

**TOWN OF LOVETTSVILLE, VIRGINIA**  
**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2023**

**TOWN OF LOVETTSVILLE, VIRGINIA**

**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2023**

**TOWN OF LOVETTSVILLE, VIRGINIA**

**DIRECTORY OF OFFICIALS**

**COUNCIL**

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	Christopher M. Hornbaker, Mayor Joy Pritz, Vice-Mayor	
Tom Budnar Brandon Davis		David Earl Stuart Stahl

**OFFICIALS**

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Jason Cournoyer	Town Manager
Tanya George	Treasurer
Elizabeth Fontaine	Town Clerk

**TOWN OF LOVETTSVILLE, VIRGINIA**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Front Cover</b>	1
<b>Title Page</b>	2
<b>Town Officials</b>	3
<b>Table of Contents</b>	4-5
<b>Independent Auditors' Report</b>	6-8
<b>Management's Discussion and Analysis</b>	9-15
<b>Basic Financial Statements</b>	
<u>Government-wide Financial Statements:</u>	
Exhibit 1      Statement of Net Position	18
Exhibit 2      Statement of Activities	19-20
<u>Fund Financial Statements:</u>	
Exhibit 3      Balance Sheet–Governmental Funds	22
Exhibit 4      Reconciliation of the Balance Sheet to the Statement of Net Position–Governmental Funds	23
Exhibit 5      Statement of Revenues, Expenditures, and Changes in Fund Balance–Governmental Funds	24
Exhibit 6      Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund of the Governmental Funds to the Statement of Activities	25
Exhibit 7      Statement of Net Position–Proprietary Fund	26
Exhibit 8      Statement of Revenues, Expenditures, and Changes in Fund Balance–Proprietary Fund	27
Exhibit 9      Statement of Cash Flows–Proprietary Fund	28
<u>Notes to Financial Statements</u>	29-65

**TOWN OF LOVETTSVILLE, VIRGINIA**

**TABLE OF CONTENTS**

	<u>Page</u>	
<b>Required Supplementary Information</b>		
Exhibit 10	Schedule of Revenues, Expenditures and Changes in Fund Balance–Budget and Actual–General Fund	67
Exhibit 11	Schedule of Changes in Net Pension Liability (Asset)–and Related Ratios	68-69
Exhibit 12	Schedule of Employer Contributions–Pension Plan	70
Exhibit 13	Notes to Required Supplementary Information–Pension Plan	71
Exhibit 14	Schedule of Town’s Share of Net OPEB Liability (Asset)–Group Life Insurance (GLI) Plan	72
Exhibit 15	Schedule of Employer Contributions–Group Life Insurance (GLI) Plan	73
Exhibit 16	Notes to Required Supplementary Information– Group Life Insurance (GLI) Plan	74
<b>Other Supplementary Information</b>		
Exhibit 17	Schedule of Revenues, Expenditures, and Changes in Fund Balance–Budget and Actual–Capital Projects Fund	76
<u>Supporting Schedules:</u>		
Schedule 1	Schedule of Revenues - Budget and Actual–Governmental Funds	77-78
Schedule 2	Schedule of Expenditures - Budget and Actual–Governmental Funds	79-81
<b>Compliance</b>		
	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 <i>Government Auditing Standards</i>	83-84
	Schedule of Prior Year Findings and Responses	85



**Independent Auditors' Report**

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**To the Honorable Town Council  
Town of Lovettsville, Virginia**

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Lovettsville, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of Town of Lovettsville, Virginia, as of June 30, 2023, 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.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Lovettsville, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lovettsville, 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. Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information are 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 28, 2023, on our consideration of Town of Lovettsville, 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 Lovettsville, 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 Lovettsville, Virginia's internal control over financial reporting and compliance.

Charlottesville, Virginia  
November 28, 2023



## Management's Discussion and Analysis

Our discussion and analysis of the Town of Lovettsville's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2023. Please read it in conjunction with the Town's financial statements, which begin on page 13.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Town exceeded its liabilities by \$17,242,914 at the close of the most recent fiscal year.
- The Town's net position increased as a result of this year's operations. While net position of the business-type activities increased by \$546,792, net position of the governmental activities increased by \$1,491,831.
- In the Town's business-type activities, operating revenues increased by \$329,467 from the previous year while operating expenses decreased by \$2,459. Nonoperating income increased by \$126,727.
- In the Town's governmental activities, operating revenues increased by \$746,419 from the previous year while operating expenses decreased by \$60,549.
- Actual revenues were \$151,359 more than budgeted for the General Fund. General Fund expenditures were \$578,239 less than budgeted.
- The Town spent \$1,182,567 for capital additions during the current fiscal year.
- The Town's long-term debt decreased by \$396,515 during the current fiscal year.
- Through the American Rescue Plan Act of 2021 (ARPA), the Town received \$1,140,231 during the prior fiscal year intended to help respond to the COVID-19 emergency and bring back jobs. The unspent portion of ARPA funds is reflected as unearned revenue at the end of the fiscal year. The funding will be reflected in revenue in future periods as the funds are expended.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 13 and 14) 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 15. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the 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.

## **USING THIS ANNUAL REPORT: (CONTINUED)**

### **Reporting the Town as a Whole: (Continued)**

These two statements report the Town's *net position* and changes in it. You can think of the Town's net position-the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources-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 roads, 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, community development and general administration. Property taxes, other local taxes and development fees 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 Funds**

The fund financial statements begin on page 15 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 balances left at year-end that are nonspendable, restricted, committed, assigned, or unassigned. These classifications of fund balance show the nature and extent of constraints placed on the Town's fund balances by law, creditors, Town council, and the Town's annually adopted budget. Unassigned fund balance is available for spending for any purpose. 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 a 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 assets changed modestly from a year ago *increasing* from \$15,204,291 to \$17,242,914. During the year, the net assets of the governmental and business-type activities increased by 22.96 percent and increased by 6.28 percent, respectively. Below is a summary of the net assets as of June 30, 2023 and 2022.

**NET ASSETS**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Totals</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 5,536,436	\$ 3,528,080	\$ 3,551,272	\$ 3,515,130	\$ 9,087,708	\$ 7,043,210
Capital assets	6,003,882	5,236,835	7,822,923	7,976,667	13,826,805	13,213,502
Total assets	<u>\$ 11,540,318</u>	<u>\$ 8,764,915</u>	<u>\$ 11,374,195</u>	<u>\$ 11,491,797</u>	<u>\$ 22,914,513</u>	<u>\$ 20,256,712</u>
Total deferred outflows of resources	\$ 33,019	\$ 56,089	\$ 59,337	\$ 92,562	\$ 92,356	\$ 148,651
Long-term liabilities	\$ 1,261,733	\$ 1,404,055	\$ 1,745,911	\$ 2,003,104	\$ 3,007,644	\$ 3,407,159
Other liabilities	1,901,829	454,389	337,147	669,919	2,238,976	1,124,308
Total liabilities	<u>\$ 3,163,562</u>	<u>\$ 1,858,444</u>	<u>\$ 2,083,058</u>	<u>\$ 2,673,023</u>	<u>\$ 5,246,620</u>	<u>\$ 4,531,467</u>
Total deferred inflows of resources	\$ 421,134	\$ 465,750	\$ 96,201	\$ 203,855	\$ 517,335	\$ 669,605
Net position:						
Net investment in capital assets	\$ 4,506,670	\$ 3,879,987	\$ 6,141,565	\$ 6,044,724	\$ 10,648,235	\$ 9,924,711
Restricted	91,932	94,119	75,217	77,007	167,149	171,126
Unrestricted	3,390,039	2,522,704	3,037,491	2,585,750	6,427,530	5,108,454
Total net position	<u>\$ 7,988,641</u>	<u>\$ 6,496,810</u>	<u>\$ 9,254,273</u>	<u>\$ 8,707,481</u>	<u>\$ 17,242,914</u>	<u>\$ 15,204,291</u>

A portion of the Town's net position (63.93 percent) 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 its 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.

The remaining balance of unrestricted net assets (\$6,427,530) may be used to meet the government's ongoing obligation to citizens and creditors.

**THE TOWN AS A WHOLE: (CONTINUED)**

The following is a summary of the change in net position for the governmental and business-type activities for the years ended June 30, 2023 and 2022.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Revenues</b>						
Charges for services	\$ 25,919	\$ 12,814	\$ 1,397,175	\$ 1,372,511	\$ 1,423,094	\$ 1,385,325
General property taxes	709,374	757,101	-	-	709,374	757,101
Other local taxes	866,045	689,787	-	-	866,045	689,787
Intergovernmental	749,534	291,489	628,728	323,681	1,378,262	615,170
Miscellaneous	177,198	30,460	1,543	1,787	178,741	32,247
Total revenues	<u>\$ 2,528,070</u>	<u>\$ 1,781,651</u>	<u>\$ 2,027,446</u>	<u>\$ 1,697,979</u>	<u>\$ 4,555,516</u>	<u>\$ 3,479,630</u>
<b>Program expenses</b>						
General government	\$ 948,846	\$ 866,542	\$ -	\$ -	\$ 948,846	\$ 866,542
Public safety	4,973	14,870	-	-	4,973	14,870
Public works	154,581	305,024	-	-	154,581	305,024
Parks, recreation and cultural	31,696	38,548	-	-	31,696	38,548
Community development	183,463	38,026	-	-	183,463	38,026
Water and sewer	-	-	1,431,253	1,433,712	1,431,253	1,433,712
Total expenses	<u>\$ 1,323,559</u>	<u>\$ 1,263,010</u>	<u>\$ 1,431,253</u>	<u>\$ 1,433,712</u>	<u>\$ 2,754,812</u>	<u>\$ 2,696,722</u>
Operating income (loss)	<u>\$ 1,204,511</u>	<u>\$ 518,641</u>	<u>\$ 596,193</u>	<u>\$ 264,267</u>	<u>\$ 1,800,704</u>	<u>\$ 782,908</u>
<b>Nonoperating</b>						
Interest income	\$ 138,136	\$ (5,267)	\$ 121,215	\$ (5,512)	\$ 259,351	\$ (10,779)
Interest expense	(21,432)	(23,595)	-	-	(21,432)	(23,595)
Total nonoperating	<u>\$ 116,704</u>	<u>\$ (28,862)</u>	<u>\$ 121,215</u>	<u>\$ (5,512)</u>	<u>\$ 237,919</u>	<u>\$ (34,374)</u>
Income (loss) before contributions	\$ 1,321,215	\$ 489,779	\$ 717,408	\$ 258,755	\$ 2,038,623	\$ 748,534
Transfers	<u>170,616</u>	<u>120,000</u>	<u>(170,616)</u>	<u>(120,000)</u>	<u>-</u>	<u>-</u>
Increase in net position	<u>\$ 1,491,831</u>	<u>\$ 609,779</u>	<u>\$ 546,792</u>	<u>\$ 138,755</u>	<u>\$ 2,038,623</u>	<u>\$ 748,534</u>

The Town's total revenues increased by \$1,075,886 (30.92 percent). The total cost of all programs and services increased by \$58,090 (2.15 percent). Our analysis that follows separately considers the operations of governmental and business-type activities.

