

TOWN OF LOVETTSVILLE, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2024

TOWN OF LOVETTSVILLE, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2024

TOWN OF LOVETTSVILLE, VIRGINIA

DIRECTORY OF OFFICIALS

COUNCIL

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

OFFICIALS

Jason Cournoyer	Town Manager
Tanya George	Treasurer
Elizabeth Fontaine	Town Clerk

TOWN OF LOVETTSVILLE, VIRGINIA

TABLE OF CONTENTS

	<u>Page</u>
Front Cover	1
Title Page	2
Town Officials	3
Table of Contents	4-5
Independent Auditors' Report	6-8
Management's Discussion and Analysis	9-15
Basic Financial Statements	
<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>	29-64

TOWN OF LOVETTSVILLE, VIRGINIA

TABLE OF CONTENTS

	<u>Page</u>	
Required Supplementary Information		
Exhibit 10	Schedule of Revenues, Expenditures and Changes in Fund Balance–Budget and Actual–General Fund	66
Exhibit 11	Schedule of Changes in Net Pension Liability (Asset)–and Related Ratios	67-68
Exhibit 12	Schedule of Employer Contributions–Pension Plan	69
Exhibit 13	Notes to Required Supplementary Information–Pension Plan	70
Exhibit 14	Schedule of Town’s Share of Net OPEB Liability–Group Life Insurance (GLI) Plan	71
Exhibit 15	Schedule of Employer Contributions–Group Life Insurance (GLI) Plan	72
Exhibit 16	Notes to Required Supplementary Information– Group Life Insurance (GLI) Plan	73
Other Supplementary Information		
Exhibit 17	Schedule of Revenues, Expenditures, and Changes in Fund Balance–Budget and Actual–Capital Projects Fund	75
<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
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 <i>Government Auditing Standards</i>	83-84
	Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	85-87
	Schedule of Expenditures of Federal Awards	88
	Schedule of Findings and Questioned Costs	89
	Schedule of Prior Year Findings and Responses	90



Independent Auditors' Report

**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, 2024, 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.

Change in Accounting Principle

As described in Note 17 to the financial statements, in 2024, the Town adopted new accounting guidance, GASB Statement No. 100, *Accounting Changes and Error Corrections*. Our opinions are not modified with respect to this matter.

Restatement and Adjustment of Beginning Balances

As described in Note 17 to the financial statements, in 2024, the Town restated beginning balances to correct errors related to prior year balances of cash and due to other funds. Our opinions are not modified with respect to this matter.

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 Town of Lovettsville, Virginia's basic financial statements. The accompanying supporting schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 supporting schedules and the schedule of expenditures of federal awards 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 January 3, 2025, 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
January 3, 2025

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, 2024. Please read it in conjunction with the Town's financial statements, which begin on page 18.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities by \$19,975,734 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 \$1,037,381, net position of the governmental activities increased by \$1,990,807.
- In the Town's business-type activities, operating revenues increased by \$615,303 from the previous year while operating expenses increased by \$196,800. Nonoperating income increased by \$90,874.
- In the Town's governmental activities, operating revenues increased by \$909,621 from the previous year while operating expenses increased by \$444,673.
- Actual revenues were \$122,021 more than budgeted for the General Fund. General Fund expenditures were \$222,402 less than budgeted.
- The Town spent \$2,630,162 for capital additions during the current fiscal year.
- The Town's long-term debt decreased by \$417,174 during the current fiscal year.
- Through the American Rescue Plan Act of 2021 (ARPA), the Town received \$2,280,462 during prior fiscal years 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 (on page 18) and the Statement of Activities (on pages 19 and 20) 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 22. 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 22 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 position changed modestly from a year ago *increasing* from \$17,242,914 to \$19,975,734. During the year, the net position of the governmental and business-type activities increased by 24.92 percent and increased by 11.21 percent, respectively. Below is a summary of the net position as of June 30, 2024 and 2023.

NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 4,637,721	\$ 5,536,436	\$ 4,063,532	\$ 3,551,272	\$ 8,701,253	\$ 9,087,708
Capital assets	7,649,565	6,003,882	8,236,535	7,822,923	15,886,100	13,826,805
Total assets	<u>\$ 12,287,286</u>	<u>\$ 11,540,318</u>	<u>\$ 12,300,067</u>	<u>\$ 11,374,195</u>	<u>\$ 24,587,353</u>	<u>\$ 22,914,513</u>
Total deferred outflows of resources	\$ 26,024	\$ 33,019	\$ 41,744	\$ 59,337	\$ 67,768	\$ 92,356
Long-term liabilities	\$ 1,125,504	\$ 1,261,733	\$ 1,470,079	\$ 1,745,911	\$ 2,595,583	\$ 3,007,644
Other liabilities	1,029,112	1,901,829	145,723	337,147	1,174,835	2,238,976
Total liabilities	<u>\$ 2,154,616</u>	<u>\$ 3,163,562</u>	<u>\$ 1,615,802</u>	<u>\$ 2,083,058</u>	<u>\$ 3,770,418</u>	<u>\$ 5,246,620</u>
Total deferred inflows of resources	\$ 474,614	\$ 421,134	\$ 434,355	\$ 96,201	\$ 908,969	\$ 517,335
Net position:						
Net investment in capital assets	\$ 6,288,865	\$ 4,506,670	\$ 6,815,338	\$ 6,141,565	\$ 13,104,203	\$ 10,648,235
Restricted	137,869	91,932	112,802	75,217	250,671	167,149
Unrestricted	3,257,346	3,390,039	3,363,514	3,037,491	6,620,860	6,427,530
Total net position	<u>\$ 9,684,080</u>	<u>\$ 7,988,641</u>	<u>\$ 10,291,654</u>	<u>\$ 9,254,273</u>	<u>\$ 19,975,734</u>	<u>\$ 17,242,914</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 position (\$6,620,860) 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, 2024 and 2023.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenues						
Charges for services	\$ 18,807	\$ 25,919	\$ 1,473,751	\$ 1,397,175	\$ 1,492,558	\$ 1,423,094
General property taxes	738,450	709,374	-	-	738,450	709,374
Other local taxes	920,426	866,045	-	-	920,426	866,045
Intergovernmental	1,577,655	749,534	1,153,549	628,728	2,731,204	1,378,262
Miscellaneous	182,353	177,198	15,449	1,543	197,802	178,741
Total revenues	<u>\$ 3,437,691</u>	<u>\$ 2,528,070</u>	<u>\$ 2,642,749</u>	<u>\$ 2,027,446</u>	<u>\$ 6,080,440</u>	<u>\$ 4,555,516</u>
Program expenses						
General government	\$ 1,106,534	\$ 948,846	\$ -	\$ -	\$ 1,106,534	\$ 948,846
Public safety	14,847	4,973	-	-	14,847	4,973
Public works	366,900	154,581	-	-	366,900	154,581
Parks, recreation and cultural	54,481	31,696	-	-	54,481	31,696
Community development	225,470	183,463	-	-	225,470	183,463
Water and sewer	-	-	1,628,053	1,431,253	1,628,053	1,431,253
Total expenses	<u>\$ 1,768,232</u>	<u>\$ 1,323,559</u>	<u>\$ 1,628,053</u>	<u>\$ 1,431,253</u>	<u>\$ 3,396,285</u>	<u>\$ 2,754,812</u>
Operating income (loss)	<u>\$ 1,669,459</u>	<u>\$ 1,204,511</u>	<u>\$ 1,014,696</u>	<u>\$ 596,193</u>	<u>\$ 2,684,155</u>	<u>\$ 1,800,704</u>
Nonoperating						
Interest income	\$ 151,164	\$ 138,136	\$ 212,089	\$ 121,215	\$ 363,253	\$ 259,351
Interest expense	(19,220)	(21,432)	-	-	(19,220)	(21,432)
Total nonoperating	<u>\$ 131,944</u>	<u>\$ 116,704</u>	<u>\$ 212,089</u>	<u>\$ 121,215</u>	<u>\$ 344,033</u>	<u>\$ 237,919</u>
Income (loss) before contributions	\$ 1,801,403	\$ 1,321,215	\$ 1,226,785	\$ 717,408	\$ 3,028,188	\$ 2,038,623
Transfers	<u>189,404</u>	<u>170,616</u>	<u>(189,404)</u>	<u>(170,616)</u>	<u>-</u>	<u>-</u>
Increase in net position	<u>\$ 1,990,807</u>	<u>\$ 1,491,831</u>	<u>\$ 1,037,381</u>	<u>\$ 546,792</u>	<u>\$ 3,028,188</u>	<u>\$ 2,038,623</u>

The Town's total revenues increased by \$1,524,924 (33.47 percent). The total cost of all programs and services increased by \$641,473 (23.29 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 22) reported a fund balance of \$3,377,395, which is an increase of \$344,423 from last year's restated total of \$3,032,972. The primary reasons for the General Fund's increase mirror the changes noted in the previous section under "governmental" activities.

