compared to the past year as many businesses are opening at fuller capacity.
- The Town anticipates using capital reserves to balance the budget. This includes transferring \$100,000 to the Enterprise Fund to cover engineering costs for the new water tank. These funds will be paid back when the Town receives loan proceeds for the water storage tank.
- On the expenditure side, the Town proposes a 2% cost of living adjustment (COLA) for all full-time employees beginning July 1, 2021, with a potential 3% COLA effective January 1, 2022. The Town anticipates increases in contractual services due to higher computer maintenance costs, increases in fuel expenses, and maintenance costs for Town vehicles. Increases are also expected in public safety continuing education due to proposed specialized training and in supplies, materials and evidence, as well as uniforms. Marketing and Events expenditures are expected to rise due to added advertising, business support, and other promotional events and activities. Although the Town is not proposing any increases in the fee charged to customers for residential trash collection, waste collection costs are expected to rise due to a projected increase in the rates charges by our sanitation collection contractor.
- At the end of FY2021, the Town received notification that it was entitled to receive \$2,160,241 from the Commonwealth under the Coronavirus State and Local Fiscal Recovery Fund's Non-Entitlement Unit (NEU) pursuant to the Federal American Rescue Plan Act (ARPA). The Town received the first tranche of funding (approximately half of the allocated amount) on June 30, 2021 with the second tranche expected to be distributed within one year of receiving the first distribution. Funds are to be obligated by December 31, 2024 and spent by December 31, 2026 in response to the COVID-19 pandemic. Potential uses of these funds include improving the Town's water and sewer infrastructure and parks to promote healthier living environments and outdoor recreation and socialization to mitigate the spread of COVID-19 and premium pay for essential workers.
- The Enterprise Fund's FY2022 budget reflects little change in revenues from FY2021, and there are no proposed changes in water and sewer service rates. The Town anticipates receiving \$4,000,000 in loan proceeds to cover the construction and site costs for the new water storage tank, as well as infrastructure improvements. This was originally proposed in FY2020, however due to unforeseen delays it is being carried over into FY2022.

- Expenditures for the Enterprise Fund include the same COLA and bonus for full-time employees, as well as increases in fringe benefits as the General Fund. The Town anticipates only modest increases in other expenses. The Town anticipates using capital reserves to balance the budget.
- The fiscal year 2022 budget anticipates a cost savings in debt services due to the payoff of the Virginia Water Supply Revolving Fund (VWSRF) General Obligation Public Improvement Bond Series 1998A maturing in October 2021.

Due to COVID-19, many capital improvement projects were put on hold in the previous fiscal year and are now planned for FY22.

- Capital expenditures planned for the General Fund include improvements to the Town Office and parking lot, redesign of the Town's website, a LOVEWorks project, and new wayfinding signage. Public Works equipment including an equipment trailer, bucket truck, and mini excavator, as well as sidewalk replacement are planned. Other expenditures planned include an in-car computer aided dispatch program and office furniture for the police department, improvements to the Town Park including pool improvements and park upgrades, and new exercise and playground equipment. Capital projects delayed in FY2021 including the maintenance shop roof replacement and implementation of the new Town logo are expected to be completed in FY2022, as well as transferring \$100,000 to the Enterprise Fund for preliminary engineering costs. The plan also calls for putting funds aside for technology upgrades, police vehicle purchase, and Rebel Park maintenance.
- Capital expenditures planned for the Enterprise Fund include engineering and construction of a new water storage tank, continuation of the valve/meter/hydrant replacement project, well SCADA conversion, collection system improvements and pump station pump rebuild which were planned in FY2021 have been pushed into FY2022 due to delays. The replacement of a filtration valve and sewer line along John Sevier Road scheduled for FY2021 was pushed into FY2022, as well as the repayment of the \$100,000 planned to be transferred from the General Fund to cover engineering costs. The plan also calls for putting funds aside for water filter membrane and gasket replacement.

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Town Office by phone at (540) 740-3432, by mail at PO Box 58, or in person at 9418 John Sevier Road, New Market, VA 22844.



## **FINANCIAL STATEMENTS**

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Statement of Net Position**  
**June 30, 2021**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,464,407	\$ 462,085	\$ 2,926,492
Restricted cash and cash equivalents	102,682	35,533	138,215
Receivables (net of allowance for uncollectibles):			
Property taxes	227,593	-	227,593
Accounts	92,232	253,798	346,030
Internal balances	177,508	(177,508)	-
Due from other governmental units	172,997	-	172,997
Prepaid items	29,377	23,572	52,949
Capital assets not being depreciated:			
Land	276,070	509,247	785,317
Construction in progress	20,300	76,473	96,773
Capital assets, net of accumulated depreciation:			
Park and improvements	278,737	-	278,737
Buildings and improvements	332,765	-	332,765
Machinery and equipment	344,561	23,025	367,586
Infrastructure	1,569,623	9,523,159	11,092,782
Intangible, net of accumulated amortization	-	1,607,142	1,607,142
<b>Total Assets</b>	<b>\$ 6,088,852</b>	<b>\$ 12,336,526</b>	<b>\$ 18,425,378</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	\$ 381,674	\$ 171,167	\$ 552,841
OPEB related items	11,389	5,567	16,956
<b>Total Deferred Outflows of Resources</b>	<b>\$ 393,063</b>	<b>\$ 176,734</b>	<b>\$ 569,797</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 114,231	\$ 63,747	\$ 177,978
Accrued interest payable	-	14,652	14,652
Unearned revenue	1,179,915	-	1,179,915
Customer deposits	-	35,533	35,533
Noncurrent liabilities:			
Due within one year	-	378,619	378,619
Due in more than one year	922,563	2,680,524	3,603,087
<b>Total Liabilities</b>	<b>\$ 2,216,709</b>	<b>\$ 3,173,075</b>	<b>\$ 5,389,784</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue-property taxes	\$ 177,959	\$ -	\$ 177,959
Deferred amount on refunding	-	60,076	60,076
Pension related items	5,362	2,841	8,203
OPEB related items	1,682	822	2,504
<b>Total Deferred Inflows of Resources</b>	<b>\$ 185,003</b>	<b>\$ 63,739</b>	<b>\$ 248,742</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 2,822,056	\$ 9,072,000	\$ 11,894,056
Restricted:			
Permanent fund	102,682	-	102,682
Unrestricted	1,155,465	204,446	1,359,911
<b>Total Net Position</b>	<b>\$ 4,080,203</b>	<b>\$ 9,276,446</b>	<b>\$ 13,356,649</b>