## **THE TOWN'S FUNDS**

As the Town completed the year, its general fund (as presented in the balance sheet on page 15) reported a fund balance of \$3,328,340, which is an increase of \$695,348 from last year's total of \$2,632,992. The primary reasons for the General Fund's increase mirror the changes noted in the previous section under "governmental" activities. Also, the Town expended \$2,419 in capital outlay for various projects throughout the Town in the prior year.

As the Town completed the year, its proprietary funds (as presented in the statement of net position on pages 19 and 20) reported net assets of \$9,254,273, which is an increase of \$546,792 over last year's total of \$8,707,481. Significant changes in the change in net assets are noted in the previous section under "business-type" activities.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the Town Council made revisions to the General Fund budget, as needed. The significant variations of actual results to the General Fund budget are summarized below:

<u>Account</u>	<u>Variance</u> <u>Positive/Negative</u>
<b>Revenues</b>	
General property taxes	\$ (12,738)
Other local taxes	194,292
Miscellaneous	(90,703)
Intergovernmental revenue - Federal	(76,000)
<b>Expenditures</b>	
General Government Administration	\$ 137,042
Community Development	105,943

The Town's budget did not take into account the assessment increase half way through the year, causing the positive variance in real estate taxes. Sales taxes and meals taxes exceeded expectations due to the continued growth of the Town. Motor vehicle licenses are also collected by the County, resulting in collected amounts higher than expected. Flagpole donations were not budgeted at all and other miscellaneous revenue was from higher than expected reimbursements. VDOT grant and transportation project funds were under budget because the additional CARES Act revenues reduced the necessity to apply for such grants.

The Town's payroll provider does not account for maintenance support; therefore, the actual is less than the budget. The other payroll related expenses (administrative salaries, payroll taxes, health insurance and YRS contribution) were less than budget due to positions not immediately being filled, and employees not being vested into benefit plans until later in the year. Legal fees and advertising were less than budgeted because various expected and planned events did not occur. Repairs/replacements were less as a result of the modular office being replaced by a brand new building.

Capital outlays were budgeted for the targeted completion timing and amount; project delays resulted in less expenses than expected.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2023, the Town had \$13,826,805 invested in capital assets including land, buildings, equipment, infrastructure and the utility system. (See table that follows.) This represents a net increase of \$1,013,303 of 7.91 percent, other last year.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Land	\$ 973,820	\$ 973,820	\$ 154,200	\$ 154,200	\$ 1,128,020	\$ 1,128,020
Construction in progress	1,629,739	725,528	315,962	71,097	1,945,701	796,625
Buildings	916,391	942,257	-	-	916,391	942,257
Improvements	253,382	277,522	-	-	253,382	277,522
Equipment	32,256	44,127	-	-	32,256	44,127
Infrastructure	2,198,294	2,273,581	-	-	2,198,294	2,273,581
Utility system	-	-	7,352,761	7,351,370	7,352,761	7,351,370
<b>Totals</b>	<b>\$ 6,003,882</b>	<b>\$ 5,236,835</b>	<b>\$ 7,822,923</b>	<b>\$ 7,576,667</b>	<b>\$ 13,826,805</b>	<b>\$ 12,813,502</b>

This year's additions to be included on the depreciation schedule:

**General Fund**

Broad way improvements	\$ 110,022
Transportation master plan	35,575
Loudoun Street improvements	533,034
S Church improvements	225,580
<b>Total general fund</b>	<b>\$ 904,211</b>

**Water/Sewer Fund**

Frye court improvements	\$ 9,995
Truck replacements	23,496
Water main replacement	27,642
Creek bank shoring	217,223
<b>Total general fund</b>	<b>\$ 278,356</b>

**Debt**

At year-end, the Town had \$3,007,644 in outstanding debt compared to \$3,404,159 last year. This is a decrease of 11.65 percent as shown in the following table.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Bonds Payable:</b>						
General obligation bonds	\$ 1,215,272	\$ 1,346,867	\$ 1,327,318	\$ 1,543,409	\$ 2,542,590	\$ 2,890,276
Compensated absences	22,856	30,033	18,729	11,986	41,585	42,019
Net OPEB liability	15,288	14,174	13,972	12,953	29,260	27,127
Equipment loans	-	-	331,851	356,334	331,851	356,334
Premium on bond issuance	8,317	9,981	54,041	78,422	62,358	88,403
<b>Totals</b>	<b>\$ 1,261,733</b>	<b>\$ 1,401,055</b>	<b>\$ 1,745,911</b>	<b>\$ 2,003,104</b>	<b>\$ 3,007,644</b>	<b>\$ 3,404,159</b>

No new debt was issued during the year ended June 30, 2023.

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

The Town anticipates continued growth in the upcoming fiscal year 2023-2024 in real estate re-evaluation assessments and revenue deriving from business related consumer taxes such as Sales Tax, Meals Tax, and business licenses. The following is a summary of the Town of Lovettsville's budget for fiscal year 2023-2024.

The budgeted revenues are set to increase by approximately \$9,041 in the fiscal year ending June 30, 2024, for the general fund. The increase is due to the increased real estate re-evaluation assessments of 11.3% on average, a notable increase in revenue deriving from sales and use taxes and meals taxes, and an increase associated with the inter-fund transfer from the Utilities Fund for administrative overhead expenses. The remainder of the budgeted revenue is very similar to the previous fiscal budget, except for a decrease in use of ARPA funding.

The budgeted expenditures for the general fund are set to increase a commensurate \$9,041 in the fiscal year ending June 30, 2024. This increase is primarily attributable to personnel expenses, local funding required from general government projects in the Town's Capital Improvement Plan. The remainder of the budgeted expenses are very similar to the previous fiscal budget except a decrease in use of ARPA funding.

Fiscal year 2023-2024 was the first year that the General Government- Capital Projects Fund is budgeted separately from the General Fund. Budgeted capital expenses and revenues for general government projects total \$2,330,000 for fiscal year 2023-2024 and are primarily for on-going transportation capital projects on E. Broad Way, S. Locust Street and S. Loudoun Street, and S. Church Street and E. Pennsylvania Avenue.

The budgeted revenue in the Utilities Fund is expected to increase by approximately \$244,093 in the fiscal year ending June 30, 2024. This increase is primarily linked with an approved increase in water and sewer rates of three percent over the previous year rates, planned utilization of American Rescue Plan Act of 2021 funding for capital projects, and availability fees associated with anticipated new commercial development. The remainder of the budgeted revenue is very similar to the previous fiscal budget.

The budgeted operating expenses remain fairly steady in the Utilities Fund for the upcoming year. The budgeted expenses for the fiscal year ending June 30, 2024, are approximately \$7,588,579 in comparison with the budgeted expenses for the prior fiscal year of \$2,544,486 with the increase primarily being attributed to capital project expenses funded by American Rescue Plan Act of 2021 funding. The utilities capital projects are improvements to the water treatment infrastructure and wastewater treatment plant including waterline replacements, inflow and infiltration repairs, utility truck replacement, and a ultraviolet basin replacement at the waste water treatment plant.

In conclusion, the adopted budget for fiscal year ending June 30, 2024 is balanced in accordance with state statutes, and revenues based on conservative estimates and utilization of American Rescue Plan Act of 2021 funding, while expenditures are based on historical data, as well as actual proposed costs.

## **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 at 6 East Pennsylvania Avenue, Lovettsville, VA.

## **Basic Financial Statements**



## **Government-wide Financial Statements**

Statement of Net Position  
As of June 30, 2023

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 4,838,158	\$ 3,308,274	\$ 8,146,432
Receivables, net of allowance for uncollectibles			
Taxes receivable	372,569	-	372,569
Accounts receivable	161,515	114,766	276,281
Leases receivable	-	47,142	47,142
Due from other governments	71,781	-	71,781
Prepaid items	6,354	-	6,354
Internal balances	(5,873)	5,873	-
Net pension asset	91,932	75,217	167,149
Capital assets:			
Land	973,820	154,200	1,128,020
Construction in progress	1,629,739	315,962	1,945,701
Other capital assets, net of accumulated depreciation	3,400,323	7,352,761	10,753,084
Capital assets, net	\$ 6,003,882	\$ 7,822,923	\$ 13,826,805
Total assets	\$ 11,540,318	\$ 11,374,195	\$ 22,914,513
<b>Deferred Outflows of Resources:</b>			
OPEB related items	\$ 4,905	\$ 4,482	\$ 9,387
Pension related items	28,114	23,003	51,117
Deferred charges on refunding	-	31,852	31,852
Total deferred outflows of resources	\$ 33,019	\$ 59,337	\$ 92,356
<b>Liabilities:</b>			
Accounts payable	\$ 297,715	\$ 40,611	\$ 338,326
Accrued liabilities	50,792	19,319	70,111
Unearned revenue	1,545,450	173,509	1,718,959
Accrued interest	7,872	19,226	27,098
Customer deposits	-	84,482	84,482
Long-term liabilities:			
Due within one year:			
Loans payable	-	25,325	25,325
Bonds payable	136,512	251,782	388,294
Due in more than one year:			
Compensated absences	22,856	18,729	41,585
Net OPEB liability	15,288	13,972	29,260
Loans payable	-	306,526	306,526
Bonds payable	1,087,077	1,129,577	2,216,654
Total liabilities	\$ 3,163,562	\$ 2,083,058	\$ 5,246,620
<b>Deferred Inflows of Resources:</b>			
OPEB related items	\$ 6,525	\$ 5,964	\$ 12,489
Pension related items	54,193	44,340	98,533
Lease related items	-	45,897	45,897
Deferred revenue-property taxes	360,416	-	360,416
Total deferred inflows of resources	\$ 421,134	\$ 96,201	\$ 517,335
<b>Net Position:</b>			
Net investment in capital assets	\$ 4,506,670	\$ 6,141,565	\$ 10,648,235
Restricted:			
Net pension asset	91,932	75,217	167,149
Unrestricted	3,390,039	3,037,491	6,427,530
Total net position	\$ 7,988,641	\$ 9,254,273	\$ 17,242,914