As the Town completed the year, its proprietary funds (as presented in the statement of net position on pages 26 and 27) reported net position of \$10,291,654, which is an increase of \$1,037,381 over last year's total of \$9,254,273. Significant changes in net position 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>
Revenues	
General property taxes	\$ (26,693)
Other local taxes	168,747
Miscellaneous	(155,797)
Expenditures	
General Government Administration	\$ 64,925
Community Development	134,775

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.

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; resulted in less expenses than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2024, the Town had \$15,886,100 invested in capital assets including land, buildings, equipment, infrastructure and the utility system. (See table that follows.) This represents a net increase of \$2,059,295 of 14.89 percent, other last year.

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Land	\$ 1,174,520	\$ 973,820	\$ 154,200	\$ 154,200	\$ 1,328,720	\$ 1,128,020
Construction in progress	3,159,011	1,629,739	713,272	315,962	3,872,283	1,945,701
Buildings & Improvements	890,525	916,391	-	-	890,525	916,391
Land improvements	255,893	253,382	-	-	255,893	253,382
Machinery and equipment	46,758	32,256	-	-	46,758	32,256
Infrastructure	2,122,858	2,198,294	-	-	2,122,858	2,198,294
Utility system	-	-	7,369,063	7,352,761	7,369,063	7,352,761
Totals	\$ 7,649,565	\$ 6,003,882	\$ 8,236,535	\$ 7,822,923	\$ 15,886,100	\$ 13,826,805

This year's additions included on the depreciation schedule:

General Fund

Broad way improvements	\$ 329,957
Town Square improvements	26,760
Lovettsville Square land purchase	200,700
Loudoun Street improvements	413,620
S Church improvements	811,870
Total general fund	\$ 1,782,907

Utilities Fund

Penn Ave watermain	\$ 646,204
Quarter Branch watermain	39,426
Generator and other equipment	158,595
Creek bank shoring	3,030
Total utilities fund	\$ 847,255

Debt

At year-end, the Town had \$2,590,483 in outstanding debt compared to \$3,007,644 last year. This is a decrease of 13.87 percent as shown in the following table.

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Bonds Payable:						
General obligation bonds	\$ 1,080,424	\$ 1,215,272	\$ 1,095,634	\$ 1,327,318	\$ 2,176,058	\$ 2,542,590
Compensated absences	23,952	22,856	15,647	18,729	39,599	41,585
Net OPEB liability	14,475	15,288	13,229	13,972	27,704	29,260
Equipment loans	-	-	306,526	331,851	306,526	331,851
Premium on bond issuance	6,653	8,317	33,943	54,054	40,596	62,371
Totals	\$ 1,125,504	\$ 1,261,733	\$ 1,464,979	\$ 1,745,924	\$ 2,590,483	\$ 3,007,657

No new debt was issued during the year ended June 30, 2024.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town anticipates continued growth in the upcoming fiscal year 2024-2025 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 2024-2025.

The budgeted revenues are set to increase by approximately \$196,739 or 11.2 percent in the fiscal year ending June 30, 2025, for the general fund. The increase is primarily due to the increased real estate re-evaluation assessments, a notable increase in revenue deriving from sales and use taxes, meals taxes, investment income, use of reserves/fund balance 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 \$196,739 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, and contractual increases. The remainder of the budgeted expenses are very similar to the previous fiscal budget except a decrease in use of ARPA funding.

Fiscal year 2024-2025 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 are included in the General Government- Capital Projects Fund and totals \$1,398,430 for fiscal year 2024-2025 and are primarily for on-going transportation capital projects on S. Locust Street and S. Loudoun Street, and S. Church Street and E. Pennsylvania Avenue as well as improvements to the Town Green, Town Square and Clock Tower.

The budgeted revenue in the Utilities Fund is expected to increase by approximately \$188,421 in the fiscal year ending June 30, 2025. 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 \$2,777,000 in comparison with the budgeted expenses for the prior fiscal year of \$2,588,579 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, 2025 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, 2024

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 2,751,894	\$ 4,490,641	\$ 7,242,535
Receivables, net of allowance for uncollectibles			
Taxes receivable	418,818	-	418,818
Accounts receivable	148,504	162,964	311,468
Leases receivable	-	394,110	394,110
Due from other governments	37,667	-	37,667
Prepaid items	21,968	24,016	45,984
Internal balances	1,121,001	(1,121,001)	-
Net pension asset	137,869	112,802	250,671
Capital assets:			
Land	1,174,520	154,200	1,328,720
Construction in progress	3,159,011	713,272	3,872,283
Other capital assets, net of accumulated depreciation	3,316,034	7,369,063	10,685,097
Capital assets, net	<u>\$ 7,649,565</u>	<u>\$ 8,236,535</u>	<u>\$ 15,886,100</u>
Total assets	<u>\$ 12,287,286</u>	<u>\$ 12,300,067</u>	<u>\$ 24,587,353</u>
Deferred Outflows of Resources:			
OPEB related items	\$ 4,648	\$ 4,248	\$ 8,896
Pension related items	21,376	17,490	38,866
Deferred charges on refunding	-	20,006	20,006
Total deferred outflows of resources	<u>\$ 26,024</u>	<u>\$ 41,744</u>	<u>\$ 67,768</u>
Liabilities:			
Accounts payable	\$ 332,530	\$ 22,806	\$ 355,336
Accrued liabilities	25,342	21,296	46,638
Unearned revenue	664,246	-	664,246
Accrued interest	6,994	16,039	23,033
Customer deposits	-	85,582	85,582
Long-term liabilities:			
Due within one year:			
Loans payable	-	25,325	25,325
Bonds payable	136,512	253,867	390,379
Due in more than one year:			
Compensated absences	23,952	15,647	39,599
Net OPEB liability	14,475	13,229	27,704
Loans payable	-	306,526	306,526
Bonds payable	950,565	855,485	1,806,050
Total liabilities	<u>\$ 2,154,616</u>	<u>\$ 1,615,802</u>	<u>\$ 3,770,418</u>
Deferred Inflows of Resources:			
OPEB related items	\$ 5,276	\$ 4,821	\$ 10,097
Pension related items	60,625	49,602	110,227
Lease related items	-	379,932	379,932
Deferred revenue-property taxes	408,713	-	408,713
Total deferred inflows of resources	<u>\$ 474,614</u>	<u>\$ 434,355</u>	<u>\$ 908,969</u>
Net Position:			
Net investment in capital assets	\$ 6,288,865	\$ 6,815,338	\$ 13,104,203
Restricted:			
Net pension asset	137,869	112,802	250,671
Unrestricted	3,257,346	3,363,514	6,620,860
Total net position	<u>\$ 9,684,080</u>	<u>\$ 10,291,654</u>	<u>\$ 19,975,734</u>

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

Statement of Activities
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government administration	\$ 1,106,534	\$ -	\$ 6,750	\$ -
Public safety	14,847	-	15,000	-
Public works	366,900	18,807	1,539,589	-
Parks, recreation and cultural	54,481	-	2,566	-
Community development	225,470	-	-	-
Interest on long-term debt	19,220	-	-	-
Total governmental activities	\$ 1,787,452	\$ 18,807	\$ 1,563,905	\$ -
Business-type activities:				
Water & sewer	\$ 1,628,053	\$ 1,473,751	\$ 1,032,692	\$ 120,857
Total business-type activities	\$ 1,628,053	\$ 1,473,751	\$ 1,032,692	\$ 120,857
Total	\$ 3,415,505	\$ 1,492,558	\$ 2,596,597	\$ 120,857