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

Town of New Market, Virginia

Statement of Activities  
Year Ended June 30, 2021

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 497,191	\$ 1,025	\$ 838	\$ -
Public safety	703,560	11,843	150,190	-
Public works	696,175	140,781	28,930	-
Community development	159,584	-	1,691	-
Parks, recreation, and cultural	122,628	25,226	94,438	-
Total governmental activities	\$ 2,179,138	\$ 178,875	\$ 276,087	\$ -
Business-type activities:				
Water and sewer	\$ 1,833,815	\$ 1,968,468	\$ 2,922	\$ -
Total business-type activities	\$ 1,833,815	\$ 1,968,468	\$ 2,922	\$ -
Total primary government	\$ 4,012,953	\$ 2,147,343	\$ 279,009	\$ -
General revenues:				
General Property Taxes				
Sales tax				
Cigarette tax				
Utility taxes				
Meals tax				
Transient occupancy tax				
Other local taxes				
Unrestricted revenue from the use of money and property				
Grants and contributions not restricted to specific programs				
Miscellaneous				
Total general revenues				
Change in net position				
Net position - beginning				
Net position - ending				

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

**Exhibit 2**

<u>Net (Expense) Revenue and</u> <u>Change in Net Position</u> <u>Primary Government</u>		
<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (495,328)	\$ -	\$ (495,328)
(541,527)	-	(541,527)
(526,464)	-	(526,464)
(157,893)	-	(157,893)
<u>(2,964)</u>	<u>-</u>	<u>(2,964)</u>
\$ <u>(1,724,176)</u>	\$ <u>-</u>	\$ <u>(1,724,176)</u>
\$ -	\$ 137,575	\$ 137,575
\$ -	\$ 137,575	\$ 137,575
\$ <u>(1,724,176)</u>	\$ <u>137,575</u>	\$ <u>(1,586,601)</u>
\$ 352,636	\$ -	\$ 352,636
132,279	-	132,279
105,402	-	-
86,003	-	86,003
542,436	-	542,436
101,694	-	101,694
153,596	-	153,596
10,300	3,622	13,922
53,871	-	53,871
<u>27,455</u>	<u>-</u>	<u>27,455</u>
\$ <u>1,565,672</u>	\$ <u>3,622</u>	\$ <u>1,463,892</u>
\$ (158,504)	\$ 141,197	\$ (17,307)
<u>4,238,707</u>	<u>9,135,249</u>	<u>13,373,956</u>
\$ <u><u>4,080,203</u></u>	\$ <u><u>9,276,446</u></u>	\$ <u><u>13,356,649</u></u>

## **FUND FINANCIAL STATEMENTS**

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	<b>General Fund</b>	<b>Nonmajor Governmental Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,464,407	\$ -	\$ 2,464,407
Restricted cash and cash equivalents	-	102,682	102,682
Receivables (net of allowance for uncollectibles):			
Property taxes	227,593	-	227,593
Accounts receivable	92,232	-	92,232
Due from other funds	177,508	-	177,508
Due from other governmental units	172,997	-	172,997
Prepaid items	29,377	-	29,377
Total assets	<u>\$ 3,164,114</u>	<u>\$ 102,682</u>	<u>\$ 3,266,796</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 114,231	\$ -	\$ 114,231
Unearned revenue	1,179,915	-	1,179,915
Total liabilities	<u>\$ 1,294,146</u>	<u>\$ -</u>	<u>\$ 1,294,146</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	\$ 237,396	\$ -	\$ 237,396
Total deferred inflows of resources	<u>\$ 237,396</u>	<u>\$ -</u>	<u>\$ 237,396</u>
<b>FUND BALANCES</b>			
<b>Nonspendable:</b>			
Permanent fund principal	\$ -	\$ 102,682	\$ 102,682
Prepaid items	29,377	-	29,377
<b>Assigned:</b>			
Capital projects	52,000	-	52,000
<b>Unassigned</b>			
Total fund balances	<u>\$ 1,632,572</u>	<u>\$ 102,682</u>	<u>\$ 1,735,254</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,164,114</u>	<u>\$ 102,682</u>	<u>\$ 3,266,796</u>

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



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

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	1,735,254
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	276,070	
Park and improvements		278,737	
Buildings and improvements		332,765	
Machinery and equipment		344,561	
Infrastructure		1,569,623	
Construction in progress		<u>20,300</u>	2,822,056

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

Unavailable revenue - property taxes		59,437
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$	381,674	
OPEB related items		<u>11,389</u>	393,063

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

Compensated absences	\$	(54,815)	
Net pension liability		(818,740)	
Net OPEB liability		<u>(49,008)</u>	(922,563)

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

Pension related items	\$	(5,362)	
OPEB related items		<u>(1,682)</u>	<u>(7,044)</u>

Net position of governmental activities	\$	<u><u>4,080,203</u></u>
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The notes to the financial statements are an integral part of this statement.

**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2021**

	<b>General Fund</b>	<b>Nonmajor Governmental Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
General property taxes	\$ 346,517	\$ -	\$ 346,517
Other local taxes	1,121,410	-	1,121,410
Permits, privilege fees, and regulatory licenses	1,025	-	1,025
Fines and forfeitures	11,843	-	11,843
Revenue from the use of money and property	9,799	501	10,300
Charges for services	166,007	-	166,007
Miscellaneous	27,455	-	27,455
Intergovernmental:			
Commonwealth	244,133	-	244,133
Federal	85,825	-	85,825
Total revenues	<u>\$ 2,014,014</u>	<u>\$ 501</u>	<u>\$ 2,014,515</u>
<b>EXPENDITURES</b>			
General government administration	\$ 446,480	\$ -	\$ 446,480
Public safety	749,880	-	749,880
Public works	514,214	-	514,214
Community development	171,037	-	171,037
Parks, recreation, and cultural	78,933	-	78,933
Total expenditures	<u>\$ 1,960,544</u>	<u>\$ -</u>	<u>\$ 1,960,544</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 53,470</u>	<u>\$ 501</u>	<u>\$ 53,971</u>
Net change in fund balances	\$ 53,470	\$ 501	\$ 53,971
Fund balances - beginning	1,579,102	102,181	1,681,283
Fund balances - ending	<u><u>\$ 1,632,572</u></u>	<u><u>\$ 102,682</u></u>	<u><u>\$ 1,735,254</u></u>

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

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

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

Net change in fund balances - total governmental funds	\$	53,971
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded the capital outlays in the current period.

Capital outlays	\$	159,359	
Depreciation expense		<u>(261,969)</u>	(102,610)

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

Property taxes			6,119
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	\$	(4,884)	
Pension expense		(110,880)	
OPEB expense		<u>(220)</u>	(115,984)

Change in net position of governmental activities	\$	<u><u>(158,504)</u></u>
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The notes to the financial statements are an integral part of this statement.

