

TOWN OF MIDDLEBURG, VIRGINIA

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2021**

**TOWN OF MIDDLEBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021**

TABLE OF CONTENTS

	LIST OF COUNCIL AND PRINCIPAL OFFICERS	1
	FINANCIAL SECTION	
	INDEPENDENT AUDITOR’S REPORT	2-3
	MANAGEMENT’S DISCUSSION AND ANALYSIS	4-11
	BASIC FINANCIAL STATEMENTS	
	GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Exhibit I	Statement of Net Position	12
Exhibit II	Statement of Activities	13
	FUND FINANCIAL STATEMENTS	
	GOVERNMENT FUND	
Exhibit III	Balance Sheet	14
Exhibit IV	Statement of Revenues, Expenditures, and Changes in Fund Balance	15
Exhibit V	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statements of Activities	16
Exhibit VI	Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	17
	PROPRIETARY FUNDS	
Exhibit VII	Statements of Net Position	18
Exhibit VIII	Statements of Revenues, Expenditures, and Changes in Net Position	19
Exhibit IX	Statements of Cash Flows	20
	FIDUCIARY FUNDS	
Exhibit X	Statement of Fiduciary Net Position	21
Exhibit XI	Statements of Changes in Fiduciary Net Position	22
	NOTES TO FINANCIAL STATEMENTS	23-56
	SUPPLEMENTARY INFORMATION	
	GENERAL FUND	
Schedule I	Schedule of Revenues and Other Financing Sources – Budget and Actual	57-58
Schedule II	Schedule of Expenditures – Budget and Actual	59-62
	CAPITAL PROJECT FUND	
Schedule III	Schedule of Revenues, Expenditures, and Changes in Fund Balance	63

TOWN OF MIDDLEBURG, VIRGINIA

MAYOR AND TOWN COUNCIL (as of June 30, 2021)

Trowbridge M. Littleton, Mayor

Philip M. Miller, Vice Mayor

Peter Leonard-Morgan

Chris W. Bernard

Morris “Bud” Jacobs

John Kevin Daly

Darlene Kirk

Cindy C. Pearson

OFFICIALS

Danny Davis, Town Manager

William M. Moore, Deputy Town Manager

John O’Neill, Interim Finance Director/Treasurer

A.J. Panebianco, Chief of Police

Rhonda S. North, Clerk of Council

LEGAL COUNSEL

Martin R. Crim

Vanderpool, Frostick & Nishanian, P.C.

MITCHELL & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JEFFREY D. MITCHELL, CPA
SANDRA M. TONDREAU, CPA
W. MATTHEW BURNS, CPA
KARA J. DOYLE, CPA

TONJI M. LEISS, CPA

110 EAST MARKET STREET | SUITE 200
LEESBURG, VIRGINIA 20176
P 703.777.4900 | F 703.771.3082
WWW.MCOCPA.COM

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor and Members of Town Council
Town of Middleburg, Virginia
Middleburg, Virginia

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Middleburg, Virginia's basic financial statements. The accompanying information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basis financial statements.

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

Leesburg, Virginia
October 13, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Middleburg, Virginia, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Middleburg, Virginia for the fiscal year ended June 30, 2021.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$20,058,711.
- The Town's total net position increased by \$954,343.
- As of the close of the current fiscal year, the Town of Middleburg's governmental funds reported combined ending fund balances of \$15,548,688, an increase of \$8,799,762 in comparison with the prior year. The available amount for spending at the government's discretion was \$6,662,229.
- The Town's total liabilities increased by \$7,980,534 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Middleburg, Virginia's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all Town assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Middleburg that are principally supported by taxes and intergovernmental revenues, (governmental activities), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, (business-type activities). The governmental activities of the Town of Middleburg include general government, public safety, and public works. The business-type activities of the Town include water and sewer utility service.

The government-wide financial statements can be found on pages 11 – 12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Middleburg, Virginia, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

The Town of Middleburg adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 – 16 of this report.

Proprietary funds. The Town of Middleburg, Virginia uses enterprise funds to report the same functions presented as business-type activities in the government-wide financial statements. The Town's enterprise funds include the water fund and sewer fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer funds, which are considered to be major funds of the Town.