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

Statement of Activities
Year Ended June 30, 2024

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary Government:			
Governmental activities:			
General government administration	\$ (1,099,784)	\$ -	\$ (1,099,784)
Public safety	153	-	153
Public works	1,191,496	-	1,191,496
Parks, recreation and cultural	(51,915)	-	(51,915)
Community development	(225,470)	-	(225,470)
Interest on long-term debt	(19,220)	-	(19,220)
Total governmental activities	\$ (204,740)	\$ -	\$ (204,740)
Business-type activities:			
Water & sewer	\$ -	\$ 999,247	\$ 999,247
Total business-type activities	\$ -	\$ 999,247	\$ 999,247
Total	\$ (204,740)	\$ 999,247	\$ 794,507
General Revenues:			
General real property taxes	\$ 738,450	\$ -	\$ 738,450
Local sales and use taxes	363,272	-	363,272
Business license tax	92,902	-	92,902
Cigarette tax	24,938	-	24,938
Bank franchise taxes	25,145	-	25,145
Utility tax	18,107	-	18,107
Meals tax	317,490	-	317,490
Motor vehicle licenses	51,974	-	51,974
Other local taxes	26,598	-	26,598
Unrestricted revenues from the use of money	151,164	212,089	363,253
Grants and contributions not restricted to specific programs	13,750	-	13,750
Miscellaneous	182,353	15,449	197,802
Transfers	189,404	(189,404)	-
Total general revenues and transfers	\$ 2,195,547	\$ 38,134	\$ 2,233,681
Change in net position	\$ 1,990,807	\$ 1,037,381	\$ 3,028,188
Net position, beginning of year	\$ 7,988,641	\$ 9,254,273	\$ 17,242,914
Adjustments and Restatements	(295,368)	-	(295,368)
Net position, beginning of year, as adjusted and restated	\$ 7,693,273	\$ 9,254,273	\$ 16,947,546
Net position, end of year	\$ 9,684,080	\$ 10,291,654	\$ 19,975,734

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

Fund Financial Statements

Balance Sheet
 Governmental Funds
 As of June 30, 2024

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 1,804,547	\$ 947,347	\$ 2,751,894
Receivables (net of allowance for uncollectibles):			
Taxes including penalties	418,818	-	418,818
Accounts	132,474	16,030	148,504
Due from other governments	37,667	-	37,667
Due from other funds	2,107,886	-	2,107,886
Prepaid items	7,156	14,812	21,968
Total assets	<u>\$ 4,508,548</u>	<u>\$ 978,189</u>	<u>\$ 5,486,737</u>
Liabilities:			
Accounts payable	\$ 27,800	\$ 304,730	\$ 332,530
Accrued liabilities	25,342	-	25,342
Unearned revenue	664,246	-	664,246
Due to other funds	-	986,885	986,885
Total liabilities	<u>\$ 717,388</u>	<u>\$ 1,291,615</u>	<u>\$ 2,009,003</u>
Deferred Inflows of Resources:			
Unavailable revenue-property taxes	\$ 413,765	-	\$ 413,765
Fund Balance:			
Nonspendable for prepaid items	\$ 7,156	\$ 14,812	\$ 21,968
Restricted:			
Proffers	11,456	-	11,456
Assigned:			
Debt service	249,712	-	249,712
Events	15,446	-	15,446
Capital asset replacement reserve	828,186	-	828,186
Unassigned (deficit)	2,265,439	(328,238)	1,937,201
Total fund balance (deficit)	<u>\$ 3,377,395</u>	<u>\$ (313,426)</u>	<u>\$ 3,063,969</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 4,508,548</u>	<u>\$ 978,189</u>	<u>\$ 5,486,737</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, 2024

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

Total fund balance for governmental funds (Exhibit 3) \$ 3,063,969

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 1,174,520	
Construction in progress	3,159,011	
Depreciable capital assets, net of accumulated depreciation	3,316,034	7,649,565

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	\$ 5,052	
Net pension asset	137,869	142,921

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

Pension related items	\$ 21,376	
OPEB related items	4,648	26,024

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

Compensated absences	\$ (23,952)	
Net OPEB liability	(14,475)	
Accrued interest payable	(6,994)	
Premium on bonds payable	(6,653)	
Bonds payable	(1,080,424)	(1,132,498)

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

Pension related items	\$ (60,625)	
OPEB related items	(5,276)	(65,901)

Total net position of governmental activities \$ 9,684,080

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Governmental Funds
 Year Ended June 30, 2024

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Revenues:			
General property taxes	\$ 739,752	\$ -	\$ 739,752
Other local taxes	920,426	-	920,426
Permits, privilege fees and regulatory licenses	9,605	-	9,605
Revenue from use of money and property	122,641	28,523	151,164
Charges for services	9,202	-	9,202
Miscellaneous	182,353	-	182,353
Intergovernmental:			
Commonwealth	31,316	1,539,589	1,570,905
Federal	6,750	-	6,750
Total revenues	<u>\$ 2,022,045</u>	<u>\$ 1,568,112</u>	<u>\$ 3,590,157</u>
Expenditures:			
Current:			
General government administration	\$ 1,065,186	\$ 583,727	\$ 1,648,913
Public safety	15,000	-	15,000
Public works	264,974	1,237,748	1,502,722
Parks, recreation, and cultural	54,481	-	54,481
Community development	226,275	-	226,275
Debt service			
Principal retirement	134,848	-	134,848
Interest and fiscal charges	21,762	-	21,762
Total expenditures	<u>\$ 1,782,526</u>	<u>\$ 1,821,475</u>	<u>\$ 3,604,001</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 239,519</u>	<u>\$ (253,363)</u>	<u>\$ (13,844)</u>
Other financing sources (uses):			
Transfers in	\$ 189,404	\$ 84,500	\$ 273,904
Transfers out	<u>(84,500)</u>	<u>-</u>	<u>(84,500)</u>
Total other financing sources (uses)	<u>\$ 104,904</u>	<u>\$ 84,500</u>	<u>\$ 189,404</u>
Net change in fund balance	<u>\$ 344,423</u>	<u>\$ (168,863)</u>	<u>\$ 175,560</u>
Fund balances (deficit), beginning of year	\$ 3,328,340	\$ (144,563)	\$ 3,183,777
Restatement - correction of error	<u>(295,368)</u>	<u>-</u>	<u>(295,368)</u>
Fund balances (deficit), beginning of year, as restated	<u>\$ 3,032,972</u>	<u>\$ (144,563)</u>	<u>\$ 2,888,409</u>
Fund balances (deficit), end of year	<u><u>\$ 3,377,395</u></u>	<u><u>\$ (313,426)</u></u>	<u><u>\$ 3,063,969</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, 2024

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

Net change in fund balances - total governmental funds (Exhibit 5) \$ 175,560

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	\$ 1,782,907	
Depreciation expense	<u>(137,224)</u>	1,645,683

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		(1,302)
----------------	--	---------

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	\$ 134,848	
Amortization of bond premium	<u>1,664</u>	136,512

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	\$ (1,096)	
Pension expense	32,767	
OPEB expense	1,805	
Change in interest payable	<u>878</u>	<u>34,354</u>

Change in net position of governmental activities		\$ <u><u>1,990,807</u></u>
---	--	----------------------------

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

Statement of Net Position
Proprietary Fund
As of June 30, 2024

	<u>Enterprise Fund</u>
	<u>Utilities Fund</u>
	<u>Totals</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 4,490,641
Prepaid items	24,016
Receivables (net of allowance for uncollectibles)	162,964
Leases receivable	78,135
Total current assets	<u>\$ 4,755,756</u>
Noncurrent assets:	
Net pension asset	\$ 112,802
Leases receivables	315,975
Land	154,200
Construction in progress	713,272
Capital assets, net of accumulated depreciation	7,369,063
Total noncurrent assets	<u>\$ 8,665,312</u>
Total assets	<u>\$ 13,421,068</u>
Deferred Outflows of Resources:	
OPEB related items	\$ 4,248
Pension related items	17,490
Deferred charges on refunding	20,006
Total deferred outflows of resources	<u>\$ 41,744</u>
Liabilities:	
Current liabilities:	
Accounts payable	\$ 22,806
Accrued liabilities	21,296
Accrued interest payable	16,039
Unearned revenue	0
Due to other funds	1,121,001
Customer deposits	85,582
Current portion of long-term debt	279,192
Total current liabilities	<u>\$ 1,545,916</u>
Noncurrent liabilities:	
Compensated absences	\$ 15,647
Net OPEB liability	13,229
Long-term debt, net of current portion	1,162,011
Total noncurrent liabilities	<u>\$ 1,190,887</u>
Total liabilities	<u>\$ 2,736,803</u>
Deferred Inflows of Resources:	
OPEB related items	\$ 4,821
Pension related items	49,602
Lease related items	379,932
Total deferred inflows of resources	<u>\$ 434,355</u>
Net Position:	
Net investment in capital assets	\$ 6,815,338
Restricted for Frye Court Service Tax District	17,793
Unrestricted	3,458,523
Total net position	<u>\$ 10,291,654</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, 2024