**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2021**

	<b>Enterprise Fund Water &amp; Sewer</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 462,085
Accounts receivable	253,798
Prepaid items	23,572
Restricted Current Assets:	
Cash and cash equivalents	35,533
Total current assets	<u>\$ 774,988</u>
Noncurrent assets:	
Capital assets:	
Land	\$ 509,247
Construction in progress	76,473
Utility plants	17,292,216
Machinery and equipment	357,765
Intangible, Broadway Regional Wastewater Treatment Facility hookup fee	2,250,000
Accumulated amortization and depreciation	(8,746,655)
Total noncurrent assets	<u>\$ 11,739,046</u>
Total assets	<u>\$ 12,514,034</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related items	\$ 171,167
OPEB related items	5,567
Total deferred outflows of resources	<u>\$ 176,734</u>
Total assets and deferred outflows of resources	<u><u>\$ 12,690,768</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 63,747
Due to general fund	177,508
Accrued interest payable	14,652
Customer deposits	35,533
General obligation bonds, current portion, net of original issue premium	378,619
Total current liabilities	<u>\$ 670,059</u>
Noncurrent liabilities:	
General obligation bonds, net of current portion, net of original issue premium	\$ 2,228,351
Net pension liability	399,623
Net OPEB liability	23,920
Compensated absences	28,630
Total noncurrent liabilities	<u>\$ 2,680,524</u>
Total liabilities	<u>\$ 3,350,583</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred amount on refunding	\$ 60,076
Pension related items	2,841
OPEB related items	822
Total deferred inflows of resources	<u>\$ 63,739</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 9,072,000
Unrestricted	204,446
Total net position	<u>\$ 9,276,446</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 12,690,768</u></u>

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

**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2021**

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	<b>Enterprise Fund Water &amp; Sewer</b>
<b>OPERATING REVENUES</b>	
Water service billings	\$ 873,124
Sewer service billings	1,064,755
Connection fees	19,458
Late charges	10,101
Water meters	1,030
Total operating revenues	\$ <u>1,968,468</u>
<b>OPERATING EXPENSES</b>	
Personnel services	\$ 327,263
Fringe benefits	187,194
Contractual services	46,178
Other supplies and expenses	91,168
Insurance claims and expense	32,667
Other charges	628,863
Depreciation and amortization	487,208
Total operating expenses	\$ <u>1,800,541</u>
Net operating income (loss)	\$ <u>167,927</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>	
Interest income	\$ 3,622
Interest expense	(33,274)
Coronavirus relief fund	2,922
Total nonoperating revenue (expense)	\$ <u>(26,730)</u>
Change in net position	\$ 141,197
Net position - beginning	9,135,249
Net position - ending	\$ <u><u>9,276,446</u></u>

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

**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2021**

	<b>Enterprise Fund Water &amp; Sewer</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 1,961,293
Cash payments to suppliers of goods and services	(781,337)
Cash payments to employees	(455,177)
Net cash provided by (used for) operating activities	\$ 724,779
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Nonoperating grants received	\$ 2,922
Net cash provided by (used for) noncapital financing activities	\$ 2,922
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase and construction of capital assets	\$ (33,051)
Principal payments on bonds	(478,118)
Interest payments	(66,833)
Net cash provided by (used for) capital and related financing activities	\$ (578,002)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest earned	\$ 3,622
Net cash provided by (used for) investing activities	\$ 3,622
Net increase (decrease) in cash and cash equivalents	\$ 153,321
Cash and cash equivalents - beginning - including restricted	344,297
Cash and cash equivalents - ending - including restricted	\$ 497,618
<b>Reconciliation of operating income to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ 167,927
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation and amortization expense	487,208
(Increase) decrease in prepaid items	(12,982)
(Increase) decrease in accounts receivable	(6,975)
(Increase) decrease in deferred outflows of resources	(18,117)
Increase (decrease) in accounts payable	30,521
Increase (decrease) in net pension liability	89,411
Increase (decrease) in deferred inflows of resources	(16,258)
Increase (decrease) in compensated absences	4,718
Increase (decrease) in net OPEB liability	(474)
Increase (decrease) in customer deposits	(200)
Net cash provided by (used for) operating activities	\$ 724,779

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

**TOWN OF NEW MARKET, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. Financial Reporting Entity**

The financial statements of Town of New Market, Virginia (the Town) conform with accounting principles generally accepted in the United States of America as applied to governmental units promulgated by the Governmental Activities Standards Board (GASB). The more significant of the Town's accounting policies are described below.

Town of New Market, Virginia is a municipality governed by a six-member Town Council and Mayor. Daily operations are conducted by a Town Manager.

As required by accounting principles generally accepted in the United States of America, these financial statements present the Town's financial position. There are no separate governmental units that meet the criteria as a component unit.

**B. Government-Wide and Fund Financial Statements**

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 but also capital assets and long-term liabilities (such as buildings and general obligation debt).

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

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

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).

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

## TOWN OF NEW MARKET, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (CONTINUED)

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

##### **B. Government-Wide and Fund Financial Statements (Continued)**

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

Budgetary Comparison Schedule – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another 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. Many governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

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

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, sale 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, health and welfare, etc.) or a business-type activity.

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



TOWN OF NEW MARKET, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 (CONTINUED)

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable 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 federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental fund:

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

The Town reports the following nonmajor governmental fund:

The *Permanent Fund* is used to account for and report resources that are legally restricted to the extent that earnings and principal, may be used for purposes that support the Town's programs.

The Town reports the following major proprietary fund:

The *Water and Sewer Fund* accounts for the activities related to the provision of water and sewer services to the Town's businesses, residents, schools, and churches. It operates the water treatment and sewer treatment plants, water distribution systems, sewer collection systems, and pump stations.

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

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

## TOWN OF NEW MARKET, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (CONTINUED)

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

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

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

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

###### Cash and cash equivalents

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

###### Receivables and payables

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

###### Property taxes

Real estate and personal property taxes are assessed annually by Shenandoah County, Virginia, for all property of record as of January 1. Property taxes attach as an enforceable lien on property as of January 1. The town collects real estate and personal property taxes on a semi-annual basis (one-half due June 5, one-half due December 5). The portion of the tax receivable that is not collected within 60 days after June 30 is shown as unavailable revenue in the fund financial statements. A penalty of 10 percent of the tax is assessed after the applicable payment date.

The taxes receivable balance at June 30, 2021, includes amounts not yet billed or received from the second-half January 1, 2021, levy (due December 5, 2021). These items are included in deferred revenue since these taxes are restricted for use until fiscal year 2022.

## TOWN OF NEW MARKET, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (CONTINUED)

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

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

###### Allowance for uncollectible accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and specific account analysis. The allowance is composed of property taxes, refuse, and water and sewer accounts receivable, and amounts for June 30, 2021 respectively were \$20,537, \$4,776, and \$64,560.

###### Prepaid items

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

###### Use of estimates

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

###### Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<b><u>Assets</u></b>	<b><u>Years</u></b>
Buildings and Improvements	20-50 years
Utility System	25-50 years
Machinery and Equipment	5-15 years
Infrastructure	20 years
Parks and Improvements	20-50 years

**TOWN OF NEW MARKET, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 (CONTINUED)**

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

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

Intangible asset

During the year ended June 30, 2009, the Town entered into an agreement to purchase wastewater treatment services from the Town of Broadway. As part of the agreement, the Town of New Market contributed \$2,250,000 toward the capital costs of expansion to Broadway Regional Wastewater Treatment Facility. The Town will amortize the costs by the straight-line method over the term of the agreement (35 years).

Long-term obligations

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

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

Compensated absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements. No expenditure is reported for these amounts in the fund financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The Town accrues salary-related payments associated with the payment of compensated absences.