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

Statement of Activities  
 Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental activities:</b>				
General government administration	\$ 948,846	\$ -	\$ 24,000	\$ -
Public safety	4,973	-	15,000	-
Public works	154,581	25,919	697,306	-
Parks, recreation and cultural	31,696	-	1,963	-
Community development	183,463	-	-	-
Interest on long-term debt	21,432	-	-	-
Total governmental activities	\$ 1,344,991	\$ 25,919	\$ 738,269	\$ -
<b>Business-type activities:</b>				
Water & sewer	\$ 1,431,253	\$ 1,397,175	\$ 361,156	\$ 267,572
Total business-type activities	\$ 1,431,253	\$ 1,397,175	\$ 361,156	\$ 267,572
<b>Total</b>	\$ 2,776,244	\$ 1,423,094	\$ 1,099,425	\$ 267,572

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

Statement of Activities  
Year Ended June 30, 2023

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>			
<b>Governmental activities:</b>			
General government administration	\$ (924,846)	\$ -	\$ (924,846)
Public safety	10,027	-	10,027
Public works	568,644	-	568,644
Parks, recreation and cultural	(29,733)	-	(29,733)
Community development	(183,463)	-	(183,463)
Interest on long-term debt	(21,432)	-	(21,432)
Total governmental activities	\$ (580,803)	\$ -	\$ (580,803)
<b>Business-type activities:</b>			
Water & sewer	\$ -	\$ 594,650	\$ 594,650
Total business-type activities	\$ -	\$ 594,650	\$ 594,650
<b>Total</b>	\$ (580,803)	\$ 594,650	\$ 13,847
<b>General Revenues:</b>			
General real property taxes	\$ 709,374	\$ -	\$ 709,374
Local sales and use taxes	321,757	-	321,757
Business license tax	98,996	-	98,996
Cigarette tax	26,082	-	26,082
Bank franchise taxes	21,481	-	21,481
Utility tax	17,492	-	17,492
Meals tax	259,931	-	259,931
Motor vehicle licenses	55,784	-	55,784
Other local taxes	64,522	-	64,522
Unrestricted revenues from the use of money	138,136	121,215	259,351
Grants and contributions not restricted to specific programs	11,265	-	11,265
Miscellaneous	177,198	1,543	178,741
Transfers	170,616	(170,616)	-
Total general revenues and transfers	\$ 2,072,634	\$ (47,858)	\$ 2,024,776
Change in net position	\$ 1,491,831	\$ 546,792	\$ 2,038,623
Net position, beginning of year	6,496,810	8,707,481	15,204,291
Net position, end of year	\$ 7,988,641	\$ 9,254,273	\$ 17,242,914

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

## **Fund Financial Statements**

Balance Sheet  
 Governmental Funds  
 As of June 30, 2023

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 4,203,873	\$ 634,285	\$ 4,838,158
Receivables (net of allowance for uncollectibles):			
Taxes including penalties	372,569	-	372,569
Accounts	129,613	31,902	161,515
Due from other governments	71,781	-	71,781
Due from other funds	538,581	-	538,581
Prepaid items	6,354	-	6,354
Total assets	<u>\$ 5,322,771</u>	<u>\$ 666,187</u>	<u>\$ 5,988,958</u>
<b>Liabilities:</b>			
Accounts payable	\$ 31,419	\$ 266,296	\$ 297,715
Accrued liabilities	50,792	-	50,792
Unearned revenue	1,545,450	-	1,545,450
Due to other funds	-	544,454	544,454
Total liabilities	<u>\$ 1,627,661</u>	<u>\$ 810,750</u>	<u>\$ 2,438,411</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue-property taxes	\$ 366,770	\$ -	\$ 366,770
<b>Fund Balance:</b>			
Nonspendable for prepaid items	\$ 6,354	\$ -	\$ 6,354
Restricted:			
Proffers	6,018	-	6,018
Assigned:			
Debt service	235,360	-	235,360
Events	52,351	-	52,351
Capital asset replacement reserve	803,186	-	803,186
Unassigned (deficit)	2,225,071	(144,563)	2,080,508
Total fund balance (deficit)	<u>\$ 3,328,340</u>	<u>\$ (144,563)</u>	<u>\$ 3,183,777</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 5,322,771</u>	<u>\$ 666,187</u>	<u>\$ 5,988,958</u>

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
As of June 30, 2023

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Total net position reported for governmental activities in the statement of net position is different because:

Total fund balance for governmental funds (Exhibit 3)	\$	3,183,777
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	973,820	
Construction in progress		1,629,739	
Depreciable capital assets, net of accumulated depreciation		<u>3,400,323</u>	6,003,882

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

Unavailable revenue-property taxes	\$	6,354	
Net pension asset		<u>91,932</u>	98,286

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$	28,114	
OPEB related items		<u>4,905</u>	33,019

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

Compensated absences	\$	(22,856)	
Net OPEB liability		(15,288)	
Accrued interest payable		(7,872)	
Premium on bonds payable		(8,317)	
Bonds payable		<u>(1,215,272)</u>	(1,269,605)

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

Pension related items	\$	(54,193)	
OPEB related items		<u>(6,525)</u>	<u>(60,718)</u>

Total net position of governmental activities		\$	<u><u>7,988,641</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Governmental Fund  
 Year Ended June 30, 2023

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>Revenues:</b>			
General property taxes	\$ 715,480	\$ -	\$ 715,480
Other local taxes	866,045	-	866,045
Permits, privilege fees and regulatory licenses	6,275	-	6,275
Revenue from use of money and property	119,561	18,575	138,136
Charges for services	19,644	-	19,644
Miscellaneous	177,198	-	177,198
Intergovernmental:			
Commonwealth	28,228	697,306	725,534
Federal	24,000	-	24,000
Total revenues	<u>\$ 1,956,431</u>	<u>\$ 715,881</u>	<u>\$ 2,672,312</u>
<b>Expenditures:</b>			
Current:			
General government administration	\$ 837,340	\$ 110,356	\$ 947,696
Public safety	5,000	-	5,000
Public works	215,089	741,898	956,987
Parks, recreation, and cultural	31,696	-	31,696
Community development	184,607	-	184,607
Capital outlay	2,419	-	2,419
Debt service			
Principal retirement	131,603	-	131,603
Interest and fiscal charges	23,945	-	23,945
Total expenditures	<u>\$ 1,431,699</u>	<u>\$ 852,254</u>	<u>\$ 2,283,953</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 524,732</u>	<u>\$ (136,373)</u>	<u>\$ 388,359</u>
<b>Other financing sources (uses):</b>			
Transfers in	<u>\$ 170,616</u>	<u>\$ -</u>	<u>\$ 170,616</u>
Total other financing sources (uses)	<u>\$ 170,616</u>	<u>\$ -</u>	<u>\$ 170,616</u>
Net change in fund balance	\$ 695,348	\$ (136,373)	\$ 558,975
Fund balances (deficit) at beginning of year	<u>2,632,992</u>	<u>(8,190)</u>	<u>2,624,802</u>
Fund balances (deficit) at end of year	<u><u>\$ 3,328,340</u></u>	<u><u>\$ (144,563)</u></u>	<u><u>\$ 3,183,777</u></u>

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



Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance  
of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2023

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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 (Exhibit 5)	\$	558,975
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Governmental activities report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. A summary of items supporting this adjustment is as follows:

Capital outlay	\$	904,211	
Depreciation expense		<u>(137,164)</u>	767,047

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

Property taxes			(6,106)
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The issuance of long-term debt (e.g. bonds, leases, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. A summary of items supporting this adjustment is as follows:

Principal retired on long-term debt	\$	131,595	
Amortization of bond premium		<u>1,664</u>	133,259

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 the governmental funds. The following is a summary of items supporting this adjustment:

Change in compensated absences	\$	10,177	
Pension expense		25,844	
OPEB expense		1,778	
Change in interest payable		<u>857</u>	<u>38,656</u>

Change in net position of governmental activities			\$ <u><u>1,491,831</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Net Position  
 Proprietary Fund  
 As of June 30, 2023

	<u>Enterprise Fund</u>
	<u>Utilities Fund</u>
	<u>Totals</u>
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	\$ 3,308,274
Receivables (net of allowance for uncollectibles)	114,766
Leases receivable	47,142
Due from other funds	5,873
Total current assets	<u>\$ 3,476,055</u>
Noncurrent assets:	
Net pension asset	\$ 75,217
Land	154,200
Construction in progress	315,962
Capital assets, net of accumulated depreciation	7,352,761
Total noncurrent assets	<u>\$ 7,898,140</u>
Total assets	<u>\$ 11,374,195</u>
<b>Deferred Outflows of Resources:</b>	
OPEB related items	\$ 4,482
Pension related items	23,003
Deferred charges on refunding	31,852
Total deferred outflows of resources	<u>\$ 59,337</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	\$ 40,611
Accrued liabilities	19,319
Accrued interest payable	19,226
Unearned revenue	173,509
Due to other funds	-
Customer deposits	84,482
Current portion of long-term debt	277,107
Total current liabilities	<u>\$ 614,254</u>
Noncurrent liabilities:	
Compensated absences	\$ 18,729
Net OPEB liability	13,972
Long-term debt, net of current portion	1,436,103
Total noncurrent liabilities	<u>\$ 1,468,804</u>
Total liabilities	<u>\$ 2,083,058</u>
<b>Deferred Inflows of Resources:</b>	
OPEB related items	\$ 5,964
Pension related items	44,340
Lease related items	45,897
Total deferred inflows of resources	<u>\$ 96,201</u>
<b>Net Position:</b>	
Net investment in capital assets	\$ 6,141,565
Restricted for Frye Court Service Tax District	11,196
Unrestricted	3,101,512
Total net position	<u>\$ 9,254,273</u>

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

Statement of Revenues, Expenses, and Changes in Net Position  
 Proprietary Fund  
 Year Ended June 30, 2023

	<u>Enterprise Fund</u>
	<u>Utilities Fund</u>
	<u>Totals</u>
<b>Operating revenues:</b>	
Charges for services	\$ 1,249,647
Late charges	17,952
Frye Court Service District tax	10,568
Bulkwater fees	6,488
Lease revenue	112,520
Miscellaneous	1,543
Total operating revenues	\$ <u>1,398,718</u>
<b>Operating expenses:</b>	
Personnel services	\$ 401,679
Contractual services	60,815
Repairs and maintenance	153,309
Utilities	80,128
Communications	12,914
Insurance	20,375
Miscellaneous	75,331
Supplies and equipment	132,569
Depreciation	432,100
Total operating expenses	\$ <u>1,369,220</u>
Operating income (loss)	\$ <u>29,498</u>
<b>Nonoperating revenues (expenses):</b>	
Interest revenue	\$ 121,215
Federal grant	361,156
Interest expense	(62,033)
Total nonoperating revenues (expenses)	\$ <u>420,338</u>
Income (loss) before contributions and transfers	\$ <u>449,836</u>
Capital contributions	\$ 267,572
Transfers out	(170,616)
Change in net position	\$ 546,792
Net position, beginning of year	<u>8,707,481</u>
Net position, end of year	\$ <u><u>9,254,273</u></u>

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

**TOWN OF LOVETTSVILLE, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023**

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

The financial statement of the Town of Lovettsville, Virginia, conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the most significant policies:

**A. Financial Reporting Entity**

The Town of Lovettsville, Virginia, is a municipality governed by a six-member Town Council and Mayor. Daily operations are conducted by the Town Manager. The financial statements of the Town of Lovettsville, Virginia have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). The more significant of the government's accounting policies are described below.