	<u>Enterprise Fund</u>
	<u>Utilities Fund</u>
	<u>Totals</u>
Operating revenues:	
Charges for services	\$ 1,309,866
Late charges	18,533
Frye Court Service District tax	10,160
Bulkwater fees	1,520
Lease revenue	133,672
Miscellaneous	15,449
Total operating revenues	<u>\$ 1,489,200</u>
Operating expenses:	
Personnel services	\$ 457,703
Contractual services	92,284
Repairs and maintenance	209,490
Utilities	92,661
Communications	15,299
Insurance	27,612
Miscellaneous	51,429
Supplies and equipment	195,995
Depreciation	433,643
Total operating expenses	<u>\$ 1,576,116</u>
Operating income (loss)	<u>\$ (86,916)</u>
Nonoperating revenues (expenses):	
Interest revenue	\$ 212,089
Federal grant	1,032,692
Interest expense	(51,937)
Total nonoperating revenues (expenses)	<u>\$ 1,192,844</u>
Income (loss) before contributions and transfers	<u>\$ 1,105,928</u>
Capital contributions	\$ 120,857
Transfers out	(189,404)
Change in net position	\$ 1,037,381
Net position, beginning of year	<u>9,254,273</u>
Net position, end of year	<u><u>\$ 10,291,654</u></u>

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

Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2024

	<u>Enterprise Fund</u>	<u>Utilities Fund</u>
	<u>Totals</u>	
Cash flows from operating activities:		
Receipts from customers	\$	1,095,134
Payments to and for employees		(153,235)
Payments to suppliers		(726,591)
Net cash provided by (used for) operating activities	\$	<u>215,308</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$	(847,255)
Interest payments on long-term debt		(67,659)
Principal payments on long-term debt		(247,626)
Capital contributions received		120,857
Net cash provided by (used for) capital and related financing activities	\$	<u>(1,041,683)</u>
Cash flows from investing activities:		
Investment income	\$	<u>212,089</u>
Cash flows from noncapital financing activities:		
Net transfers from (to) other funds	\$	<u>937,470</u>
Net increase (decrease) in cash and cash equivalents	\$	1,182,367
Cash and cash equivalents at beginning of year - including restricted		<u>3,308,274</u>
Cash and cash equivalents at end of year - including restricted	\$	<u><u>4,490,641</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$	(86,916)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation		433,643
Changes in operating accounts:		
Accounts receivable		(48,198)
Leases receivable		(346,968)
Deferred outflows - GLI OPEB		234
Deferred outflows - pension		5,513
Accounts payable and accrued liabilities		(15,828)
Compensated absences		(3,082)
Net OPEB asset		(743)
Net pension liability		(37,585)
Deferred inflows - GLI OPEB		(1,143)
Deferred inflows - pension		5,262
Deferred inflows - leases		334,035
Customer deposits		1,100
Net cash provided by (used for) operating activities	\$	<u><u>215,308</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, 2024**

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, 2024 (Continued)**

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 2024 was .1625 per \$100 valuation and decreased to a rate of .1525 per \$100 valuation for calendar year 2025. A penalty of 10 percent of the tax is assessed after the applicable payment date.

The taxes receivable balance at June 30, 2024, consists of amounts billed before June 30, 2024. Amounts not yet billed or received from Loudoun County, Virginia from the January 1, 2024, levy (due December 5, 2024), 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, 2024.

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 \$1,121,001, and amount due from the Capital Projects Fund of \$596,885 at June 30, 2024.

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.

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 2024.

TOWN OF LOVETTSVILLE, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2024 (Continued)**

NOTE 3—DEPOSITS AND INVESTMENTS

Deposits

Below is a summary of the Town's accounts/deposits at June 30, 2024:

<u>Account</u>	<u>Bank</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
<u>General</u>			
Checking	Truist	\$ 368,784	\$ 375,032
Checking - capital projects	Truist	204,136	204,136
Unassigned fund balance	Virginia Investment Pool	1,064,548	1,064,548
Capital asset replacement fund	Virginia Investment Pool	743,211	743,211
General ARPA Funds	Virginia Investment Pool	35,202	35,202
General debt reserve	Virginia Investment Pool	249,712	249,712
Proffers reserve	Virginia Investment Pool	11,456	11,456
VLCF	Virginia Investment Pool	3,866	3,866
Checking - Oktoberfest	Truist	39,628	39,705
Checking - Mayfest	Truist	13,815	13,815
Checking - events	Truist	300	300
Events Fund	Virginia Investment Pool	17,036	17,036
Petty cash	N/A	200	-
Total general government		<u>\$ 2,751,894</u>	<u>\$ 2,758,019</u>
<u>Utilities</u>			
Checking	Truist	\$ 174,681	\$ 197,525
VIP - Sewer	Virginia Investment Pool	122,898	122,898
VIP - Water	Virginia Investment Pool	33,058	33,058
Frye Ct District	Virginia Investment Pool	17,793	17,793
Three month reserve fund	Virginia Investment Pool	663,222	663,222
Utility ARPA Funds	Virginia Investment Pool	1,276,354	1,276,354
Unrestricted utility	Virginia Investment Pool	1,727,061	1,727,061
Utility debt reserve	Virginia Investment Pool	475,574	475,574
Total business-type		<u>\$ 4,490,641</u>	<u>\$ 4,513,485</u>
Total reporting entity		<u>\$ 7,242,535</u>	<u>\$ 7,271,504</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

TOWN OF LOVETTSVILLE, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2024 (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, 2024 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

Rated Debt Investments' Values		
Investment Type	Value	AAAm
Virginia Investment Pool - Liquidity pool	\$ 6,440,991	\$ 6,440,991
Total	<u>\$ 6,440,991</u>	<u>\$ 6,440,991</u>

Interest Rate Risk

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

Investment Type	Fair Value	Less than 1 Year
Virginia Investment Pool - Liquidity pool	\$ 6,440,991	\$ 6,440,991
Total	<u>\$ 6,440,991</u>	<u>\$ 6,440,991</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, 2024 (Continued)**

NOTE 4--RECEIVABLES

Receivables as of June 30, 2024, 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:				
Meals and occupancy	\$ 30,835	\$ -	\$ -	\$ 30,835
Accounts	<u>101,639</u>	<u>16,030</u>	<u>162,964</u>	<u>280,633</u>
Net total receivables	<u>\$ 132,474</u>	<u>\$ 16,030</u>	<u>\$ 162,964</u>	<u>\$ 311,468</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	\$ 1,369
Auto rental tax	511

County of Loudoun, Virginia:

Sales tax collected for the Town	<u>35,787</u>
Total	<u>\$ 37,667</u>

TOWN OF LOVETTSVILLE, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2024 (Continued)**

NOTE 6—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 973,820	\$ 200,700	\$ -	\$ 1,174,520
Construction in progress	1,629,739	1,529,272	-	3,159,011
Total capital assets not being depreciated	<u>\$ 2,603,559</u>	<u>\$ 1,729,972</u>	<u>\$ -</u>	<u>\$ 4,333,531</u>
Capital assets being depreciated				
Buildings and improvements	\$ 1,060,664	\$ -	\$ -	\$ 1,060,664
Land improvements	559,128	26,760	-	585,888
Machinery and equipment	132,169	26,175	-	158,344
Infrastructure	2,738,804	-	-	2,738,804
Total capital assets being depreciated	<u>\$ 4,490,765</u>	<u>\$ 52,935</u>	<u>\$ -</u>	<u>\$ 4,543,700</u>
Accumulated depreciation				
Buildings and improvements	\$ 144,273	\$ 25,866	\$ -	\$ 170,139
Land improvements	305,746	24,249	-	329,995
Machinery and equipment	99,913	11,673	-	111,586
Infrastructure	540,510	75,436	-	615,946
Total accumulated depreciation	<u>\$ 1,090,442</u>	<u>\$ 137,224</u>	<u>\$ -</u>	<u>\$ 1,227,666</u>
Total capital assets being depreciated, net	<u>\$ 3,400,323</u>	<u>\$ (84,289)</u>	<u>\$ -</u>	<u>\$ 3,316,034</u>
Governmental activities capital assets, net	<u><u>\$ 6,003,882</u></u>	<u><u>\$ 1,645,683</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,649,565</u></u>