Restricted assets

The municipal building perpetual fund totaling \$102,682 is classified as restricted assets because it is maintained in a separate bank account and its use is legally restricted to the extent that earnings and principal, may be used for purposes that support the Town's programs.

## TOWN OF NEW MARKET, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (CONTINUED)

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

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

###### Fund balance

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

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

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

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

## TOWN OF NEW MARKET, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (CONTINUED)

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

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

###### Fund balance (continued)

In the general fund, the Town strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 15% of the actual GAAP basis expenditures and other financing sources and uses.

###### Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liability are reported as deferred inflows of resources. Another item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred charge on refunding as of June 30, 2021 amounts to \$60,076. For more detailed information on these items, reference the related notes.

###### Net position

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



## TOWN OF NEW MARKET, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (CONTINUED)

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

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

###### Net position (continued)

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

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

##### **E. Pensions**

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

##### **F. Other Postemployment Benefits (OPEB)**

For purposes of measuring the net VRS related OPEB liability, 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 OPEB Plan and the additions to/deductions from the VRS OPEB Plans' fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# TOWN OF NEW MARKET, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (CONTINUED)

### NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

#### **A. Budgetary information**

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

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

#### **B. Excess of expenditures over appropriations**

<u>Fund</u>	<u>Department</u>	<u>Excess of Expenditures Over Appropriations</u>
General	Public safety	\$ 14,546
General	Parks, recreation, and cultural	726
Total General Fund		<u>\$ 15,272</u>

#### **C. Deficit fund equity**

At June 30, 2021, there were no funds with deficit fund equity.



## TOWN OF NEW MARKET, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (CONTINUED)

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#### **NOTE 3 – DEPOSITS AND INVESTMENTS:**

##### Deposits

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

##### Investments

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

##### Credit Risk of Debt Securities

Custodial credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town’s investing activities are managed under the custody of the Treasurer. The Town has not adopted a policy regarding credit risk of debt securities.

##### Interest Rate Risk

The Town has no policy regarding interest rate risk.

#### **NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS:**

Amounts due from other governmental units at June 30, 2021, are as follows:

	<u>General</u>
Commonwealth of Virginia:	
Department of Taxation, communications tax collected for the Town	\$ 5,895
Department of Taxation, local sales tax	24,888
Department of Education, mixed delivery grant	6,680
Other	1,242
Federal Government:	
Department of Treasury, Coronavirus State and Local Fiscal Recovery Funds, passed through Virginia Department of Accounts	88,642
Department of Agriculture, Rural Development grant	45,000
Department of Motor Vehicles, Highway Safety Program grant, passed through VDOT	650
Total	<u>\$ 172,997</u>

**TOWN OF NEW MARKET, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 (CONTINUED)**

**NOTE 5 – CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital asset not being depreciated:				
Land	\$ 276,070	\$ -	\$ -	\$ 276,070
Construction in progress	40,150	4,300	(24,150)	20,300
Total capital assets not being depreciated	\$ 316,220	\$ 4,300	\$ (24,150)	\$ 296,370
Capital assets being depreciated:				
Buildings and improvements	\$ 752,295	\$ -	\$ -	\$ 752,295
Park and improvements	1,340,185	7,153	-	1,347,338
Machinery and equipment	958,556	172,056	(27,375)	1,103,237
Infrastructure	2,976,157	-	-	2,976,157
Total capital assets being depreciated	\$ 6,027,193	\$ 179,209	\$ (27,375)	\$ 6,179,027
Accumulated depreciation:				
Buildings and improvements	\$ 399,623	\$ 19,907	\$ -	\$ 419,530
Park and improvements	1,033,968	34,633	-	1,068,601
Machinery and equipment	719,207	66,844	(27,375)	758,676
Infrastructure	1,265,949	140,585	-	1,406,534
Total accumulated depreciation	\$ 3,418,747	\$ 261,969	\$ (27,375)	\$ 3,653,341
Total capital assets being depreciated, net	\$ 2,608,446	\$ (82,760)	\$ -	\$ 2,525,686
<b>Governmental activities     capital assets, net</b>	<u>\$ 2,924,666</u>	<u>\$ (78,460)</u>	<u>\$ (24,150)</u>	<u>\$ 2,822,056</u>

**TOWN OF NEW MARKET, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 (CONTINUED)**

**NOTE 5 – CAPITAL ASSETS: (CONTINUED)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital asset not being depreciated:				
Land	\$ 509,247	\$ -	\$ -	\$ 509,247
Construction in progress	57,609	18,864	-	76,473
Total capital assets not being depreciated	\$ 566,856	\$ 18,864	\$ -	\$ 585,720
Capital assets being depreciated:				
Utility plants	\$ 17,278,029	\$ 14,187	\$ -	\$ 17,292,216
Machinery and equipment	357,765	-	-	357,765
Total capital assets being depreciated	\$ 17,635,794	\$ 14,187	\$ -	\$ 17,649,981
Accumulated depreciation:				
Utility plants	\$ 7,366,262	\$ 402,795	\$ -	\$ 7,769,057
Machinery and equipment	314,613	20,127	-	334,740
Total accumulated depreciation	\$ 7,680,875	\$ 422,922	\$ -	\$ 8,103,797
Total capital assets being depreciated, net	\$ 9,954,919	\$ (408,735)	\$ -	\$ 9,546,184
Intangible assets being amortized:				
Broadway Regional Wastewater Treatment Facility hookup fee	\$ 2,250,000	\$ -	\$ -	\$ 2,250,000
Total capital assets being amortized	\$ 2,250,000	\$ -	\$ -	\$ 2,250,000
Accumulated amortization:				
Treatment Facility hookup fee	\$ 578,572	\$ 64,286	\$ -	\$ 642,858
Total capital assets being amortized, net	\$ 1,671,428	\$ (64,286)	\$ -	\$ 1,607,142
<b>Business-type activities capital assets, net</b>	<b>\$ 12,193,203</b>	<b>\$ (454,157)</b>	<b>\$ -</b>	<b>\$ 11,739,046</b>

Depreciation and amortization expenses were charged to functions/programs of the Town as follows:

**Governmental activities**

General government administration	\$ 24,270
Public safety	28,199
Public works	165,804
Parks and recreation	43,696
Total depreciation expense-governmental activities	<u>\$ 261,969</u>

**Business-type activities**

Water and sewer	\$ 487,208
Total depreciation and amortization expense-business-type activities	<u>\$ 487,208</u>

**TOWN OF NEW MARKET, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 (CONTINUED)**

**NOTE 6 – LONG-TERM OBLIGATIONS:**

**Governmental Activities Obligations:**

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

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
Compensated absences	\$ 49,931	\$ 34,843	\$ 29,959	\$ 54,815
Net pension liability	571,322	378,623	131,205	818,740
Net OPEB liability	44,927	14,952	10,871	49,008
Total	<u>\$ 666,180</u>	<u>\$ 428,418</u>	<u>\$ 172,035</u>	<u>\$ 922,563</u>