The basic proprietary fund financial statements can be found on pages 17 – 19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide statement because the resources of those funds are not available to support the Town of Middleburg's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 20 – 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 – 55 of this report.

Supplementary Information. Supplementary schedules can be found on pages 56 – 61 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Middleburg, Virginia, assets exceeded liabilities by \$20,058,711 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town of Middleburg uses these capital assets to provide services to its 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 following table presents a summary of the Town's net position by type of activity as of June 30, 2021.

TOWN OF MIDDLEBURG – NET POSITION			
	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 15,896,302	\$ 2,440,239	\$ 18,336,541
Capital assets	2,411,514	13,057,094	15,468,608
Total Assets	18,307,816	15,497,333	33,805,149
Deferred outflows of resources	294,113	-	294,113
Liabilities			
Long-term liabilities	8,679,829	4,955,446	13,635,275
Other liabilities	279,506	125,770	405,276
Total Liabilities	8,959,335	5,081,216	14,040,551
Net Position			
Net investment in capital assets	1,910,432	8,214,278	10,124,710
Restricted	432,644	-	432,644
Unrestricted	7,299,518	2,201,839	9,501,357
Total Net Position	\$ 9,642,594	\$ 10,416,117	\$ 20,058,711

The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Town of Middleburg is able to report positive balances in all categories of net position for the government as a whole. The same situation held true for the prior fiscal year.

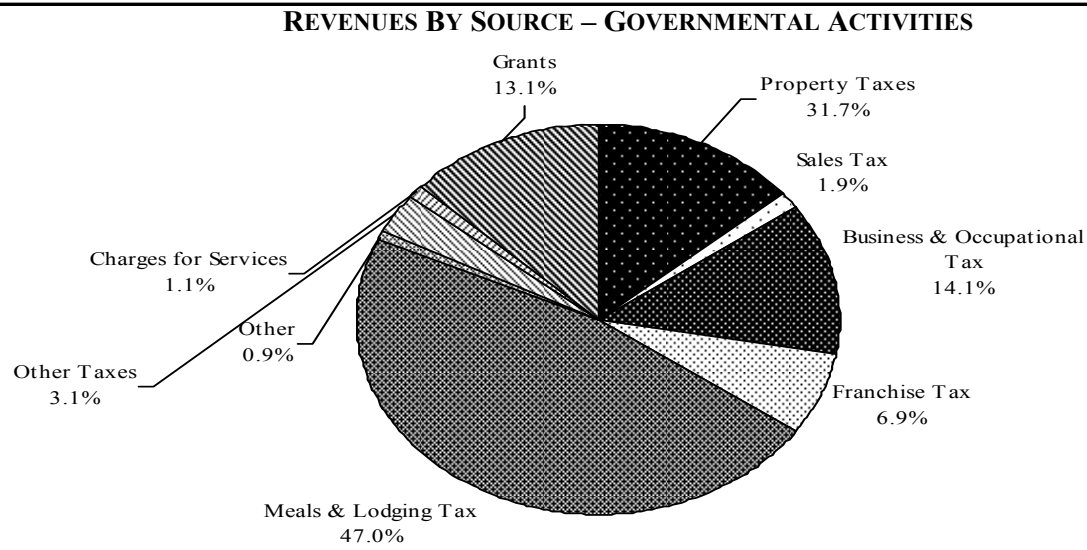
The Town's net position increased by \$954,343 during the current fiscal year.

Governmental activities. Governmental activities increased the Town of Middleburg's net position by \$818,886. These changes are presented in column one of the following table:

	Governmental Activities	Business-type Activities	Total
Program Revenues			
Charges for services	\$ 60,559	\$ 1,201,818	\$ 1,262,377
Operating grants and contributions	548,834	-	548,834
Capital grants and contributions	3,032	110,000	113,032
General Revenues			
Property taxes	571,843	-	571,843
Other taxes	2,989,303	-	2,989,303
Other	26,695	182,118	208,813
Total Revenues	<u>4,200,266</u>	<u>1,493,936</u>	<u>5,694,202</u>
Expenses			
General government	2,018,654	-	2,018,654
Public safety	909,010	-	909,010
Public works	318,303	-	318,303
Interest on long-term debt	22,166	-	22,166
Infrastructure	113,247	-	113,247
Water & Sewer	-	1,358,479	1,358,479
Total Expenses	<u>3,381,380</u>	<u>1,358,479</u>	<u>4,739,859</u>
Increase in Net Position	818,886	135,457	954,343
Net Position – beginning	8,823,708	10,280,660	19,104,368
Net Position – ending	<u>\$ 9,642,594</u>	<u>\$ 10,416,117</u>	<u>\$ 20,058,711</u>

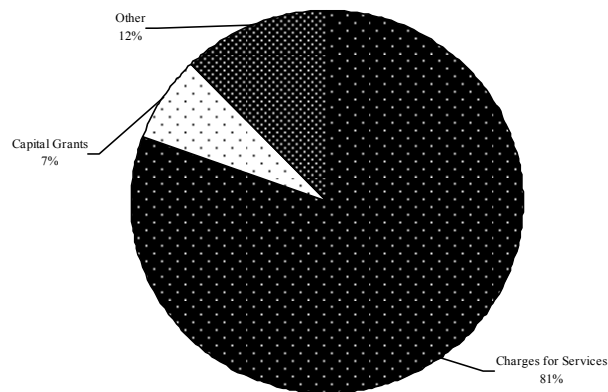
- In fiscal year 2021, the Town had an increase of \$437,281 in other tax revenue primarily driven by increases in the meals and occupancy taxes. In fiscal year 2020, certain tax revenues, especially meals and occupancy tax, were low due to the effects of the COVID-19 pandemic.
- The Town received \$74,000 of funding from the County related to the CARES Act. The Town used this funding for several programs to assist with pandemic relief. At the end of fiscal year 2021, the Town received \$432,000 related the the American Recovery Act. This money will be used in the coming years for programs as approved by the Act.

The following chart presents a graphic representation of the Town's governmental activities and the related revenue structure for fiscal year 2021.



The following chart presents a graphic representation of the Town's business-type activities and the related revenue structure for fiscal year 2021.

REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES



Business-type activities. Business-type activities increased the Town of Middleburg's net position by \$135,457. Last year, business-type activities had a net loss of \$153,260. Key elements of this change are as follows:

- Expenses decreased by \$158,588 while charges for services increased by \$19,834.
- Non-operating revenue increased by \$295 over last year's amount.
- The Town received \$110,000 in availability fees in the current year with no availability fees received in the prior year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Town of Middleburg, Virginia uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the Town of Middleburg's governmental funds reported combined ending fund balances of \$15,548,688, an increase of \$8,799,762 in comparison with the prior year. Of this total amount (\$15,548,688), \$6,662,229 constitutes unreserved fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the Town of Middleburg, Virginia. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6,662,229. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance is \$6,662,229 compared to total general fund expenditures of \$2,814,560.

The growth in the Town of Middleburg's unreserved fund balance in prior years is a combination of stronger than expected revenue growth and unspent appropriations. On the revenue side, meals tax, occupancy tax, and business license tax have all grown at rates greater than the Town anticipated. The Town's forecasting model, paired with a conservative spending approach, prepared the Town fiscally for the COVID-19 pandemic.

The Town's expenditure savings is a combination of careful spending practices and the delay of certain activities as a result of COVID-19. The Town spent nearly \$100,000 in community support programs in response to COVID-19. These investments were partially offset by the second round of CARES Act funding from the Commonwealth (passed through Loudoun County). At the end of fiscal year 2021, the Town received approximately \$432,000 from the federal government related to the American Recovery Act. These funds will be used in future years.

Finally, the Town of Middleburg notes that it has worked with a financial advisor to analyze the Town's fiscal status in light of future capital needs and has developed a capital project fund to track planned projects and capital spending. This includes revising the Town's unreserved fund balance target and planning for future cash or debt service. The Town will continue reviewing this plan in light of COVID-19 and prior to moving forward with any significant capital programs.