TOWN OF LOVETTSVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2024 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 154,200	\$ -	\$ -	\$ 154,200
Construction in progress	315,962	688,660	291,350	713,272
Total capital assets not being depreciated	<u>\$ 470,162</u>	<u>\$ 688,660</u>	<u>\$ 291,350</u>	<u>\$ 867,472</u>
Capital assets being depreciated				
Utility system	\$ 14,707,208	\$ 449,945	\$ -	\$ 15,157,153
Total capital assets being depreciated	<u>\$ 14,707,208</u>	<u>\$ 449,945</u>	<u>\$ -</u>	<u>\$ 15,157,153</u>
Accumulated depreciation				
Utility system	\$ 7,354,447	\$ 433,643	\$ -	\$ 7,788,090
Total accumulated depreciation	<u>\$ 7,354,447</u>	<u>\$ 433,643</u>	<u>\$ -</u>	<u>\$ 7,788,090</u>
Total capital assets being depreciated, net	<u>\$ 7,352,761</u>	<u>\$ 16,302</u>	<u>\$ -</u>	<u>\$ 7,369,063</u>
Business-type activities capital assets, net	<u>\$ 7,822,923</u>	<u>\$ 704,962</u>	<u>\$ 291,350</u>	<u>\$ 8,236,535</u>

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

	<u>Amount</u>
Governmental Activities	
General government administration	\$ 56,918
Public works	78,806
Community development	1,500
Total depreciation expense - governmental activities	<u>\$ 137,224</u>
Business-type Activities	
Utilities	<u>\$ 433,643</u>
Total depreciation expense - business-type activities	<u>\$ 433,643</u>

TOWN OF LOVETTSVILLE, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2024 (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 \$413,765 (including 2nd half tax billings of \$394,893 not due until December 5) at June 30, 2024.

Prepaid Property Taxes – Property taxes due subsequent to June 30, 2024, but paid in advance by the taxpayers totaled \$555 at June 30, 2024.

NOTE 8–LONG-TERM OBLIGATIONS

A summary of long-term debt activity for the year ended June 30, 2024, 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>
<u>Governmental activities</u>					
General obligation bonds	\$ 1,215,272	\$ -	\$ 134,848	\$ 1,080,424	\$ 137,694
Premium on bond issuance	8,317	-	1,664	6,653	1,664
Compensated absences	22,856	1,096	-	23,952	-
Net OPEB liability	15,288	9,489	10,302	14,475	-
	<u>\$ 1,261,733</u>	<u>\$ 10,585</u>	<u>\$ 146,814</u>	<u>\$ 1,125,504</u>	<u>\$ 139,358</u>
<u>Business-type activities</u>					
General obligation and revenue bonds	\$ 1,327,318	\$ -	\$ 231,684	\$ 1,095,634	\$ 237,396
Premium on bond issuance	54,041	-	20,098	33,943	15,599
Equipment loan	331,851	-	25,325	306,526	26,197
Compensated absences	18,729	-	3,082	15,647	-
Net OPEB liability	13,972	8,675	9,418	13,229	-
	<u>\$ 1,745,911</u>	<u>\$ 8,675</u>	<u>\$ 289,607</u>	<u>\$ 1,464,979</u>	<u>\$ 279,192</u>

TOWN OF LOVETTSVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2024 (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.	\$ 890,699	\$ 128,253
 \$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>189,725</u>	<u>9,441</u>
 Total general obligation bonds	\$ <u>1,080,424</u>	\$ <u>137,694</u>
Premium on bond issuance	\$ <u>6,653</u>	\$ <u>1,664</u>
Compensated absences	\$ <u>23,952</u>	\$ <u>-</u>
Net OPEB liability	\$ <u>14,475</u>	\$ <u>-</u>
 Total governmental activities obligations	<u>\$ 1,125,504</u>	<u>\$ 139,358</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>
2025	\$ 137,694	\$ 19,516
2026	133,527	17,219
2027	134,292	14,990
2028	136,441	12,741
2029	138,415	10,454
2030-2034	318,427	22,989
2035-2039	67,141	7,727
2040	<u>14,487</u>	<u>485</u>
 Total	<u>\$ 1,080,424</u>	<u>\$ 106,121</u>

TOWN OF LOVETTSVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2024 (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.	\$ 920,000	\$ 210,000
\$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>175,634</u>	<u>27,396</u>
Total general obligation and revenue bonds	\$ <u>1,095,634</u>	\$ <u>237,396</u>
Premium on bond issuance	\$ <u>33,943</u>	\$ <u>15,599</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>306,526</u>	\$ <u>26,197</u>
Compensated absences	\$ <u>15,647</u>	\$ <u>-</u>
Net OPEB liability	\$ <u>13,229</u>	\$ <u>-</u>
Total business-type activities	\$ <u><u>1,464,979</u></u>	\$ <u><u>279,192</u></u>

TOWN OF LOVETTSVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2024 (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 & Revenue Bonds</u>		<u>Equipment Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	30,438	1,434	29,996	6,444
2030-2034	31,150	622	166,203	16,000
Total	<u>\$ 1,095,634</u>	<u>\$ 95,724</u>	<u>\$ 306,526</u>	<u>\$ 57,879</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	\$ 7,156
Restricted:	
Proffers	11,456
Assigned:	
Debt Service	249,712
Events	15,446
Capital asset replacement	828,186
Unassigned	2,265,439
Fund Balance, General Fund	<u>\$ 3,377,395</u>

Utilities Fund

Net investment in capital assets	\$ 6,815,338
Restricted:	
Frye Court Service Tax District	17,793
Unrestricted net position	3,458,523
Net Position	<u>\$ 10,291,654</u>

TOWN OF LOVETTSVILLE, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2024 (Continued)**

NOTE 10—LEASES RECEIVABLE

The Town leases properties to third parties. Lease revenue totaled \$133,672 for the business-type activities for the year ended June 30, 2024. Lease interest revenue totaled \$1,872 for the year ended June 30, 2024. 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 2029. The following summarizes the balances related to these leases for the year ended June 30, 2024:

	Business-type Activities
AT&T cell tower lease	\$ 4,126
Verizon cell tower lease	11,935
AT&T cell tower lease (water tower)	210,322
Sprint cell tower lease	167,727
Total	<u>\$ 394,110</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 \$23,952 and the Utilities Fund has outstanding accrued leave pay of \$15,647.

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, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government
Inactive members or their beneficiaries currently receiving benefits	2
Inactive members:	
Vested inactive members	1
Non-vested inactive members	1
Inactive members active elsewhere in VRS	8
Total inactive members	10
Active members	8
Total covered employees	20

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.

NOTE 13—PENSION PLAN (CONTINUED)

Contributions (Continued)

The Town’s contractually required employer contribution rate for the year ended June 30, 2024 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 \$24,720 and \$21,637 for the years ended June 30, 2024 and June 30, 2023, 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, 2023. The total pension liabilities used to calculate the net pension asset were determined by an actuarial valuation performed as of June 30, 2022 and rolled forward to the measurement date of June 30, 2023.

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, 2022, 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, 2023.

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, 2024 (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, 2022 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, 2021. 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

TOWN OF LOVETTSVILLE, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2024 (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:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%
		Expected arithmetic nominal return**	8.25%

*The above allocation provides a one-year expected return of 8.25%. 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 7.14%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, 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, 2022 actuarial valuations, whichever was greater. From July 1, 2023 on, participating

TOWN OF LOVETTSVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2024 (Continued)

NOTE 13—PENSION PLAN (CONTINUED)

Discount Rate (Continued)

employers are assumed to continue to contribute 112% 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)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2022	\$ 670,265	\$ 837,414	\$ (167,149)
Changes for the year:			
Service cost	\$ 61,660	\$ -	\$ 61,660
Interest	49,268	-	49,268
Differences between expected and actual experience	(90,868)	-	(90,868)
Contributions - employer	-	21,636	(21,636)
Contributions - employee	-	25,749	(25,749)
Net investment income	-	56,687	(56,687)
Benefit payments, including refunds	(4,055)	(4,055)	-
Administrative expenses	-	(513)	513
Other changes	-	23	(23)
Net changes	\$ 16,005	\$ 99,527	\$ (83,522)
Balances at June 30, 2023	\$ 686,270	\$ 936,941	\$ (250,671)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town Net Pension Liability (Asset)	\$ (108,450)	\$ (250,671)	\$ (338,331)

TOWN OF LOVETTSVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2024 (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, 2024, the Town recognized pension expense of (\$34,858). At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,820	\$ 101,492
Change in assumptions	7,326	-
Net difference between projected and actual earnings on pension plan investments	-	8,735
Employer contributions subsequent to the measurement date	<u>24,720</u>	<u>-</u>
Total	<u>\$ 38,866</u>	<u>\$ 110,227</u>

\$24,720 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	Primary Government
2025	\$ (65,755)
2026	(42,668)
2027	12,086
2028	256
2029	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2023-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 \$9,254 as of June 30, 2024.