**Business-type Activities Obligations:**

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

	Balance July 1, 2020	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2021
Direct Borrowings and Direct Placements:				
General obligation bonds	\$ 2,871,226	\$ -	\$ 478,118	\$ 2,393,108
Unamortized bond premium	237,625	-	23,763	213,862
Total Direct Borrowings and Direct Placements	<u>3,108,851</u>	<u>-</u>	<u>501,881</u>	<u>2,606,970</u>
Other Long-Term Obligations:				
Compensated absences	\$ 23,912	\$ 19,065	\$ 14,347	\$ 28,630
Net pension liability	310,212	174,520	85,109	399,623
Net OPEB liability	24,394	6,489	6,963	23,920
Total Other Long-Term Obligations	<u>\$ 358,518</u>	<u>\$ 200,074</u>	<u>\$ 106,419</u>	<u>\$ 452,173</u>
Total Long-Term Obligations	<u>\$ 3,467,369</u>	<u>\$ 200,074</u>	<u>\$ 608,300</u>	<u>\$ 3,059,143</u>

Annual retirements to amortize long-term obligations and related interest at June 30, 2021, are as follows:

Year Ending June 30,	Direct Borrowings and Placements	
	Principal	Interest
2022	\$ 354,857	\$ 54,160
2023	225,677	47,150
2024	235,677	41,769
2025	240,677	36,003
2026	240,677	30,109
2027	245,677	24,087
2028	255,677	17,681
2029	260,677	10,891
2030	270,677	3,716
2031	62,835	-
Total	<u>\$ 2,393,108</u>	<u>\$ 265,566</u>

**TOWN OF NEW MARKET, VIRGINIA****NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 (CONTINUED)****NOTE 6 – LONG-TERM OBLIGATIONS: (CONTINUED)****Business-type Activities Obligations: (continued)**

Details of obligations:

	<b>Total Amount Due</b>	<b>Amount Due Within One Year</b>
<b><u>Direct Borrowings and Direct Placements</u></b>		
\$4,000,000 VRA General Obligation Bond, Series 1998A, issued November 1, 1998, bearing interest at 3%, with payments due semi-annually commencing October 1, 2003, and continuing through October 1, 2021. Installments are due semi-annually in the amount of \$136,193.	\$ 134,180	\$ 134,180
\$1,155,000 VRA General Obligation Refunding Bond, Series 2019B, issued July 24, 2019, with an interest rate of 5.125%. Principal payments are due annually and range from \$90,000 to \$145,000. Additionally, interest payments are due semi-annually. Payments commenced October 1, 2019, and will continue through October 1, 2029.	1,065,000	95,000
\$2,523,949 VRA General Obligation Bond, issued June 1, 2010, bearing no interest. Semi-annual payments of \$62,838 began May 1, 2011 and are payable through November 1, 2030.	1,193,928	125,677
Subtotal general obligation bonds	\$ 2,393,108	\$ 354,857
Unamortized premium on bond issues	213,862	23,762
Total direct borrowings and direct placements	\$ 2,606,970	\$ 378,619
Compensated absences	28,630	-
Net pension liability	399,623	-
Net OPEB liability	23,920	-
Total long-term obligations	\$ 3,059,143	\$ 378,619

The Town's outstanding general obligation bonds from direct borrowings and direct placements related to business-type activities of \$2,606,970 contain a provision that in the event of default the entire unpaid principal and interest become immediately due and payable. The Town has pledged the secure payment and performance of the Town's obligations with the Town's right, title, and interest to the revenues collected by the Town.

**NOTE 7 – COMPENSATED ABSENCES:**

It is the Town's policy to permit employees to accumulate earned but not used annual leave and sick leave benefits. The Town pays a benefit for accumulated annual leave upon an employee's separation from service to the extent the employee meets certain criteria. Annual leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported for compensated absences in governmental funds only to the extent that it is expected to be liquidated with expendable available financial resources as a result of employee resignations and retirements. Sick leave is recorded in the same manner for employees eligible for retirement. The Town has no policy to pay unused sick leave when employees resign. The Town has outstanding accrued compensated absences totaling \$49,008 in the Governmental Funds, and \$28,630 in the Enterprise Funds.

## TOWN OF NEW MARKET, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (CONTINUED)

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#### **NOTE 8 – PENSION PLAN:**

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

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

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

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

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

## TOWN OF NEW MARKET, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (CONTINUED)

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#### **NOTE 8 – PENSION PLAN: (CONTINUED)**

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

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

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

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

##### ***Employees Covered by Benefit Terms***

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

	<u>Town</u>
Inactive members or their beneficiaries currently receiving benefits	14
Inactive members:	
Vested inactive members	3
Non-vested inactive members	2
Inactive members active elsewhere in VRS	<u>13</u>
Total inactive members	18
Active members	<u>18</u>
Total covered employees	<u><u>50</u></u>



## TOWN OF NEW MARKET, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (CONTINUED)

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#### **NOTE 8 – PENSION PLAN: (CONTINUED)**

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

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

The Town's contractually required employer contribution rate for the year ended June 30, 2021 was 17.23% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$156,265 and \$88,197 for the years ended June 30, 2021 and June 30, 2020, respectively.

##### ***Net Pension Liability***

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

##### ***Actuarial Assumptions – General Employees***

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

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

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



## TOWN OF NEW MARKET, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (CONTINUED)

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#### **NOTE 8 – 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 Life Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

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

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

## TOWN OF NEW MARKET, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (CONTINUED)

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#### **NOTE 8 – 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, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

##### **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, 110%; unisex using 100% male.

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

**TOWN OF NEW MARKET, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 (CONTINUED)**

**NOTE 8 – 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:

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

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

**TOWN OF NEW MARKET, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 (CONTINUED)**

**NOTE 8 – PENSION PLAN: (CONTINUED)**

***Discount Rate***

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

***Changes in Net Pension Liability***

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2019	\$ 4,217,410	\$ 3,335,876	\$ 881,534
Changes for the year:			
Service cost	\$ 118,656	\$ -	\$ 118,656
Interest	277,747	-	277,747
Differences between expected and actual experience	123,928	-	123,928
Contributions - employer	-	88,196	(88,196)
Contributions - employee	-	43,530	(43,530)
Net investment income	-	63,519	(63,519)
Benefit payments, including refunds of employee contributions	(205,282)	(205,282)	-
Administrative expenses	-	(2,192)	2,192
Other changes	-	(9,551)	9,551
Net changes	\$ 315,049	\$ (21,780)	\$ 336,829
Balances at June 30, 2020	\$ 4,532,459	\$ 3,314,096	\$ 1,218,363

**TOWN OF NEW MARKET, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 (CONTINUED)**

**NOTE 8 – 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:

	<b>Rate</b>		
	<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
	<b>(5.75%)</b>	<b>(6.75%)</b>	<b>(7.75%)</b>
Town's Net Pension Liability	\$ 1,836,408	\$ 1,218,363	\$ 708,668

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

For the year ended June 30, 2021, the Town recognized pension expense of \$323,922. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 244,315	\$ 7,091
Change in assumptions	54,941	1,112
Net difference between projected and actual earnings on pension plan investments	97,320	-
Employer contributions subsequent to the measurement date	156,265	-
Total	<u>\$ 552,841</u>	<u>\$ 8,203</u>

TOWN OF NEW MARKET, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 (CONTINUED)

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**NOTE 8 – PENSION PLAN: (CONTINUED)**

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

\$156,265 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30,</u>	<u>Town</u>
2022	\$ 170,136
2023	139,461
2024	47,022
2025	31,754
2026	-
Thereafter	-

***Pension Plan Data***

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

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## **TOWN OF NEW MARKET, VIRGINIA**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (CONTINUED)**

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#### **NOTE 9 – 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 contribution and accrued interest.