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

The government-wide financial statement (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. 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.

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

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

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.

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

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

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

Government-Wide Financial Statements

The Town government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Town accompanied by a total column.

These statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Town are reported in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

All governmental funds are reported using current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 45 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Town, are property taxes, sales and use taxes, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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

The Events Fund is a governmental fund used to account for all financial resources of the community events held by the Town. This fund is combined in the General Fund in the financial statements.

The Capital Projects Fund is a governmental fund used to account for capital projects of the general government.

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

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

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses not meeting this definition are reported as non-operating expenses.

The Town reports the following major proprietary fund:

Utilities Fund-accounts for the activities related to the provision of water and sewer services to Town's businesses, residents, schools, and churches. The Town operates and maintains its wells and water distribution system, and its sewer treatment plant and sewer collection system.

**D. Assets, Liabilities and Equity**

Cash and Cash Equivalents

For purposes of reporting cash flows, the Town considers all cash on hand, checking accounts, savings accounts, money market funds and highly liquid instruments with a maturity of three months or less to be cash and cash equivalents. All certificates of deposit, regardless of maturity, are considered to be cash and cash equivalents.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical collection data and specific account analysis. Major receivable balances for the governmental activities include sales and use taxes and utility taxes. Business-type activities report utility services as their major receivable. The Town grants credit to the customers of its water and sewer systems. The customers are either local businesses or residents.

In the fund financial statements, major receivable balances and the allowances for uncollectible accounts are the same as those in the governmental and business-type activities.

**TOWN OF LOVETTSVILLE, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)**

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

**D. Assets, Liabilities and Equity (Continued)**

Property Taxes

Real estate taxes are assessed semi-annually by Loudoun 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 County collects real estate taxes on a semi-annual basis. The portion of the tax receivable that is not collected within 45 days after June 30 is shown as deferred revenue in the fund financial statements. The tax rate assessed for calendar year 2022 was .178 per \$100 valuation and decreased to a rate of .1625 per \$100 valuation for calendar year 2023. A penalty of 10 percent of the tax is assessed after the applicable payment date.

The taxes receivable balance at June 30, 2023, consists of amounts billed before June 30, 2023. Amounts not yet billed or received from Loudoun County, Virginia from the January 1, 2023, levy (due December 5, 2023), are included in due from other governmental units. These items are included in deferred revenue since these taxes are restricted for use until fiscal year 2024.

The Town calculates its allowance for uncollectible delinquent property tax accounts using historical collection data and specific account analysis. No allowance was deemed necessary at June 30, 2023.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Interfund Receivables and Payables

During the course of operations, transactions occur that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds are eliminated in the Statement of Net Position so that only the net amount is included as internal balances in the governmental activities' column. The Town's General Fund has a due from the Utilities Fund in the amount of \$5,873, and amount due from the Capital Projects Fund of \$544,454 at June 30, 2023.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items owned by the Town), are reported in the applicable governmental or business-type activities columns. In general, the Town defines capital assets as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Capital assets are carried at historical cost except for donated capital assets that are recorded at their acquisition value at the date of donation.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

**TOWN OF LOVETTSVILLE, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)**

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

**D. Assets, Liabilities and Equity (Continued)**

Capital Assets (Continued)

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and Improvements	30-50 years
Land Improvements	20 years
Utility System	25-40 years
Machinery and Equipment	5-10 years
Infrastructure	20-40 years

Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Compensated Absences

Vested or accumulated vacation leave is reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. 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 is estimated will be paid upon retirement, which is liquidated in the Town general fund. Sick leave is paid upon separation of employment with the Town up to an amount equal to 25 percent of the unused balance.

Unearned Revenue

Unearned revenue is recorded when asset recognition criteria (measurable) have been met, but revenue recognition (available) criteria have not been met.

Long-Term Debt

The accounting treatment of the long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds, loans and notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Payment of principal and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The accounting for the proprietary funds is the same in the fund financial statements as it is in the government-wide statements.



**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities and Equity (Continued)**

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Town has three items that qualify for reporting in this category. One 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 other two items are deferred pension and OPEB amounts. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of net position or balance sheet includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently has multiple items (property taxes, vehicle license billing, and deferred pension and OPEB amounts) that qualify for reporting in this category. For more detailed information on these items, reference the related notes.

Fund Balance

In the governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable** - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted** - Amounts that can be spent only for specific purposes because of the Town Charter, the Town Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed** - Amounts that can be used only for specific purposes determined by a formal action by Town Council ordinance or resolution. This includes the Budget Reserve Account.
- **Assigned** - Amounts that are designated by the Town Council for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by Town Council.
- **Unassigned** - All amounts available for any other purpose positive amounts are only reported in the general fund.

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities and Equity (Continued)**

*Government-Wide Statements*

Net Position

Net position is comprised of three components:

- a. Net investment in capital assets-consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- b. Restricted net position-consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These assets are reduced by liabilities and deferred inflows of resources related to those assets.
- c. Unrestricted-all other net position is reported in this category.

**E. Revenues, Expenditures, and Expenses**

Governmental Fund Revenues

As mentioned above, governmental fund revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Accordingly, property taxes not collected within 45 days after year-end are reflected unavailable revenues. The Town recognizes sales and utility taxes remitted to the Town as revenues and receivables in the month preceding receipt. Licenses and permits 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 specific expenditure.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. They also include all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Revenues, Expenditures, and Expenses (Continued)**

Sewer and Water Availability Fees

Sewer and water availability fees are recorded as revenue when received. Fees recorded in the Utilities Fund are shown as capital contributions in the Statement of Revenues, Expenses and Changes in Fund Position. The same fees are presented in the government-wide Statement of Activities as capital grants and contributions. Council has designated that the sewer availability fees will be used to pay debt incurred in building the wastewater treatment plant and other sewer system improvements. The Council has also designated that the water availability fees will be used to pay for future water system improvements.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified by function for the governmental fund and by operating and nonoperating for the proprietary funds.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to the use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers.

Fringe benefits

Fringe benefits of the Town include:

- a. Social Security System - All employees participate in the Federal Social Security Program. The employer share of FICA taxes for the employees is the responsibility of the Town.
- b. Health Insurance - The Town provides health insurance coverage for all electing full-time, salaried permanent employees.
- c. Pension Plan - Employees of the Town participate in the Virginia Retirement System (VRS). The VRS is administered by the Commonwealth, which bills the Town for the employer share of contributions. The VRS is obligated to pay a monthly benefit to participants upon retirement with the amount of the benefit depending on length of service and earnings.

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

**F. Use of Estimates**

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

**G. Flow Assumption**

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town's policy is to first apply the expenditure toward the restricted fund balance and then to other, less restrictive classifications- committed and then assigned fund balances before using unassigned fund balances.

**H. Pensions**

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

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

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI 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.

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

**J. Leases**

The Town leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

*Lessor*

The Town recognizes leases receivable and deferred inflows of resources in the utilities fund. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

*Key Estimates and Judgements*

Lease accounting includes estimates and judgements for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain period covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease receivable.

The Town monitors changes in circumstances that would require a remeasurement or modification of its leases. The Town will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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

**A. Budgetary Information**

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. Amounts shown in the accompanying financial statements as "budget" represent the original and final operating budget for the fiscal year 2023.

**TOWN OF LOVETTSVILLE, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)**

**NOTE 3—DEPOSITS AND INVESTMENTS**

Deposits

Below is a summary of the Town's accounts/deposits at June 30, 2023:

<u>Account</u>	<u>Bank</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
<b>General</b>			
Checking	Truist	\$ 857,295	\$ 857,295
Unassigned fund balance	Virginia Investment Pool	1,427,451	1,427,451
Capital asset replacement fund	Virginia Investment Pool	634,286	634,286
General ARPA Funds	Virginia Investment Pool	1,609,410	1,609,410
General debt reserve	Virginia Investment Pool	236,378	236,378
Proffers reserve	Virginia Investment Pool	6,043	6,043
Checking - Oktoberfest	Truist	33,440	3,220
Events Fund	Virginia Investment Pool	33,655	33,655
Petty cash	N/A	200	-
Total general government		<u>\$ 4,838,158</u>	<u>\$ 4,807,738</u>
<b>Utilities</b>			
Checking	Truist	\$ 51,068	\$ 233,470
Certificate of Deposit - Sewer	Truist	116,335	116,335
Certificate of Deposit - Water	Truist	79,186	79,186
Frye Ct District	Virginia Investment Pool	11,244	11,244
Three month reserve fund	Virginia Investment Pool	627,806	627,806
Utility ARPA Funds	Virginia Investment Pool	380,455	380,455
Unrestricted utility	Virginia Investment Pool	1,639,897	1,639,897
Utility debt reserve	Virginia Investment Pool	402,283	402,283
Total business-type		<u>\$ 3,308,274</u>	<u>\$ 3,490,676</u>
Total reporting entity		<u>\$ 8,146,432</u>	<u>\$ 8,298,414</u>

All cash of the Town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, §2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. 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 percent to 130 percent of excess deposits. Accordingly, all deposits are considered fully collateralized.

**TOWN OF LOVETTSVILLE, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)**

**NOTE 3–DEPOSITS AND INVESTMENTS (CONTINUED)**

Investments

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

Credit Risk of Debt Securities

The Town limits the investments of funds to those with credit ratings of at least Aa3/AA-. The Town’s rated debt investments as of June 30, 2023 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

<b>Rated Debt Investments' Values</b>		
<b>Investment Type</b>	<b>Value</b>	<b>AAAm</b>
Virginia Investment Pool - Liquidity pool	\$ 6,987,803	\$ 6,987,803
Total	<u>\$ 6,987,803</u>	<u>\$ 6,987,803</u>

Interest Rate Risk

The Town does not have a formal policy relating to interest rate risk.

<b>Investment Type</b>	<b>Fair Value</b>	<b>Less than 1 Year</b>
Virginia Investment Pool - Liquidity pool	\$ 6,987,803	\$ 6,987,803
Total	<u>\$ 6,987,803</u>	<u>\$ 6,987,803</u>

Custodial Credit Risk

The Town’s investments are all insured, registered in the Town’s name and held in an account in the Town’s name, or invested in an external investment pool.

Fair Value Measurements

Fair value of the Virginia Investment Pool is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town has measured fair value of the above investments at the net asset value (NAV). The Virginia Investment Pool has a limit of two withdrawals per month.