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 the final approved General Assembly rate, which 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 \$3,531 and \$2,936 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life insurance Plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. The entity's proportionate share is reflected in the State revenues of the financial statements..

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, 2024, the entity reported a liability of \$27,704 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 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, 2022, and rolled forward to the measurement date of June 30, 2023. 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, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion was .00230% as compared to .00240% at June 30, 2022.

For the year ended June 30, 2024, the participating employer recognized GLI OPEB expense of \$309. 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, 2024 (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, 2024, 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	\$ 2,767	\$ 841
Net difference between projected and actual earnings on GLI OPEB plan investments	-	1,113
Change in assumptions	592	1,919
Changes in proportionate share	2,006	6,224
Employer contributions subsequent to the measurement date	<u>3,531</u>	<u>-</u>
Total	<u>\$ 8,896</u>	<u>\$ 10,097</u>

\$3,531 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30

2025	\$	(1,135)
2026		(2,621)
2027		(1,026)
2028		29
2029		21
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, 2022, 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, 2023. 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, 2024 (Continued)**

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

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2022 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, 2021. 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, 2024 (Continued)**

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

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2022 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, 2021. 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, 2023, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	<u>GLI OPEB Plan</u>
Total GLI OPEB Liability	\$ 3,907,052
Plan Fiduciary Net Position	<u>2,707,739</u>
GLI Net OPEB Liability (Asset)	<u>\$ 1,199,313</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	69.30%

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, 2024 (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:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.20%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	<u>100.00%</u>		<u>5.75%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>8.25%</u>

*The above allocation provides a one-year return of 8.25%. 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 7.14%, including expected inflation of 2.50%.

** On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

TOWN OF LOVETTSVILLE, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2024 (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, 2023, 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 113% of the actuarially determined contribution rate. From July 1, 2023 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	\$ 41,066	\$ 27,704	\$ 16,901

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2023-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.

TOWN OF LOVETTSVILLE, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2024 (Continued)**

NOTE 15—COVID-19 PANDEMIC FUNDING: (CONTINUED)

ARPA Funding (Continued)

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 \$664,246 are reported as unearned revenue as of June 30.

NOTE 16—UPCOMING PRONOUNCEMENTS

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.

NOTE 17—RESTATEMENT AND ADJUSTMENT OF BEGINNING BALANCES

The Town restated beginning balances to correct errors in the prior year. The change resulted in the following restatements of net position and fund balance:

	<u>Net Position</u>	<u>Fund Balance</u>
	<u>Primary Government Governmental Activities</u>	<u>General Fund</u>
Balance, July 1, 2023, as previously stated	\$ 7,988,641	\$ 3,328,340
Error correction:		
Prior year tax and due to other funds	<u>(295,368)</u>	<u>(295,368)</u>
Balance, as restated and adjusted at July 1, 2023	\$ <u>7,693,273</u>	\$ <u>3,032,972</u>

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, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
General property taxes	\$ 766,445	\$ 766,445	\$ 739,752	\$ (26,693)
Other local taxes	751,679	751,679	920,426	168,747
Permits, privilege fees and regulatory licenses	2,500	2,500	9,605	7,105
Revenue from use of money and property	10,400	10,400	122,641	112,241
Charges for services	-	-	9,202	9,202
Miscellaneous	338,150	338,150	182,353	(155,797)
Intergovernmental:				
Commonwealth	30,850	30,850	31,316	466
Federal	-	-	6,750	6,750
Total revenues	<u>\$ 1,900,024</u>	<u>\$ 1,900,024</u>	<u>\$ 2,022,045</u>	<u>\$ 122,021</u>
Expenditures:				
Current:				
General government administration	\$ 1,130,111	\$ 1,132,217	\$ 1,065,186	\$ 67,031
Public safety	17,000	17,000	15,000	2,000
Public works	267,767	267,767	264,974	2,793
Parks, recreation, and cultural	55,750	55,750	54,481	1,269
Community development	361,050	361,050	226,275	134,775
Debt service				
Principal retirement	150,850	150,850	134,848	16,002
Interest and fiscal charges	22,400	22,400	21,762	638
Total expenditures	<u>\$ 2,004,928</u>	<u>\$ 2,007,034</u>	<u>\$ 1,782,526</u>	<u>\$ 224,508</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (104,904)</u>	<u>\$ (107,010)</u>	<u>\$ 239,519</u>	<u>\$ 346,529</u>
Other financing sources (uses):				
Transfers in	\$ 189,404	\$ 189,404	\$ 189,404	\$ -
Transfers out	<u>(84,500)</u>	<u>(84,500)</u>	<u>(84,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ 104,904</u>	<u>\$ 104,904</u>	<u>\$ 104,904</u>	<u>\$ -</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (2,106)</u>	<u>\$ 344,423</u>	<u>\$ 346,529</u>
Fund balances at beginning of year	\$ -	\$ 2,106	\$ 3,328,340	\$ 3,326,234
Restatement - correction of error	-	-	(295,368)	(295,368)
Fund Balance, beginning of year, as restated	<u>\$ -</u>	<u>\$ 2,106</u>	<u>\$ 3,032,972</u>	<u>\$ 3,030,866</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,377,395</u></u>	<u><u>\$ 3,377,395</u></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, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total pension liability					
Service cost	\$ 61,660	\$ 44,971	\$ 76,816	\$ 78,085	\$ 56,648
Interest	49,268	44,075	40,362	32,553	26,999
Differences between expected and actual experience	(90,868)	(25,943)	(121,423)	11,468	59
Changes of assumptions	-	-	15,535	-	18,876
Benefit payments	(4,055)	(1,652)	(860)	(11,969)	(68)
Net change in total pension liability	<u>\$ 16,005</u>	<u>\$ 61,451</u>	<u>\$ 10,430</u>	<u>\$ 110,137</u>	<u>\$ 102,514</u>
Total pension liability - beginning	670,265	608,814	598,384	488,247	385,733
Total pension liability - ending (a)	<u><u>\$ 686,270</u></u>	<u><u>\$ 670,265</u></u>	<u><u>\$ 608,814</u></u>	<u><u>\$ 598,384</u></u>	<u><u>\$ 488,247</u></u>
Plan fiduciary net position					
Contributions - employer	\$ 21,636	\$ 36,922	\$ 34,474	\$ 29,757	\$ 29,476
Contributions - employee	25,749	25,352	23,804	29,043	28,734
Net investment income	56,687	(2,714)	162,986	9,995	30,736
Benefit payments	(4,055)	(1,652)	(860)	(11,969)	(68)
Administrator charges	(513)	(454)	(339)	(291)	(226)
Other	23	20	16	(13)	(20)
Net change in plan fiduciary net position	<u>\$ 99,527</u>	<u>\$ 57,474</u>	<u>\$ 220,081</u>	<u>\$ 56,522</u>	<u>\$ 88,632</u>
Plan fiduciary net position - beginning	837,414	779,940	559,859	503,337	414,705
Plan fiduciary net position - ending (b)	<u><u>\$ 936,941</u></u>	<u><u>\$ 837,414</u></u>	<u><u>\$ 779,940</u></u>	<u><u>\$ 559,859</u></u>	<u><u>\$ 503,337</u></u>
Town's net pension liability (asset) - ending (a) - (b)	\$ (250,671)	\$ (167,149)	\$ (171,126)	\$ 38,525	\$ (15,090)
Plan fiduciary net position as a percentage of the total pension liability	136.53%	124.94%	128.11%	93.56%	103.09%
Covered payroll	\$ 543,650	\$ 529,388	\$ 490,074	\$ 591,279	\$ 585,180
Town's net pension liability (asset) as a percentage of covered payroll	-46.11%	-31.57%	-34.92%	6.52%	-2.58%