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

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

## TOWN OF NEW MARKET, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (CONTINUED)

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#### **NOTE 9 – GROUP LIFE INSURANCE (GLI) Plan (OPEB PLAN): (CONTINUED)**

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

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% ( $1.34\% \times 60\%$ ) and the employer component was 0.54% ( $1.34\% \times 40\%$ ). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$5,036 and \$4,676 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the entity reported a liability of \$72,928 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.00437% as compared to 0.00426% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$3,050. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.



**TOWN OF NEW MARKET, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 (CONTINUED)**

**NOTE 9 – GROUP LIFE INSURANCE (GLI) Plan (OPEB PLAN): (CONTINUED)**

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

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,678	\$ 655
Net difference between projected and actual earnings on GLI OPEB plan investments	2,191	-
Change in assumptions	3,647	1,523
Changes in proportionate share	1,404	326
Employer contributions subsequent to the measurement date	5,036	-
Total	<u>\$ 16,956</u>	<u>\$ 2,504</u>

\$5,036 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<b><u>Year Ended June 30</u></b>	
2022	\$ 1,368
2023	1,986
2024	2,551
2025	2,576
2026	830
Thereafter	105

## TOWN OF NEW MARKET, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (CONTINUED)

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#### **NOTE 9 – 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, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

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

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

###### Pre-Retirement:

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

###### Post-Retirement:

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

###### Post-Disablement:

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

**TOWN OF NEW MARKET, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 (CONTINUED)**

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**NOTE 9 – GROUP LIFE INSURANCE (GLI) Plan (OPEB PLAN): (CONTINUED)**

***Actuarial Assumptions (Continued)***

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

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

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

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

**TOWN OF NEW MARKET, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 (CONTINUED)**

**NOTE 9 – GROUP LIFE INSURANCE (GLI) Plan (OPEB PLAN): (CONTINUED)**

***Actuarial Assumptions (Continued)***

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

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

***NET GLI OPEB Liability***

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

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

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

**TOWN OF NEW MARKET, VIRGINIA****NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 (CONTINUED)****NOTE 9 – 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:

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

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

***Discount Rate***

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

## TOWN OF NEW MARKET, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (CONTINUED)

#### **NOTE 9 – GROUP LIFE INSURANCE (GLI) Plan (OPEB PLAN): (CONTINUED)**

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town of New Market Virginia's proportionate share of the GLI Plan Net OPEB Liability	\$ 95,870	\$ 72,928	\$ 54,297

##### ***GLI Plan Fiduciary Net Position***

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

#### **NOTE 10 – UNEARNED REVENUE:**

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the accrual basis of accounting, such amounts are measurable, but not available. The Town had unearned revenue of \$1,179,915 at June 30, 2021.

#### **NOTE 11 – RISK MANAGEMENT:**

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

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

## TOWN OF NEW MARKET, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (CONTINUED)

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#### **NOTE 12—DEFERRED AND UNAVAILABLE REVENUE-PROPERTY TAXES:**

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred and unavailable revenue in the government-wide and fund financial statements totaling \$177,959 and \$237,396, respectively, is comprised of the following:

- A. Prepaid Property Taxes – Property taxes due subsequent to June 30, 2021, but paid in advance by the taxpayers totaled \$13,477 at June 30, 2021.
- B. Unbilled Property Taxes – Property taxes for the second half of 2021 that had not been billed as of June 30, 2021 amounted to \$164,482.
- C. Unavailable Property Taxes – Uncollected tax billings not available for funding of current expenditures totaled \$59,437 at June 30, 2021.

#### **NOTE 13 – CONTINGENT LIABILITIES:**

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

#### **NOTE 14 – LITIGATION:**

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

#### **NOTE 15 – UPCOMING PRONOUNCEMENTS:**

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

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



## TOWN OF NEW MARKET, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (CONTINUED)

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#### **NOTE 15 – UPCOMING PRONOUNCEMENTS: (CONTINUED)**

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

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

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

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

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



## **TOWN OF NEW MARKET, VIRGINIA**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 (CONTINUED)**

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#### **NOTE 16 – COVID-19 PANDEMIC SUBSEQUENT DISCLOSURE:**

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

#### **CARES Act Funding**

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

Each locality received its CRF allocations based on population in two equal payments, with the second and final round of funding being received during fiscal year 2021. The Town received total CRF funding of \$41,937 passed through from Shenandoah County, Virginia in fiscal year 2021.

#### **ARPA Funding**

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

In 2021, the Town received its share of the first half of CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$1,168,762 from the initial allocation are reported as unearned revenue as of June 30.

#### **NOTE 17 – OTHER SUBSEQUENT DISCLOSURE:**

On October 18, 2021, Town Council made a motion to approve the purchase of lot 77A on Miller Lane for \$121,440. Subsequent to year-end, the Town entered into a contract for professional engineering services to construct a new water storage tank. Construction is expected to begin during FY22. The Town anticipates receiving \$4,000,000 in loan proceeds through the Virginia Department of Health to cover the construction and site costs for the new water storage tank.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 321,843	\$ 321,843	\$ 346,517	\$ 24,674
Other local taxes	880,000	967,000	1,121,410	154,410
Permits, privilege fees, and regulatory licenses	1,500	1,500	1,025	(475)
Fines and forfeitures	15,000	15,000	11,843	(3,157)
Revenue from the use of money and property	5,000	5,000	9,799	4,799
Charges for services	165,320	161,500	166,007	4,507
Miscellaneous	13,530	15,530	27,455	11,925
Intergovernmental:				
Commonwealth	406,769	231,769	244,133	12,364
Federal	3,000	87,016	85,825	(1,191)
Total revenues	<u>\$ 1,811,962</u>	<u>\$ 1,806,158</u>	<u>\$ 2,014,014</u>	<u>\$ 207,856</u>
EXPENDITURES				
General government administration	\$ 516,890	\$ 536,737	\$ 446,480	\$ 90,257
Public safety	591,555	735,334	749,880	(14,546)
Public works	837,135	548,509	514,214	34,295
Community development	215,266	240,266	171,037	69,229
Parks, recreation, and cultural	78,207	78,207	78,933	(726)
Total expenditures	<u>\$ 2,239,053</u>	<u>\$ 2,139,053</u>	<u>\$ 1,960,544</u>	<u>\$ 178,509</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (427,091)</u>	<u>\$ (332,895)</u>	<u>\$ 53,470</u>	<u>\$ 386,365</u>
Net change in fund balances	\$ (427,091)	\$ (332,895)	\$ 53,470	\$ 386,365
Fund balance - beginning	427,091	332,895	1,579,102	1,246,207
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,632,572</u>	<u>\$ 1,632,572</u>