**TOWN OF LOVETTSVILLE, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)**

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**NOTE 4–RECEIVABLES**

Receivables as of June 30, 2023, for the government's individual capital projects funds including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Utilities Sewer</u>	<u>Total</u>
Receivables:				
Utilities	\$ 1,118	\$ -	\$ -	\$ 1,118
Meals and occupancy	23,848	-	-	23,848
Accounts	<u>104,647</u>	<u>31,902</u>	<u>114,766</u>	<u>251,315</u>
Net total receivables	<u>\$ 129,613</u>	<u>\$ 31,902</u>	<u>\$ 114,766</u>	<u>\$ 276,281</u>

**NOTE 5–DUE FROM OTHER GOVERNMENTAL UNITS**

Due from other governmental units consists of the following:

Governmental activities

Commonwealth of Virginia:

Department of Taxation, communication tax collected for the Town	\$ 741
Highway construction	2,732

County of Loudoun, Virginia:

Sales tax collected for the Town	64,189
Other taxes collected for the Town	4,004
Auto decals fees collected for the Town	115
Total	<u>\$ 71,781</u>



**TOWN OF LOVETTSVILLE, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)**

**NOTE 6—CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 973,820	\$ -	\$ -	\$ 973,820
Construction in progress	725,528	904,211	-	1,629,739
Total capital assets not being depreciated	<u>\$ 1,699,348</u>	<u>\$ 904,211</u>	<u>\$ -</u>	<u>\$ 2,603,559</u>
Capital assets being depreciated				
Buildings and improvements	\$ 1,060,664	\$ -	\$ -	\$ 1,060,664
Land improvements	559,128	-	-	559,128
Machinery and equipment	132,169	-	-	132,169
Infrastructure	2,738,804	-	-	2,738,804
Total capital assets being depreciated	<u>\$ 4,490,765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,490,765</u>
Accumulated depreciation				
Buildings and improvements	\$ 118,407	\$ 25,866	\$ -	\$ 144,273
Land improvements	281,606	24,140	-	305,746
Machinery and equipment	88,042	11,871	-	99,913
Infrastructure	465,223	75,287	-	540,510
Total accumulated depreciation	<u>\$ 953,278</u>	<u>\$ 137,164</u>	<u>\$ -</u>	<u>\$ 1,090,442</u>
Total capital assets being depreciated, net	<u>\$ 3,537,487</u>	<u>\$ (137,164)</u>	<u>\$ -</u>	<u>\$ 3,400,323</u>
Governmental activities capital assets, net	<u>\$ 5,236,835</u>	<u>\$ 767,047</u>	<u>\$ -</u>	<u>\$ 6,003,882</u>

TOWN OF LOVETTSVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)

**NOTE 6—CAPITAL ASSETS: (CONTINUED)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>				
Capital assets not being depreciated				
Land	\$ 154,200	\$ -	\$ -	\$ 154,200
Construction in progress	71,097	244,865	-	315,962
Total capital assets not being depreciated	<u>\$ 225,297</u>	<u>\$ 244,865</u>	<u>\$ -</u>	<u>\$ 470,162</u>
Capital assets being depreciated				
Utility system	\$ 14,673,717	\$ 33,491	\$ -	\$ 14,707,208
Total capital assets being depreciated	<u>\$ 14,673,717</u>	<u>\$ 33,491</u>	<u>\$ -</u>	<u>\$ 14,707,208</u>
Accumulated depreciation				
Utility system	\$ 6,922,347	\$ 432,100	\$ -	\$ 7,354,447
Total accumulated depreciation	<u>\$ 6,922,347</u>	<u>\$ 432,100</u>	<u>\$ -</u>	<u>\$ 7,354,447</u>
Total capital assets being depreciated, net	<u>\$ 7,751,370</u>	<u>\$ (398,609)</u>	<u>\$ -</u>	<u>\$ 7,352,761</u>
Business-type activities capital assets, net	<u>\$ 7,976,667</u>	<u>\$ (153,744)</u>	<u>\$ -</u>	<u>\$ 7,822,923</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

	<u>Amount</u>
<b>Governmental Activities</b>	
General government administration	\$ 56,857
Public works	78,807
Community development	1,500
Total depreciation expense - governmental activities	<u>\$ 137,164</u>
<b>Business-type Activities</b>	
Utilities	<u>\$ 432,100</u>
Total depreciation expense - business-type activities	<u>\$ 432,100</u>

**TOWN OF LOVETTSVILLE, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)**

**NOTE 7–DEFERRED/UNAVAILABLE REVENUE**

Unavailable/deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available.

Unavailable Property Tax Revenue – Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$366,215 (including 2<sup>nd</sup> half tax billings of \$367,920 not due until December 5) at June 30, 2023.

Prepaid Property Taxes – Property taxes due subsequent to June 30, 2023, but paid in advance by the taxpayers totaled \$555 at June 30, 2023.

**NOTE 8–LONG-TERM OBLIGATIONS**

A summary of long-term debt activity for the year ended June 30, 2023, is as follows. Additional detailed information is available on the following pages.

	<u>Beginning Balances</u>	<u>Issuances/ Additions</u>	<u>Retirements/ Reductions</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
<b><u>Governmental activities</u></b>					
General obligation bonds	\$ 1,346,867	\$ -	\$ 131,595	\$ 1,215,272	\$ 134,848
Premium on bond issuance	9,981	-	1,664	8,317	1,664
Compensated absences	30,033	-	7,177	22,856	-
Net OPEB liability	14,174	13,311	12,197	15,288	-
	<u>\$ 1,401,055</u>	<u>\$ 13,311</u>	<u>\$ 152,633</u>	<u>\$ 1,261,733</u>	<u>\$ 136,512</u>
<b><u>Business-type activities</u></b>					
General obligation and revenue bonds	\$ 1,543,409	\$ -	\$ 216,091	\$ 1,327,318	\$ 231,684
Premium on bond issuance	78,422	-	24,381	54,041	20,098
Equipment loan	356,334	-	24,483	331,851	25,325
Compensated absences	11,986	6,743	-	18,729	-
Net OPEB liability	12,953	12,167	11,148	13,972	-
	<u>\$ 2,003,104</u>	<u>\$ 18,910</u>	<u>\$ 276,103</u>	<u>\$ 1,745,911</u>	<u>\$ 277,107</u>

TOWN OF LOVETTSVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)

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

**Governmental activities**

*Details of long-term obligations:*

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Direct borrowings and placements</u>		
<u>General Obligation Bond:</u>		
\$1,263,000 General obligation bond issued November 3, 2020 payable in annual principal payments ranging from \$120,000 to \$130,000 and semi-annual interest payments at 1.57 percent with final payment due February 1, 2031.	\$ 1,016,378	\$ 125,679
\$225,000 General obligation bond issued April 24, 2021 payable in semi-annual installments of \$7,487, bearing interest at 2.95 percent. Final payment due April 15, 2040.	<u>198,894</u>	<u>9,169</u>
Total general obligation bonds	\$ <u>1,215,272</u>	\$ <u>134,848</u>
Premium on bond issuance	\$ <u>8,317</u>	\$ <u>1,664</u>
Compensated absences	\$ <u>22,856</u>	\$ <u>-</u>
Net OPEB liability	\$ <u>15,288</u>	\$ <u>-</u>
Total governmental activities obligations	\$ <u><u>1,261,733</u></u>	\$ <u><u>136,512</u></u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 134,848	\$ 21,762
2025	137,694	19,516
2026	133,527	17,219
2027	134,292	14,990
2028	136,441	12,741
2029-2033	444,553	30,758
2034-2038	65,203	9,665
2039-2040	<u>28,714</u>	<u>1,233</u>
Total	\$ <u><u>1,215,272</u></u>	\$ <u><u>127,884</u></u>

TOWN OF LOVETTSVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)

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

**Business-type activities**

*Details of long-term obligations:*

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Direct borrowings and placements</u>		
<u>General Obligation and Revenue Bonds:</u>		
\$2,005,000 Series 2015A Refunding Revenue bonds issued through Virginia Resource Authority on May 28, 2015, bearing interest at 3.125 percent to 5.125 percent payable in semi-annual installments. Principal payable annually through October 1, 2027.	\$ 1,125,000	\$ 205,000
\$476,327 Virginia Resource Authority bond issued October 23, 2009, payable in semi-annual installments of \$17,284, bearing interest at 2.65 percent. Final payment due March 1, 2030.	<u>202,318</u>	<u>26,684</u>
Total general obligation and revenue bonds	\$ <u>1,327,318</u>	\$ <u>231,684</u>
Premium on bond issuance	\$ <u>54,041</u>	\$ <u>20,098</u>
<u>Equipment Loan</u>		
\$425,000 Tax-Exempt Lease/Purchase Agreement made on February 15, 2019, payable in semi-annual installments of \$18,220, bearing interest at 3.414 percent. Final payment due February 15, 2034.	\$ <u>331,851</u>	\$ <u>25,325</u>
Compensated absences	\$ <u>18,729</u>	\$ -
Net OPEB liability	\$ <u>13,972</u>	\$ -
Total business-type activities	\$ <u><u>1,745,911</u></u>	\$ <u><u>277,107</u></u>

TOWN OF LOVETTSVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)

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

**Business-type activities (Continued)**

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

<u>Year Ending June 30</u>	<u>General Obligation &amp; Revenue Bonds</u>		<u>Equipment Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 231,684	\$ 52,692	\$ 25,325	\$ 11,115
2025	237,396	41,345	26,197	10,243
2026	253,126	29,468	27,099	9,341
2027	268,877	16,802	28,033	8,408
2028	274,647	6,053	28,998	7,443
2029-2033	61,588	2,056	160,671	21,532
2034	-	-	35,528	912
Total	\$ <u>1,327,318</u>	\$ <u>148,416</u>	\$ <u>331,851</u>	\$ <u>68,994</u>

**NOTE 9—FUND BALANCE AND NET POSITION**

Designations segregate portions of the fund balance and net position that are earmarked for specific purposes. The Town Council and management establish the various designations.

Fund balance and net position in the Fund Financial Statements are classified as follows:

**General Fund**

Nonspendable prepaid items	\$ 6,307
Restricted:	
Proffers	6,018
Assigned:	
Debt Service	235,360
Events	52,351
Capital asset replacement	803,186
Unassigned	1,741,620
Fund Balance, General Fund	\$ <u>2,844,842</u>

**Utilities Fund**

Net investment in capital assets	\$ 6,141,565
Restricted:	
Frye Court Service Tax District	11,196
Unrestricted net position	2,978,350
Net Position	\$ <u>9,131,111</u>

**TOWN OF LOVETTSVILLE, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)**

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**NOTE 10—LEASES RECEIVABLE**

The Town leases properties to third parties. Lease revenue totaled \$107,888 for the business-type activities for the year ended June 30, 2023. Lease interest revenue totaled \$783 for the year ended June 30, 2023. Discount rates vary on lease receivables from 1.00% to 2.00%. Leases are due monthly, with ending lease terms ranging from December 2024 to December 2027. The following summarizes the balances related to these leases for the year ended June 30, 2023:

	<b>Business-type Activities</b>
AT&T cell tower lease	\$ 5,278
Verizon cell tower lease	23,752
Verizon cell tower lease (water tower)	18,112
Total	<u>\$ 47,142</u>

**NOTE 11—COMPENSATED ABSENCES**

The Town has accrued liabilities arising from compensated absences.