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 55,068	\$ 51,718	\$ 49,173	\$ 39,110	\$ 36,166
Interest	21,824	17,265	13,741	6,423	3,637
Differences between expected and actual experience	(2,901)	3,739	(12,577)	59,014	-
Changes of assumptions	-	(7,545)	-	-	-
Benefit payments	(68)	(6)	-	-	-
Net change in total pension liability	<u>\$ 73,923</u>	<u>\$ 65,171</u>	<u>\$ 50,337</u>	<u>\$ 104,547</u>	<u>\$ 39,803</u>
Total pension liability - beginning	<u>311,810</u>	<u>246,639</u>	<u>196,302</u>	<u>91,755</u>	<u>51,952</u>
Total pension liability - ending (a)	<u><u>\$ 385,733</u></u>	<u><u>\$ 311,810</u></u>	<u><u>\$ 246,639</u></u>	<u><u>\$ 196,302</u></u>	<u><u>\$ 91,755</u></u>
Plan fiduciary net position					
Contributions - employer	\$ 27,213	\$ 27,704	\$ 30,137	\$ 26,970	\$ 23,007
Contributions - employee	24,801	25,290	23,400	21,041	32,974
Net investment income	26,296	34,012	5,026	7,499	15,109
Benefit payments	(68)	(6)	-	-	-
Administrator charges	(179)	(140)	(85)	(53)	(34)
Other	(26)	(33)	(2)	(1)	1
Net change in plan fiduciary net position	<u>\$ 78,037</u>	<u>\$ 86,827</u>	<u>\$ 58,476</u>	<u>\$ 55,456</u>	<u>\$ 71,057</u>
Plan fiduciary net position - beginning	<u>336,668</u>	<u>249,841</u>	<u>191,365</u>	<u>135,909</u>	<u>64,852</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 414,705</u></u>	<u><u>\$ 336,668</u></u>	<u><u>\$ 249,841</u></u>	<u><u>\$ 191,365</u></u>	<u><u>\$ 135,909</u></u>
Town's net pension liability (asset) - ending (a) - (b)	\$ (28,972)	\$ (24,858)	\$ (3,202)	\$ 4,937	\$ (44,154)
Plan fiduciary net position as a percentage of the total pension liability	107.51%	107.97%	101.30%	97.48%	148.12%
Covered payroll	\$ 550,620	\$ 518,076	\$ 500,141	\$ 435,845	\$ 317,750
Town's net pension liability (asset) as a percentage of covered payroll	-5.26%	-4.80%	-0.64%	1.13%	-13.90%

Schedule of Employer Contributions
 Pension Plan
 Years Ended June 30, 2015 through June 30, 2024

<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>
2024	\$ 24,720	\$ 24,720	\$ -	\$ 653,890	3.78%
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.

Notes to Required Supplementary Information
 Pension Plan
 Year Ended June 30, 2024

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, 2022 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, 2021. 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, 2023

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2023	0.0023% \$	27,704 \$	543,650	5.10%	69.30%
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, 2024

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2024	\$ 3,531	\$ 3,531	\$ -	\$ 653,890	0.54%
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, 2024

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, 2022 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, 2021. 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

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Capital Projects Fund
 Year Ended June 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 28,523	\$ 28,523
Intergovernmental:				
Commonwealth	<u>2,273,000</u>	<u>2,273,000</u>	<u>1,539,589</u>	<u>(733,411)</u>
Total revenues	<u>\$ 2,273,000</u>	<u>\$ 2,273,000</u>	<u>\$ 1,568,112</u>	<u>\$ (704,888)</u>
Expenditures:				
Current:				
General government administration	\$ 1,447,000	\$ 1,647,700	\$ 583,727	\$ 1,063,973
Public works	<u>883,000</u>	<u>1,726,909</u>	<u>1,237,748</u>	<u>489,161</u>
Total expenditures	<u>\$ 2,330,000</u>	<u>\$ 3,374,609</u>	<u>\$ 1,821,475</u>	<u>\$ 1,553,134</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (57,000)</u>	<u>\$ (1,101,609)</u>	<u>\$ (253,363)</u>	<u>\$ 848,246</u>
Other financing sources (uses):				
Transfers in	<u>\$ 57,000</u>	<u>\$ 57,000</u>	<u>\$ 84,500</u>	<u>\$ 27,500</u>
Total other financing sources (uses)	<u>\$ 57,000</u>	<u>\$ 57,000</u>	<u>\$ 84,500</u>	<u>\$ 27,500</u>
Net change in fund balances	\$ -	\$ (1,044,609)	\$ (168,863)	\$ 875,746
Fund balances at beginning of year	<u>-</u>	<u>1,044,609</u>	<u>(144,563)</u>	<u>(1,189,172)</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (313,426)</u></u>	<u><u>\$ (313,426)</u></u>

Supporting Schedules

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2024

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 766,445	\$ 766,445	\$ 739,752	\$ (26,693)
Total general property taxes	\$ 766,445	\$ 766,445	\$ 739,752	\$ (26,693)
Other local taxes:				
Local sales and use taxes	\$ 284,000	\$ 284,000	\$ 363,272	\$ 79,272
Utility tax	15,000	15,000	18,107	3,107
Business license tax	67,000	67,000	92,902	25,902
Cigarette tax	24,000	24,000	24,938	938
Bank franchise taxes	25,000	25,000	25,145	145
Meals tax	262,500	262,500	317,490	54,990
Conduit tax	24,179	24,179	25,088	909
Transient occupancy tax	-	-	1,510	1,510
Motor vehicle licenses	50,000	50,000	51,974	1,974
Total other local taxes	\$ 751,679	\$ 751,679	\$ 920,426	\$ 168,747
Permits, privilege fees and regulatory licenses:				
Licenses and zoning permits	\$ 2,500	\$ 2,500	\$ 9,605	\$ 7,105
Revenue from use of money and property:				
Revenue from use of money	\$ 10,000	\$ 10,000	\$ 122,491	\$ 112,491
Revenue from use of property	400	400	150	(250)
Total revenue from use of money and property	\$ 10,400	\$ 10,400	\$ 122,641	\$ 112,241
Charges for services:				
Engineering	\$ -	\$ -	\$ 1,924	\$ 1,924
Zoning	-	-	7,278	7,278
Total charges for services	\$ -	\$ -	\$ 9,202	\$ 9,202
Miscellaneous:				
Miscellaneous income	\$ 333,400	\$ 333,400	\$ 170,403	\$ (162,997)
Donations	4,750	4,750	11,950	7,200
Total revenue from miscellaneous revenue	\$ 338,150	\$ 338,150	\$ 182,353	\$ (155,797)
Total revenue from local sources	\$ 1,869,174	\$ 1,869,174	\$ 1,983,979	\$ 114,805

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2024 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communication taxes	\$ 9,500	\$ 9,500	\$ 9,034	\$ (466)
Auto rental	2,000	2,000	2,505	505
Rolling stock tax	50	50	216	166
Total noncategorical aid	<u>\$ 11,550</u>	<u>\$ 11,550</u>	<u>\$ 11,755</u>	<u>\$ 205</u>
Categorical aid:				
Litter control grant	\$ 1,000	\$ 1,000	\$ 2,566	\$ 1,566
Fire funds	17,000	17,000	15,000	(2,000)
Other state funds	1,300	1,300	1,995	695
Total categorical aid	<u>\$ 19,300</u>	<u>\$ 19,300</u>	<u>\$ 19,561</u>	<u>\$ 261</u>
Total revenue from the Commonwealth	<u>\$ 30,850</u>	<u>\$ 30,850</u>	<u>\$ 31,316</u>	<u>\$ 466</u>
Revenue from the Federal government:				
Categorical aid:				
ARPA funds	\$ -	\$ -	\$ 6,750	\$ 6,750
Total revenue from the Federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,750</u>	<u>\$ 6,750</u>
Total General Fund	<u>\$ 1,900,024</u>	<u>\$ 1,900,024</u>	<u>\$ 2,022,045</u>	<u>\$ 122,021</u>
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 28,523	\$ 28,523
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Street and highway maintenance	\$ 2,273,000	\$ 2,273,000	\$ 1,539,589	\$ (733,411)
Total Capital Projects Fund	<u>\$ 2,273,000</u>	<u>\$ 2,273,000</u>	<u>\$ 1,568,112</u>	<u>\$ (704,888)</u>
Total Primary Government	<u>\$ 4,173,024</u>	<u>\$ 4,173,024</u>	<u>\$ 3,590,157</u>	<u>\$ (582,867)</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2024