Town of New Market, Virginia

Schedule of Changes in Net Pension Liability and Related Ratios

Pension Plan

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

	2020	2019	2018	2017
<b>Total pension liability</b>				
Service cost	\$ 118,656	\$ 106,283	\$ 89,377	\$ 98,465
Interest	277,747	243,618	241,975	236,646
Changes of assumptions	-	127,711	-	(35,384)
Differences between expected and actual experience	123,928	365,574	(62,363)	(7,763)
Benefit payments	(205,282)	(212,055)	(279,000)	(152,649)
<b>Net change in total pension liability</b>	<b>\$ 315,049</b>	<b>\$ 631,131</b>	<b>\$ (10,011)</b>	<b>\$ 139,315</b>
<b>Total pension liability - beginning</b>	<b>4,217,410</b>	<b>3,586,279</b>	<b>3,596,290</b>	<b>3,456,975</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 4,532,459</b>	<b>\$ 4,217,410</b>	<b>\$ 3,586,279</b>	<b>\$ 3,596,290</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 88,196	\$ 80,941	\$ 71,634	\$ 73,669
Contributions - employee	43,530	40,217	39,035	46,514
Net investment income	63,519	211,989	229,321	347,874
Benefit payments	(205,282)	(212,055)	(279,000)	(152,649)
Administrator charges	(2,192)	(2,146)	(2,072)	(2,005)
Other	(9,551)	(133)	(200)	(309)
<b>Net change in plan fiduciary net position</b>	<b>\$ (21,780)</b>	<b>\$ 118,813</b>	<b>\$ 58,718</b>	<b>\$ 313,094</b>
<b>Plan fiduciary net position - beginning</b>	<b>3,335,876</b>	<b>3,217,063</b>	<b>3,158,345</b>	<b>2,845,251</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 3,314,096</b>	<b>\$ 3,335,876</b>	<b>\$ 3,217,063</b>	<b>\$ 3,158,345</b>
<b>Town's net pension liability - ending (a) - (b)</b>	<b>\$ 1,218,363</b>	<b>\$ 881,534</b>	<b>\$ 369,216</b>	<b>\$ 437,945</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>73.12%</b>	<b>79.10%</b>	<b>89.70%</b>	<b>87.82%</b>
<b>Covered payroll</b>	<b>\$ 899,228</b>	<b>\$ 834,561</b>	<b>\$ 815,676</b>	<b>\$ 801,054</b>
<b>Town's net pension liability as a percentage of covered payroll</b>	<b>135.49%</b>	<b>105.63%</b>	<b>45.27%</b>	<b>54.67%</b>

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

Exhibit 11

2016	2015	2014
\$ 90,322	\$ 83,982	\$ 91,849
216,888	208,341	196,431
-	-	-
123,744	-	-
(144,754)	(155,895)	(120,180)
\$ 286,200	\$ 136,428	\$ 168,100
3,170,775	3,034,347	2,866,247
\$ 3,456,975	\$ 3,170,775	\$ 3,034,347
\$ 81,112	\$ 80,012	\$ 83,214
40,016	39,572	43,701
49,164	124,518	367,946
(144,754)	(116,094)	(120,180)
(1,750)	(1,676)	(1,958)
(21)	(26)	19
\$ 23,767	\$ 126,306	\$ 372,742
2,821,484	2,695,178	2,322,436
\$ 2,845,251	\$ 2,821,484	\$ 2,695,178
\$ 611,724	\$ 349,291	\$ 339,169
82.30%	88.98%	88.82%
\$ 813,776	\$ 800,774	\$ 816,593
75.17%	43.62%	41.53%

## Schedule of Employer Contributions

## Pension Plan

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

Date	Contributions in Relation to		Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution (1)	Contractually Required Contribution (2)			
2021	\$ 156,265	\$ 156,265	\$ -	\$ 932,617	16.76%
2020	88,197	88,197	-	899,228	9.81%
2019	80,940	80,940	-	834,561	9.70%
2018	71,634	71,634	-	815,676	8.78%
2017	73,531	73,531	-	801,054	9.18%
2016	81,112	81,112	-	813,776	9.97%
2015	80,012	80,012	-	800,774	9.99%
2014	83,214	83,214	-	816,593	10.19%
2013	81,510	81,510	-	799,115	10.20%
2012	31,123	31,123	-	742,792	4.19%

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

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

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

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

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

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

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

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

## Group Life Insurance (GLI) Plan

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
				(5)	
2020	.00437%	\$ 72,928	\$ 899,228	8.11%	52.64%
2019	.00426%	69,321	834,561	8.31%	52.00%
2018	.00429%	66,000	815,676	8.09%	51.22%
2017	.00434%	66,000	801,054	8.09%	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, 2014 through June 30, 2021

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<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
2021	\$ 5,036	\$ 5,036	\$ -	\$ 932,617	0.54%
2020	4,676	4,676	-	899,228	0.52%
2019	4,340	4,340	-	834,561	0.52%
2018	4,242	4,242	-	815,676	0.52%
2017	3,845	3,845	-	801,054	0.48%
2016	3,906	3,906	-	813,776	0.48%
2015	3,843	3,843	-	800,774	0.48%
2014	3,919	3,919	-	816,593	0.48%

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

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

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

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

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

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

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

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

## **OTHER SUPPLEMENTARY INFORMATION**

**Balance Sheet**  
**Nonmajor Governmental Fund**  
**June 30, 2021**

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	<u>Permanent Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents - restricted	\$ 102,682
<b>Total assets</b>	<u>\$ 102,682</u>
<b>FUND BALANCE</b>	
Nonspendable:	
Permanent fund principal	\$ 102,682
<b>Total fund balance</b>	<u><u>\$ 102,682</u></u>

**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Fund**  
**Year Ended June 30, 2021**

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	<b>Permanent Fund</b>
	<u>                    </u>
<b>REVENUES</b>	
Revenue from the use of money and property	\$ 501
Total revenues	<u>\$ 501</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>\$ 501</u>
 Net change in fund balances	 \$ 501
Fund balances - beginning	102,181
Fund balances - ending	<u><u>\$ 102,682</u></u>