Town employees earn annual leave at various rates. Sick leave is paid upon separation of employment with the Town up to an amount equal to 25 percent of the unused balance. Accumulated vacation and annual leave is paid upon termination up to a maximum of 280 hours. The Town's General fund has outstanding accrued leave pay totaling \$22,856 and the Utilities Fund has outstanding accrued leave pay of \$18,729.

**NOTE 12—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 a public entity risk pool that operates as a common risk management and insurance program for member municipalities. The Town is not self-insured.

The Town has insurance coverage with the Virginia Risk Sharing Association (VRSA). 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 bear 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.

**NOTE 13—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.



**NOTE 13--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, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Primary Government</b>
Inactive members or their beneficiaries currently receiving benefits	2
Inactive members:	
Vested inactive members	1
Inactive members active elsewhere in VRS	6
Total inactive members	7
Active members	8
Total covered employees	17

***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.

**TOWN OF LOVETTSVILLE, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)**

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**NOTE 13—PENSION PLAN (CONTINUED)**

***Contributions: (Continued)***

The Town’s contractually required employer contribution rate for the year ended June 30, 2023 was 4.35% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 \$21,637 and \$36,922 for the years ended June 30, 2023 and June 30, 2022, respectively.

***Net Pension Asset***

The net pension asset (NPA) 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 asset was measured as of June 30, 2022. The total pension liabilities used to calculate the net pension asset were determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022.

***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, 2021, 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, 2022.

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

**Mortality rates:**

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

**TOWN OF LOVETTSVILLE, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)**

**NOTE 13–PENSION PLAN (CONTINUED)**

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

Mortality rates: (Continued)

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

***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, 2021, 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, 2022.

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

**TOWN OF LOVETTSVILLE, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)**

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**NOTE 13--PENSION PLAN (CONTINUED)**

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

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**TOWN OF LOVETTSVILLE, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)**

**NOTE 13--PENSION PLAN (CONTINUED)**

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

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

<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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

\*The above allocation provides a one-year expected return of 7.83%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

\*\*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

***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 and was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, 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, 2021 actuarial valuations, whichever was greater. From July 1, 2022 on, participating

TOWN OF LOVETTSVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)

**NOTE 13—PENSION PLAN (CONTINUED)**

**Discount Rate (Continued)**

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 (Asset)**

	<b>Primary Government</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</b>
Balances at June 30, 2021	\$ 608,814	\$ 779,940	\$ (171,126)
Changes for the year:			
Service cost	\$ 44,971	\$ -	\$ 44,971
Interest	44,075	-	44,075
Differences between expected and actual experience	(25,943)	-	(25,943)
Contributions - employer	-	36,922	(36,922)
Contributions - employee	-	25,352	(25,352)
Net investment income	-	(2,714)	2,714
Benefit payments, including refunds	(1,652)	(1,652)	-
Administrative expenses	-	(454)	454
Other changes	-	20	(20)
Net changes	\$ 61,451	\$ 57,474	\$ 3,977
Balances at June 30, 2022	\$ 670,265	\$ 837,414	\$ (167,149)

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

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

	<b>Rate</b>		
	<b>1% Decrease (5.75%)</b>	<b>Current Discount (6.75%)</b>	<b>1% Increase (7.75%)</b>
Town			
Net Pension Liability (Asset)	\$ (48,298)	\$ (167,149)	\$ (260,676)

TOWN OF LOVETTSVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)

**NOTE 13—PENSION PLAN (CONTINUED)**

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

For the year ended June 30, 2023, the Town recognized pension expense of (\$23,889). At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Primary Government</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 15,199	\$ 80,231
Change in assumptions	14,281	537
Net difference between projected and actual earnings on pension plan investments	-	17,765
Employer contributions subsequent to the measurement date	<u>21,637</u>	<u>-</u>
Total	<u>\$ 51,117</u>	<u>\$ 98,533</u>

\$21,637 was reported as deferred outflows of resources related to pensions resulting from the Town’s contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<b>Year Ended June 30</b>	<b>Primary Government</b>
2024	\$ (31,479)
2025	(34,678)
2026	(14,725)
2027	11,829
2028	-
Thereafter	-

***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2022-annual-report.pdf> or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**NOTE 14—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN)**

***Plan Description***

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

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

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

***Eligible Employees***

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

***Benefit Amounts***

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt 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 \$8,984 as of June 30, 2023.



**NOTE 14—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN) (CONTINUED)**

***Contributions***

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 Group Life Insurance Plan from the entity were \$2,936 and \$2,859 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life insurance Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

***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, 2023, the entity reported a liability of \$29,260 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 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, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was .00240% as compared to .00230% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$272. 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 LOVETTSVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)

**NOTE 14—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, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,317	\$ 1,174
Net difference between projected and actual earnings on GLI OPEB plan investments	-	1,828
Change in assumptions	1,091	2,850
Changes in proportionate share	3,043	6,637
Employer contributions subsequent to the measurement date	<u>2,936</u>	<u>-</u>
Total	<u>\$ 9,387</u>	<u>\$ 12,489</u>

\$2,936 was 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2024	\$ (1,175)
2025	(1,162)
2026	(2,697)
2027	(1,019)
2028	15
Thereafter	-

**NOTE 14--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, 2021, 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, 2022. 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

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

**TOWN OF LOVETTSVILLE, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)**

**NOTE 14–GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN) (CONTINUED)**

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

**Pre-Retirement:**

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

**Post-Retirement:**

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

**Post-Disablement:**

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

**Mortality Improvement Scale:**

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

**TOWN OF LOVETTSVILLE, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)**

**NOTE 14—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN) (CONTINUED)**

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

***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, 2022, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		<b><u>GLI OPEB Plan</u></b>
Total GLI OPEB Liability	\$	3,672,085
Plan Fiduciary Net Position		<u>2,467,989</u>
GLI Net OPEB Liability (Asset)	\$	<u><u>1,204,096</u></u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.21%

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 LOVETTSVILLE, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)**

**NOTE 14—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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

\*The above allocation provides a one-year return of 7.83%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

\*\* On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023 (Continued)

**NOTE 14—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN) (CONTINUED)**

***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 employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, 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, 2022 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.

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town's proportionate share of the GLI Plan Net OPEB Liability	\$ 42,576	\$ 29,260	\$ 18,498

***GLI Plan Fiduciary Net Position***

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**NOTE 15—COVID-19 PANDEMIC FUNDING**

**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 were to receive funds in two tranches, with 50% provided beginning in June 2021 and the second tranche received in FY2023.

On June 30, 2021, the Town received its share of the first half of the CSLFRF funds in the amount of \$1,140,231. On July 22, 2022, the Town received its share of the second half of the CSLFRF funds in the amount of \$1,140,231. 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 \$1,699,825 are reported as unearned revenue as of June 30.

**NOTE 16—UPCOMING PRONOUNCEMENTS**

Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to reporting periods beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Implementation Guide No. 2021-1, *Implementation Guidance Update—2021, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.*

Implementation Guide No. 2023-1, *Implementation Guidance Update—2023, effective for fiscal years beginning after June 15, 2023.*

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



Statement of Cash Flows  
 Proprietary Fund  
 Year Ended June 30, 2023

	<b>Enterprise Fund</b>
	<b>Utilities Fund</b>
	<b>Totals</b>
<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 1,467,877
Payments to and for employees	(487,177)
Payments to suppliers	(497,879)
Net cash provided by (used for) operating activities	\$ 482,821
<b>Cash flows from capital and related financing activities:</b>	
Purchase of capital assets	\$ (278,356)
Interest payments on long-term debt	(75,021)
Principal payments on long-term debt	(240,574)
Capital contributions received	267,572
Net cash provided by (used for) capital and related financing activities	\$ (326,379)
<b>Cash flows from investing activities:</b>	
Investment income	\$ 121,215
<b>Cash flows from noncapital financing activities:</b>	
Net transfers from (to) other funds	\$ (262,959)
Net increase (decrease) in cash and cash equivalents	\$ 14,697
Cash and cash equivalents at beginning of year - including restricted	3,293,577
Cash and cash equivalents at end of year - including restricted	\$ 3,308,274
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ 29,498
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	432,100
Changes in operating accounts:	
Accounts receivable	4,268
Leases receivable	64,840
Deferred outflows - GLI OPEB	347
Deferred outflows - pension	18,508
Accounts payable and accrued liabilities	31,311
Compensated absences	6,743
Net OPEB asset	1,019
Net pension liability	1,790
Deferred inflows - GLI OPEB	(2,991)
Deferred inflows - pension	(39,980)
Deferred inflows - leases	(64,683)
Customer deposits	51
Net cash provided by (used for) operating activities	\$ 482,821

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

## **Required Supplementary Information**

Note to Required Supplementary Information:

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

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 General Fund  
 Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
General property taxes	\$ 726,218	\$ 726,218	\$ 715,480	\$ (10,738)
Other local taxes	671,753	671,753	866,045	194,292
Permits, privilege fees and regulatory licenses	2,500	2,500	6,275	3,775
Revenue from use of money and property	4,500	4,500	119,561	115,061
Charges for services	500	500	19,644	19,144
Miscellaneous	267,901	267,901	177,198	(90,703)
Intergovernmental:				
Commonwealth	29,700	29,700	28,228	(1,472)
Federal	100,000	100,000	24,000	(76,000)
Total revenues	<u>\$ 1,803,072</u>	<u>\$ 1,803,072</u>	<u>\$ 1,956,431</u>	<u>\$ 153,359</u>
<b>Expenditures:</b>				
Current:				
General government administration	\$ 973,337	\$ 958,997	\$ 837,340	\$ 121,657
Public safety	17,000	17,000	5,000	12,000
Public works	239,200	247,818	215,089	32,729
Parks, recreation, and cultural	53,456	53,456	31,696	21,760
Community development	290,550	297,366	184,607	112,759
Capital outlay	279,500	279,500	2,419	277,081
Debt service				
Principal retirement	134,490	131,605	131,603	2
Interest and fiscal charges	21,060	23,945	23,945	-
Total expenditures	<u>\$ 2,008,593</u>	<u>\$ 2,009,687</u>	<u>\$ 1,431,699</u>	<u>\$ 577,988</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (205,521)</u>	<u>\$ (206,615)</u>	<u>\$ 524,732</u>	<u>\$ 731,347</u>
<b>Other financing sources (uses):</b>				
Transfers in	<u>\$ 170,616</u>	<u>\$ 170,616</u>	<u>\$ 170,616</u>	<u>\$ -</u>
Total other financing sources (uses)	<u>\$ 170,616</u>	<u>\$ 170,616</u>	<u>\$ 170,616</u>	<u>\$ -</u>
Net change in fund balances	\$ (34,905)	\$ (35,999)	\$ 695,348	\$ 731,347
Fund balances at beginning of year	<u>34,905</u>	<u>35,999</u>	<u>2,632,992</u>	<u>2,596,993</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,328,340</u>	<u>\$ 3,328,340</u>