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund:				
General government administration:				
Administration:				
Administrative salaries	\$ 632,118	\$ 632,118	\$ 637,053	\$ (4,935)
Council salaries	20,000	20,000	15,667	4,333
Payroll taxes	44,300	44,300	49,824	(5,524)
Health insurance	31,000	31,000	20,317	10,683
Retirement	40,377	40,377	37,299	3,078
Audit	14,500	14,750	14,750	-
Legal	56,000	57,000	24,181	32,819
Consultants	118,895	118,895	87,923	30,972
Advertising	8,000	8,000	7,710	290
Telephone	5,820	5,820	6,086	(266)
Postage	1,000	1,000	847	153
Software	13,000	13,000	7,295	5,705
Website	33,540	33,540	33,227	313
Copier	5,326	5,326	4,326	1,000
Books and subscriptions	100	100	-	100
Office	23,450	23,450	33,193	(9,743)
Snow removal	2,500	3,356	3,355	1
Landscaping	6,000	6,000	14,459	(8,459)
Repairs and maintenance	14,375	14,375	15,617	(1,242)
Education and training	7,500	7,500	4,032	3,468
Miscellaneous	19,970	19,970	13,681	6,289
Total administration	<u>\$ 1,097,771</u>	<u>\$ 1,099,877</u>	<u>\$ 1,030,842</u>	<u>\$ 69,035</u>
Buildings and grounds:				
Utilities	<u>\$ 1,150</u>	<u>\$ 1,150</u>	<u>\$ 1,504</u>	<u>(354)</u>
Total buildings and grounds	<u>\$ 1,150</u>	<u>\$ 1,150</u>	<u>\$ 1,504</u>	<u>(354)</u>
Other general government:				
Bank fees	\$ 1,500	\$ 1,500	\$ 720	\$ 780
Tourism and branding	3,500	3,500	2,022	1,478
Dues	6,020	6,020	3,873	2,147
Insurance	15,170	15,170	15,531	(361)
Code enforcement	1,000	1,000	-	1,000
Refunds	1,000	1,000	-	1,000
Hospitality	3,000	3,000	3,944	(944)
ARPA expenses	-	-	6,750	(6,750)
Total other general government	<u>\$ 31,190</u>	<u>\$ 31,190</u>	<u>\$ 32,840</u>	<u>\$ (1,650)</u>
Total general government	<u>\$ 1,130,111</u>	<u>\$ 1,132,217</u>	<u>\$ 1,065,186</u>	<u>\$ 67,031</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2024

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (Continued)				
Public safety:				
Other public safety:				
Fire fund allocation	\$ 17,000	\$ 17,000	\$ 15,000	\$ 2,000
Total public safety	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>
Public works:				
Street lights:				
Electricity - street lights	\$ 24,750	\$ 24,750	\$ 24,674	\$ 76
Street and road cleaning:				
Street signs	\$ 1,200	\$ 1,200	\$ 406	\$ 794
Sanitation and waste removal:				
Refuse services	\$ 241,817	\$ 241,817	\$ 239,894	\$ 1,923
Total public works	<u>\$ 267,767</u>	<u>\$ 267,767</u>	<u>\$ 264,974</u>	<u>\$ 2,793</u>
Parks, recreation and cultural:				
Maintenance	\$ 25,950	\$ 25,950	\$ 20,639	\$ 5,311
Litter grant	1,000	1,000	196	804
Utilities	11,600	11,600	13,732	(2,132)
Tree support	2,500	2,500	1,753	747
Supplies and beautification	13,700	13,700	10,435	3,265
Tools and equipment	1,000	1,000	7,726	(6,726)
Total parks, recreation and cultural	<u>\$ 55,750</u>	<u>\$ 55,750</u>	<u>\$ 54,481</u>	<u>\$ 1,269</u>
Community development:				
Planning:				
Engineering	\$ 12,000	\$ 12,000	\$ -	\$ 12,000
Planning commission salaries	8,400	8,400	6,600	1,800
Events	327,650	327,650	214,145	113,505
Training	3,000	3,000	-	3,000
Total planning	<u>\$ 351,050</u>	<u>\$ 351,050</u>	<u>\$ 220,745</u>	<u>\$ 130,305</u>
Events:				
Love America	\$ 1,250	\$ 1,250	\$ -	\$ 1,250
Love summer	6,250	6,250	4,733	1,517
Love winter	2,500	2,500	797	1,703
Total events	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 5,530</u>	<u>\$ 4,470</u>
Total community development	<u>\$ 361,050</u>	<u>\$ 361,050</u>	<u>\$ 226,275</u>	<u>\$ 134,775</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2024

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (Continued)				
Debt service:				
Principal	\$ 150,850	\$ 150,850	\$ 134,848	\$ 16,002
Interest	22,400	22,400	21,762	638
Total debt service	<u>\$ 173,250</u>	<u>\$ 173,250</u>	<u>\$ 156,610</u>	<u>\$ 16,640</u>
Total General Fund	<u>\$ 2,004,928</u>	<u>\$ 2,007,034</u>	<u>\$ 1,782,526</u>	<u>\$ 224,508</u>
Capital Projects Fund:				
General government administration:				
Town Square Improvements	\$ 12,000	\$ 12,000	\$ 26,760	\$ (14,760)
Generator	60,000	60,000	26,310	33,690
Lovettsville Square land purchase	-	200,700	200,700	-
Broad Way Improvements	<u>1,375,000</u>	<u>1,375,000</u>	<u>329,957</u>	<u>1,045,043</u>
Total general government administration	<u>\$ 1,447,000</u>	<u>\$ 1,647,700</u>	<u>\$ 583,727</u>	<u>\$ 1,063,973</u>
Public works:				
Quarter Branch Barn Improvements	\$ 20,000	\$ 47,000	\$ -	\$ 47,000
Loudoun Street Improvements	365,000	535,187	413,620	121,567
S Church Street Improvements	<u>498,000</u>	<u>1,144,722</u>	<u>824,128</u>	<u>320,594</u>
Total public works	<u>\$ 883,000</u>	<u>\$ 1,726,909</u>	<u>\$ 1,237,748</u>	<u>\$ 489,161</u>
Total Capital Projects Fund	<u>\$ 2,330,000</u>	<u>\$ 3,374,609</u>	<u>\$ 1,821,475</u>	<u>\$ 1,553,134</u>
Total Primary Government	<u>\$ 4,334,928</u>	<u>\$ 5,381,643</u>	<u>\$ 3,604,001</u>	<u>\$ 1,777,642</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***

**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, 2024, 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 January 3, 2025.

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 2024-001 and 2024-002 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
January 3, 2025



**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Town of Lovettsville, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town of Lovettsville, Virginia's major federal programs for the year ended June 30, 2024. Town of Lovettsville, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of Lovettsville, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Lovettsville, Virginia and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Town of Lovettsville, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Town of Lovettsville, Virginia's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Lovettsville, Virginia's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Lovettsville, Virginia's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Town of Lovettsville, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Lovettsville, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Lovettsville, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Report on Internal Control over Compliance: (Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Charlottesville, Virginia
January 3, 2025

TOWN OF LOVETTSVILLE, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
Department of Treasury: Pass-through payments: Virginia Department of Accounts: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Available	\$ <u>1,039,442</u>
Total Department of Treasury			\$ <u>1,039,442</u>
Total expenditures of federal awards			\$ <u>1,039,442</u>

Notes to the Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Town of Lovettsville, Virginia under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Town of Lovettsville, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of Town of Lovettsville, Virginia.

Note B - Summary of Significant Accounting Policies

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

(2) Pass-through entity identifying numbers are presented where available.

Note C - Subrecipients

No awards were passed through to subrecipients.

Note D - De Minimis Cost Rate

The Town did not elect to use the 10-percent de minimis indirect cost rate under Uniform Guidance.

Note E - Loan Balances

The Town has no loan guarantees which are subject to reporting requirements for the current year.

TOWN OF LOVETTSVILLE, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Identification of major programs:

<u>Assistance Listing</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

TOWN OF LOVETTSVILLE, VIRGINIA

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
Year Ended June 30, 2024

FINDINGS - FINANCIAL STATEMENT

A. Material Weaknesses in Internal Control

2024-01 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 Town did not perform accurate reconciliations in order to present 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 Town should 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 who completes bank reconciliations monthly, with accurate numbers maintained for each month's activity. However, inconsistencies in the accounting from prior years have led to discrepancies, causing the year end balances to be incorrect.

2024-002 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 recommends that the full-time Treasurer continue education opportunities to enhance their skills in preparing year-end adjusting accrual entries to provide financial statements in accordance with generally accepted accounting principles (GAAP). This will help ensure more accurate financial reporting and adherence to proper account standards.