## **SUPPORTING SCHEDULES**

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

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real estate taxes	\$ 237,000	\$ 237,000	\$ 241,581	\$ 4,581
Personal property taxes	79,843	79,843	99,912	20,069
Penalties and interest	5,000	5,000	5,024	24
Total general property taxes	\$ 321,843	\$ 321,843	\$ 346,517	\$ 24,674
Other local taxes:				
Sales tax	\$ 100,000	\$ 100,000	\$ 132,279	\$ 32,279
Utility taxes	92,000	92,000	86,003	(5,997)
Bank stock tax	50,000	50,000	58,853	8,853
Cigarette tax	95,000	95,000	105,402	10,402
Meals tax	380,000	455,000	542,436	87,436
Transient occupancy tax	78,000	90,000	101,694	11,694
Business and professional licenses	50,000	50,000	52,243	2,243
Motor vehicle licenses	35,000	35,000	42,500	7,500
Total other local taxes	\$ 880,000	\$ 967,000	\$ 1,121,410	\$ 154,410
Permits, privilege fees and regulatory licenses:				
Rezoning and subdividing fees	\$ 1,500	\$ 1,500	\$ 1,025	\$ (475)
Fines and forfeitures:				
Court fines	\$ 15,000	\$ 15,000	\$ 11,843	\$ (3,157)
Revenue from the use of money and property:				
Interest earned	\$ 5,000	\$ 5,000	\$ 9,799	\$ 4,799
Charges for services:				
Trash collection fees	\$ 136,320	\$ 132,500	\$ 140,781	\$ 8,281
Parks and recreation:				
Pool	25,000	25,000	20,261	(4,739)
Shelters, lights, etc.	4,000	4,000	3,840	(160)
New Market Day - Fourth of July	-	-	1,125	1,125
Total charges for services	\$ 165,320	\$ 161,500	\$ 166,007	\$ 4,507
Miscellaneous:				
Donations, police	\$ -	\$ -	\$ 2,270	\$ 2,270
Park	1,000	1,000	876	(124)
Sale of equipment	-	-	4,961	4,961
Other	12,530	14,530	19,348	4,818
Total miscellaneous	\$ 13,530	\$ 15,530	\$ 27,455	\$ 11,925
Total revenue from local sources	\$ 1,402,193	\$ 1,487,373	\$ 1,684,056	\$ 196,683

## Schedule of Revenues - Budget and Actual

## Governmental Funds

For the Year Ended June 30, 2021 (Continued)

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Personal property tax reimbursement	\$ 45,157	\$ 45,157	\$ 45,157	\$ -
Rolling stock tax	-	-	12	12
Game of skills	-	-	4,032	4,032
DMV auto rental tax	3,000	3,000	4,670	1,670
Total noncategorical aid	\$ 48,157	\$ 48,157	\$ 53,871	\$ 5,714
Other categorical aid:				
Fire program funds	\$ 10,000	\$ 10,000	\$ 15,000	\$ 5,000
Commission for the arts support	1,000	1,000	1,000	-
Law enforcement assistance	47,612	47,612	51,646	4,034
Mixed delivery grant	120,000	120,000	93,686	(26,314)
VDOT sidewalk project grant	175,000	-	-	-
VDOT snow removal	5,000	5,000	28,930	23,930
Total other categorical aid	\$ 358,612	\$ 183,612	\$ 190,262	\$ 6,650
Total revenue from the Commonwealth	\$ 406,769	\$ 231,769	\$ 244,133	\$ 12,364
Revenue from the federal government:				
Noncategorical aid:				
Coronavirus relief fund	\$ -	\$ 39,016	\$ 39,015	\$ (1)
Total noncategorical aid	\$ -	\$ 39,016	\$ 39,015	\$ (1)
Categorical aid:				
DMV highway safety program grants	\$ 3,000	\$ 3,000	\$ 1,810	\$ (1,190)
USDA rural development grant	-	45,000	45,000	-
Total categorical aid	\$ 3,000	\$ 48,000	\$ 46,810	\$ (1,190)
Total revenue from the federal government	\$ 3,000	\$ 87,016	\$ 85,825	\$ (1,191)
Total General Fund	\$ 1,811,962	\$ 1,806,158	\$ 2,014,014	\$ 207,856
Nonmajor Governmental Fund:				
Permanent Fund:				
Revenue from use of money and property:				
Revenue from use of money	\$ 1,000	\$ 1,000	\$ 501	\$ (499)
Total revenue from use of money and property	\$ 1,000	\$ 1,000	\$ 501	\$ (499)
Total Permanent Fund	\$ 1,000	\$ 1,000	\$ 501	\$ (499)
Total Primary Government	\$ 1,812,962	\$ 1,807,158	\$ 2,014,515	\$ 207,357



**Schedule of Expenditures - Budget and Actual**  
**Governmental Funds**  
**Year Ended June 30, 2021**

<b>Fund, Function, Activity, and Elements</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Town council and planning commission	\$ 17,300	\$ 17,300	\$ 15,708	\$ 1,592
General and financial administration:				
Town manager	\$ 263,500	\$ 273,200	\$ 217,769	\$ 55,431
Legal services	22,000	22,000	16,934	5,066
Independent auditor	11,150	11,150	11,150	-
Treasurer	202,940	213,087	184,919	28,168
Total general and financial administration	\$ 499,590	\$ 519,437	\$ 430,772	\$ 88,665
Total general government administration	\$ 516,890	\$ 536,737	\$ 446,480	\$ 90,257
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 541,555	\$ 685,334	\$ 693,617	\$ (8,283)
Fire and rescue services:				
Fire department	\$ 10,000	\$ 10,000	\$ 15,000	\$ (5,000)
Volunteer emergency operations	40,000	40,000	41,263	(1,263)
Total fire and rescue services	\$ 50,000	\$ 50,000	\$ 56,263	\$ (6,263)
Total public safety	\$ 591,555	\$ 735,334	\$ 749,880	\$ (14,546)
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 677,900	\$ 389,274	\$ 358,613	\$ 30,661
Sanitation and waste removal:				
Refuse collection and disposal	\$ 159,235	\$ 159,235	\$ 155,601	\$ 3,634
Total public works	\$ 837,135	\$ 548,509	\$ 514,214	\$ 34,295
Community development				
General:				
Community support, donations	\$ 29,000	\$ 29,000	\$ 22,254	\$ 6,746
Downtown revitalization	-	-	1,500	(1,500)
Economic development	71,266	96,266	58,597	37,669
Mixed delivery grant	115,000	115,000	88,686	26,314
Total general	\$ 215,266	\$ 240,266	\$ 171,037	\$ 69,229
Total community development	\$ 215,266	\$ 240,266	\$ 171,037	\$ 69,229
Parks, recreation, and cultural:				
Supervision of parks and recreation	\$ 78,207	\$ 78,207	\$ 78,933	\$ (726)
Total parks, recreation, and cultural	\$ 78,207	\$ 78,207	\$ 78,933	\$ (726)
Total General Fund	\$ 2,239,053	\$ 2,139,053	\$ 1,960,544	\$ 178,509

## **COMPLIANCE**



ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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**TO THE HONORABLE MEMBERS OF  
THE TOWN COUNCIL  
TOWN OF NEW MARKET, VIRGINIA**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Town of New Market, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of New Market, Virginia's basic financial statements, and have issued our report thereon dated November 26, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of New Market, 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 New Market, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of New Market, Virginia's internal control.

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

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

**Compliance and Other Matters**

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

## Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
November 26, 2021