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
Primary Government  
For the Measurement Dates of June 30, 2014 through June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total pension liability</b>					
Service cost	\$ 44,971	\$ 76,816	\$ 78,085	\$ 56,648	\$ 55,068
Interest	44,075	40,362	32,553	26,999	21,824
Differences between expected and actual experience	(25,943)	(121,423)	11,468	59	(2,901)
Changes of assumptions	-	15,535	-	18,876	-
Benefit payments	(1,652)	(860)	(11,969)	(68)	(68)
<b>Net change in total pension liability</b>	<u>\$ 61,451</u>	<u>\$ 10,430</u>	<u>\$ 110,137</u>	<u>\$ 102,514</u>	<u>\$ 73,923</u>
<b>Total pension liability - beginning</b>	608,814	598,384	488,247	385,733	311,810
<b>Total pension liability - ending (a)</b>	<u><u>\$ 670,265</u></u>	<u><u>\$ 608,814</u></u>	<u><u>\$ 598,384</u></u>	<u><u>\$ 488,247</u></u>	<u><u>\$ 385,733</u></u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 36,922	\$ 34,474	\$ 29,757	\$ 29,476	\$ 27,213
Contributions - employee	25,352	23,804	29,043	28,734	24,801
Net investment income	(2,714)	162,986	9,995	30,736	26,296
Benefit payments	(1,652)	(860)	(11,969)	(68)	(68)
Administrator charges	(454)	(339)	(291)	(226)	(179)
Other	20	16	(13)	(20)	(26)
<b>Net change in plan fiduciary net position</b>	<u>\$ 57,474</u>	<u>\$ 220,081</u>	<u>\$ 56,522</u>	<u>\$ 88,632</u>	<u>\$ 78,037</u>
<b>Plan fiduciary net position - beginning</b>	779,940	559,859	503,337	414,705	336,668
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 837,414</u></u>	<u><u>\$ 779,940</u></u>	<u><u>\$ 559,859</u></u>	<u><u>\$ 503,337</u></u>	<u><u>\$ 414,705</u></u>
<b>Town's net pension liability (asset) - ending (a) - (b)</b>	\$ (167,149)	\$ (171,126)	\$ 38,525	\$ (15,090)	\$ (28,972)
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	124.94%	128.11%	93.56%	103.09%	107.51%
<b>Covered payroll</b>	\$ 529,388	\$ 490,074	\$ 591,279	\$ 585,180	\$ 550,620
<b>Town's net pension liability (asset) as a percentage of covered payroll</b>	-31.57%	-34.92%	6.52%	-2.58%	-5.26%

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

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
 Primary Government  
 For the Measurement Dates of June 30, 2014 through June 30, 2022

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>				
Service cost	\$ 51,718	\$ 49,173	\$ 39,110	\$ 36,166
Interest	17,265	13,741	6,423	3,637
Differences between expected and actual experience	3,739	(12,577)	59,014	-
Changes of assumptions	(7,545)	-	-	-
Benefit payments	(6)	-	-	-
<b>Net change in total pension liability</b>	<u>\$ 65,171</u>	<u>\$ 50,337</u>	<u>\$ 104,547</u>	<u>\$ 39,803</u>
<b>Total pension liability - beginning</b>	<u>246,639</u>	<u>196,302</u>	<u>91,755</u>	<u>51,952</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 311,810</u></u>	<u><u>\$ 246,639</u></u>	<u><u>\$ 196,302</u></u>	<u><u>\$ 91,755</u></u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 27,704	\$ 30,137	\$ 26,970	\$ 23,007
Contributions - employee	25,290	23,400	21,041	32,974
Net investment income	34,012	5,026	7,499	15,109
Benefit payments	(6)	-	-	-
Administrator charges	(140)	(85)	(53)	(34)
Other	(33)	(2)	(1)	1
<b>Net change in plan fiduciary net position</b>	<u>\$ 86,827</u>	<u>\$ 58,476</u>	<u>\$ 55,456</u>	<u>\$ 71,057</u>
<b>Plan fiduciary net position - beginning</b>	<u>249,841</u>	<u>191,365</u>	<u>135,909</u>	<u>64,852</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 336,668</u></u>	<u><u>\$ 249,841</u></u>	<u><u>\$ 191,365</u></u>	<u><u>\$ 135,909</u></u>
<b>Town's net pension liability (asset) - ending (a) - (b)</b>	\$ (24,858)	\$ (3,202)	\$ 4,937	\$ (44,154)
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	107.97%	101.30%	97.48%	148.12%
<b>Covered payroll</b>	\$ 518,076	\$ 500,141	\$ 435,845	\$ 317,750
<b>Town's net pension liability (asset) as a percentage of covered payroll</b>	-4.80%	-0.64%	1.13%	-13.90%

Schedule of Employer Contributions  
Pension Plan  
Years Ended June 30, 2015 through June 30, 2023

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<u>Date</u>	<u>Contractually Required Contribution (1)*</u>	<u>Contributions in Relation to Contractually Required Contribution (2)*</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
2023	\$ 21,637	\$ 21,637	\$ -	\$ 543,650	3.98%
2022	36,922	36,922	-	529,388	6.97%
2021	35,481	35,481	-	490,074	7.24%
2020	30,569	30,569	-	591,279	5.17%
2019	30,254	30,254	-	585,180	5.17%
2018	46,435	46,435	-	550,620	8.43%
2017	44,781	44,781	-	518,076	8.64%
2016	51,284	51,284	-	500,141	10.25%
2015	27,720	27,720	-	435,845	6.36%

\*Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

Schedule is intended to show information for 10 years. Since 2023 is the ninth year for this presentation, only nine years of data are available. However, additional years be will included as they become available.

Notes to Required Supplementary Information  
 Pension Plan  
 Year Ended June 30, 2023

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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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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, 2022

<b>Date</b>	<b>Employer's Proportion of the Net GLI OPEB Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)</b>	<b>Employer's Covered Payroll</b>	<b>Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)</b>	<b>Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>
2022	0.0024%	\$ 29,260	\$ 529,388	5.53%	67.21%
2021	0.0023%	27,127	480,913	5.64%	67.45%
2020	0.0029%	48,396	596,601	8.11%	52.64%
2019	0.0030%	49,306	593,763	8.30%	52.00%
2018	0.0027%	41,000	514,393	7.97%	51.22%
2017	0.0029%	43,000	550,620	7.81%	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  
 Years Ended June 30, 2018 through June 30, 2023

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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>
2023	\$ 2,936	\$ 2,936	\$ -	\$ 543,650	0.54%
2022	2,859	2,859	-	529,388	0.54%
2021	2,578	2,578	-	480,913	0.54%
2020	3,126	3,126	-	596,601	0.52%
2019	3,111	3,111	-	593,763	0.52%
2018	2,675	2,675	-	514,393	0.52%

Schedule is intended to show information for 10 years. Since 2023 is the sixth year for this presentation, only six years of data is available. However, additional years will be included as they become available.

Notes to Required Supplementary Information  
 Group Life Insurance (GLI) Plan  
 Year Ended June 30, 2023

**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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

## **Other Supplementary Information**

## **Supporting Schedules**

Schedule of Revenues - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2023

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 724,218	\$ 724,218	\$ 715,397	\$ (8,821)
Penalties	2,000	2,000	83	(1,917)
Total general property taxes	<u>\$ 726,218</u>	<u>\$ 726,218</u>	<u>\$ 715,480</u>	<u>\$ (10,738)</u>
Other local taxes:				
Local sales and use taxes	\$ 270,000	\$ 270,000	\$ 321,757	\$ 51,757
Utility tax	15,120	15,120	17,492	2,372
Business license tax	82,000	82,000	98,996	16,996
Cigarette tax	24,000	24,000	26,082	2,082
Bank franchise taxes	30,000	30,000	21,481	(8,519)
Meals tax	200,633	200,633	259,931	59,298
Conduit tax	-	-	62,362	62,362
Transient occupancy tax	-	-	2,160	2,160
Motor vehicle licenses	50,000	50,000	55,784	5,784
Total other local taxes	<u>\$ 671,753</u>	<u>\$ 671,753</u>	<u>\$ 866,045</u>	<u>\$ 194,292</u>
Permits, privilege fees and regulatory licenses:				
Licenses and zoning permits	\$ 2,500	\$ 2,500	\$ 6,275	\$ 3,775
Revenue from use of money and property:				
Revenue from use of money	\$ 3,500	\$ 3,500	\$ 119,111	\$ 115,611
Revenue from use of property	1,000	1,000	450	(550)
Total revenue from use of money and property	<u>\$ 4,500</u>	<u>\$ 4,500</u>	<u>\$ 119,561</u>	<u>\$ 115,061</u>
Charges for services:				
Engineering	\$ -	\$ -	\$ 8,056	\$ 8,056
Zoning	500	500	11,588	11,088
Total charges for services	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 19,644</u>	<u>\$ 19,144</u>
Miscellaneous:				
Miscellaneous income	\$ 256,401	\$ 256,401	\$ 169,248	\$ (87,153)
Donations	11,500	11,500	7,950	(3,550)
Total revenue from miscellaneous revenue	<u>\$ 267,901</u>	<u>\$ 267,901</u>	<u>\$ 177,198</u>	<u>\$ (90,703)</u>
Total revenue from local sources	<u>\$ 1,673,372</u>	<u>\$ 1,673,372</u>	<u>\$ 1,904,203</u>	<u>\$ 230,831</u>

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 Year Ended June 30, 2023 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund: (continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communication taxes	\$ 9,500	\$ 9,500	\$ 9,857	\$ 357
Auto rental	2,100	2,100	1,220	(880)
Rolling stock tax	100	100	188	88
Total noncategorical aid	<u>\$ 11,700</u>	<u>\$ 11,700</u>	<u>\$ 11,265</u>	<u>\$ (435)</u>
Categorical aid:				
Litter control grant	\$ 1,000	\$ 1,000	\$ 1,963	\$ 963
Fire funds	17,000	17,000	15,000	(2,000)
Total categorical aid	<u>\$ 18,000</u>	<u>\$ 18,000</u>	<u>\$ 16,963</u>	<u>\$ (1,037)</u>
Total revenue from the Commonwealth	<u>\$ 29,700</u>	<u>\$ 29,700</u>	<u>\$ 28,228</u>	<u>\$ (1,472)</u>
Revenue from the Federal government:				
Categorical aid:				
ARPA funds	\$ 100,000	\$ 100,000	\$ 24,000	\$ (76,000)
Total revenue from the Federal government	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 24,000</u>	<u>\$ (76,000)</u>
Total General Fund	<u><u>\$ 1,803,072</u></u>	<u><u>\$ 1,803,072</u></u>	<u><u>\$ 1,956,431</u></u>	<u><u>\$ 153,359</u></u>
<b>Capital Projects Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 18,575	\$ 18,575
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Street and highway maintenance	\$ 1,963,512	\$ 1,963,512	\$ 697,306	\$ (1,266,206)
Total Capital Projects Fund	<u>\$ 1,963,512</u>	<u>\$ 1,963,512</u>	<u>\$ 715,881</u>	<u>\$ (1,247,631)</u>
Total Primary Government	<u><u>\$ 3,766,584</u></u>	<u><u>\$ 3,766,584</u></u>	<u><u>\$ 2,672,312</u></u>	<u><u>\$ (1,094,272)</u></u>

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 Year Ended June 30, 2023

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Administration:				
Administrative salaries	\$ 488,353	\$ 502,920	\$ 495,112	\$ 7,808
Maintenance support	-	-	4,253	(4,253)
Council salaries	20,000	14,900	16,200	(1,300)
Payroll taxes	39,532	40,938	40,937	1
Health insurance	56,500	27,134	26,724	410
Retirement	29,446	52,746	51,894	852
Audit	13,500	13,750	13,750	-
Legal	56,000	41,700	25,935	15,765
Consultants	35,500	35,500	53,938	(18,438)
Advertising	8,000	8,000	3,639	4,361
Telephone	4,860	4,875	4,469	406
Postage	1,000	1,000	542	458
Software	11,613	11,348	5,555	5,793
Website	26,680	19,632	19,808	(176)
Copier	4,950	5,471	4,197	1,274
Books and subscriptions	100	100	68	32
Office	14,800	14,800	5,114	9,686
Snow removal	2,000	1,070	1,069	1
Landscaping	6,000	6,960	3,177	3,783
Repairs and maintenance	6,775	6,775	8,883	(2,108)
Education and training	5,500	5,500	118	5,382
Miscellaneous	5,400	5,400	1,013	4,387
Total administration	<u>\$ 836,509</u>	<u>\$ 820,519</u>	<u>\$ 786,395</u>	<u>\$ 34,124</u>
Buildings and grounds:				
Electricity	\$ 5,650	\$ 7,650	\$ 5,009	\$ 2,641
Utilities	<u>1,200</u>	<u>1,200</u>	<u>1,873</u>	<u>(673)</u>
Total buildings and grounds	<u>\$ 6,850</u>	<u>\$ 8,850</u>	<u>\$ 6,882</u>	<u>\$ 1,968</u>
Other general government:				
Bank fees	\$ 1,500	\$ 1,500	\$ 966	\$ 534
Tourism and branding	3,500	3,150	3,093	57
Dues	4,300	4,300	3,651	649
Insurance	14,178	14,178	13,207	971
Code enforcement	2,000	2,000	-	2,000
Refunds	3,000	3,000	-	3,000
Hospitality	1,500	1,500	1,146	354
ARPA expenses	<u>100,000</u>	<u>100,000</u>	<u>22,000</u>	<u>78,000</u>
Total other general government	<u>\$ 129,978</u>	<u>\$ 129,628</u>	<u>\$ 44,063</u>	<u>\$ 85,565</u>
Total general government	<u>\$ 973,337</u>	<u>\$ 958,997</u>	<u>\$ 837,340</u>	<u>\$ 121,657</u>

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 Year Ended June 30, 2023

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund: (Continued)</b>				
Public safety:				
Other public safety:				
Fire fund allocation	\$ 17,000	\$ 17,000	\$ 5,000	\$ 12,000
Total public safety	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ 5,000</u>	<u>\$ 12,000</u>
Public works:				
Street lights:				
Electricity - street lights	\$ 23,000	\$ 29,618	\$ 17,233	\$ 12,385
Street and road cleaning:				
Street signs	\$ 1,200	\$ 700	\$ 353	\$ 347
Sanitation and waste removal:				
Refuse services	\$ 215,000	\$ 217,500	\$ 197,503	\$ 19,997
Total public works	<u>\$ 239,200</u>	<u>\$ 247,818</u>	<u>\$ 215,089</u>	<u>\$ 32,729</u>
Parks, recreation and cultural:				
Maintenance	\$ 7,000	\$ 7,000	\$ 10,730	\$ (3,730)
Litter grant	1,000	1,000	-	1,000
Utilities	8,450	8,450	5,720	2,730
Tree support	1,500	1,500	-	1,500
Supplies and beautification	34,506	34,506	14,946	19,560
Tools and equipment	1,000	1,000	300	700
Total parks, recreation and cultural	<u>\$ 53,456</u>	<u>\$ 53,456</u>	<u>\$ 31,696</u>	<u>\$ 21,760</u>
Community development:				
Planning:				
Engineering	\$ 12,000	\$ 12,000	\$ 2,672	\$ 9,328
Planning commission salaries	8,400	6,900	6,750	150
Events	261,650	261,650	161,232	100,418
Training	3,000	3,000	1,199	1,801
Total planning	<u>\$ 285,050</u>	<u>\$ 283,550</u>	<u>\$ 171,853</u>	<u>\$ 111,697</u>
Events:				
Love America	\$ 500	\$ 4,000	\$ 3,410	\$ 590
Love summer	2,500	8,700	8,229	471
Love winter	2,500	1,116	1,115	1
Total events	<u>\$ 5,500</u>	<u>\$ 13,816</u>	<u>\$ 12,754</u>	<u>\$ 1,062</u>
Total community development	<u>\$ 290,550</u>	<u>\$ 297,366</u>	<u>\$ 184,607</u>	<u>\$ 112,759</u>



Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 Year Ended June 30, 2023

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund: (Continued)</b>				
Capital outlay:				
Capital project reserve	\$ 279,500	\$ 279,500	\$ -	\$ 279,500
Grant assistance	-	-	2,419	(2,419)
Total capital outlay	<u>\$ 279,500</u>	<u>\$ 279,500</u>	<u>\$ 2,419</u>	<u>\$ 277,081</u>
Debt service:				
Principal	\$ 134,490	\$ 131,605	\$ 131,603	\$ 2
Interest	21,060	23,945	23,945	-
Total debt service	<u>\$ 155,550</u>	<u>\$ 155,550</u>	<u>\$ 155,548</u>	<u>\$ 2</u>
Total General Fund	<u><u>\$ 2,008,593</u></u>	<u><u>\$ 2,009,687</u></u>	<u><u>\$ 1,431,699</u></u>	<u><u>\$ 577,988</u></u>
<b>Capital Projects Fund:</b>				
General government administration:				
Town Square Improvements	\$ 5,000	\$ 5,000	\$ -	\$ 5,000
Quarter Branch Barn Improvements	30,000	30,000	2,700	27,300
Broad Way Improvements	760,500	760,500	107,656	652,844
Total general government administration	<u>\$ 795,500</u>	<u>\$ 795,500</u>	<u>\$ 110,356</u>	<u>\$ 685,144</u>
Public works:				
Street lights:				
VDOT	\$ -	\$ -	\$ 8,075	\$ (8,075)
Loudoun Street Improvements	80,000	445,000	510,627	(65,627)
S Church Street Improvements	358,000	590,141	223,196	366,945
Total public works	<u>\$ 438,000</u>	<u>\$ 1,035,141</u>	<u>\$ 741,898</u>	<u>\$ 293,243</u>
Total Capital Projects Fund	<u><u>\$ 1,233,500</u></u>	<u><u>\$ 1,830,641</u></u>	<u><u>\$ 852,254</u></u>	<u><u>\$ 978,387</u></u>
Total Primary Government	<u><u>\$ 3,242,093</u></u>	<u><u>\$ 3,840,328</u></u>	<u><u>\$ 2,283,953</u></u>	<u><u>\$ 1,556,375</u></u>

## **Compliance**



**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 Town Council  
Town of Lovettsville, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Lovettsville, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Lovettsville, Virginia's basic financial statements and have issued our report thereon dated November 28, 2023.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002 that we consider to be material weaknesses.

## **Report on Compliance and Other Matters**

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

## **Town of Lovettsville, Virginia's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Town of Lovettsville, Virginia's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Town of Lovettsville, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of This Report**

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

Charlottesville, Virginia  
November 28, 2023

TOWN OF LOVETTSVILLE, VIRGINIA

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2023

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**FINDINGS - FINANCIAL STATEMENT**

**A. Material Weaknesses in Internal Control 2023-**

**001 Bank Reconciliation Process**

*Criteria:* The management and staff of the Town should reconcile accounts, maintain outstanding check listings, outstanding deposit listings, and make all adjusting entries necessary to reconcile each bank account held by the Town to the Town's general ledger.

*Condition:* The management and staff of the Town lacked the expertise to reconcile certain accounts, and make all adjusting entries necessary to reconcile the Town's bank accounts properly.

*Cause:* The cause of this condition is the Town did not perform correct reconciliations in order to have the financial statements in accordance with governmental accounting standards during the fiscal year.

*Effect:* There is a reasonable possibility that a misstatement of the entity's financial statements would not have been prevented or detected and corrected by the Town's internal controls over financial reporting.

*Recommendation:* The recommendation is for the Town to employ a full-time employee or consultant to provide basic accounting assistance such as reconciling certain accounts. It is also recommended that software training related to the bank reconciliation process is provided.

*Management's response:* Management has hired a full-time Treasurer to provide basic accounting assistance such as reconciling certain accounts, maintaining depreciation schedules, and proposing journal entries.

**2023-002 Financial Statement Presentation**

*Criteria:* The management and staff of the Town should prepare financial statements in accordance with generally accepted accounting principles.

*Condition:* The management and staff of the Town lacked the expertise to prepare financial statements in accordance with generally accepted accounting principles.

*Cause:* The Town did not perform accurate reconciliations, or prepare year end adjusting accrual entries in order to have the financial statements in accordance with governmental accounting standards during the fiscal year.

*Effect:* The Town's financial statements may be misstated without the assistance and expertise of a third party.

*Recommendation:* The Town should employ a full-time employee or consultant to provide knowledge and expertise in preparing the Town's financial statements in accordance with generally accepted accounting principles.

*Management's response:* Management has hired a full-time Treasurer to assist in preparing the Town's financial statements.