Proprietary funds. The Town of Middleburg, Virginia's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the water and sewer fund at the end of the year amounted to \$10,416,117. The total increase in net position for proprietary funds was \$135,457. The Town refunded previously-issued debt at near historically-low

interest rates, at the beginning of the pandemic. The Town will recognize over \$375,000 in interest savings over the term of this debt. Further, the Town received a Line of Credit to repay itself for capital projects that had been paid in cash, which allowed the Town to build its fund balance in the proprietary fund to adopted policy levels.

Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The Town of Middleburg, Virginia's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to \$15,468,608 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, infrastructure improvements, equipment and machinery, and construction in process.

The table below summarizes the capital assets of the Town at June 30, 2021.

	Governmental	Business-type	
	Activities	Activities	Total
Land	\$ 906,169	\$ 954,886	\$ 1,861,055
Buildings	258,821	-	258,821
Water system - lines	-	7,858,091	7,858,091
Sanitary sewer system	-	4,087,265	4,087,265
Infrastructure improvements	650,741	-	650,741
Equipment and machinery	62,994	141,960	204,954
Construction in process	532,789	14,892	547,681
Total	<u>\$ 2,411,514</u>	<u>\$ 13,057,094</u>	<u>\$ 15,468,608</u>

Additional information on the Town of Middleburg capital assets can be found in note III.D on pages 31 – 33 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Middleburg, Virginia had total bonded debt outstanding of \$12,967,991. This entire amount comprises debt backed by the full faith and credit of the government.

The Town of Middleburg's total debt increased by \$7,835,000 during the current fiscal year as it incurred additional debt in anticipation of constructing a new Town Administrative building.

Additional information on the Town of Middleburg's long-term debt can be found in note III.E on pages 33 – 35 of this report.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the Town of Middleburg's finances for all those with an interest in the government's financial operations. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Town of Middleburg, 10 West Marshall Street, P.O. Box 187, Middleburg, VA 20118.

TOWN OF MIDDLEBURG, VIRGINIA
GOVERNMENT WIDE STATEMENT OF NET POSITION
June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,748,582	\$ 1,794,632	\$ 5,543,214
Investments	11,599,660	309,585	11,909,245
Receivables (net of allowance for uncollectible, where applicable)			
Property taxes	121,252	-	121,252
Utility taxes	7,379	-	7,379
Utility service	-	220,448	220,448
Accounts	461,119	-	461,119
Due from other governments	10,236	-	10,236
Prepaid expenses	-	63,648	-
Interfund advances	(51,926)	51,926	-
Capital assets (net of accumulated depreciation)			
Land	906,169	954,886	1,861,055
Building	258,821	-	258,821
Water system - lines	-	7,858,091	7,858,091
Sanitary sewer system	-	4,087,265	4,087,265
Infrastructure	650,741	-	650,741
Equipment and machinery	62,994	141,960	204,954
Construction in progress	532,789	14,892	547,681
Total assets	18,307,816	15,497,333	33,741,501
Deferred Outflows of Resources			
Deferred pension obligation	294,113	-	294,113
Total deferred outflows	294,113	-	294,113
Liabilities			
Accounts payable	207,081	76,112	283,193
Accrued expenses	51,878	-	51,878
Accrued interest payable	19,947	25,998	45,945
Deferred revenue	-	4,858	4,858
Deposits, performance bonds and offsite fees	600	18,802	19,402
Noncurrent liabilities:			
Due within one year	5,874	235,303	241,177
Due in more than one year	8,673,955	4,720,143	13,394,098
Total liabilities	8,959,335	5,081,216	14,040,551
Net Position			
Net investment in capital assets	1,910,432	8,214,278	10,124,710
Restricted	432,644	-	432,644
Unrestricted	7,299,518	2,201,839	9,501,357
Total net position	\$ 9,642,594	\$ 10,416,117	\$ 20,058,711

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

TOWN OF MIDDLEBURG, VIRGINIA
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 2,018,654	\$ 60,559	\$ 507,503	\$ 3,032	\$ (1,447,560)	\$ -	\$ (1,447,560)
Public safety	909,010	-	41,331	-	(867,679)	-	(867,679)
Public works	318,303	-	-	-	(318,303)	-	(318,303)
Interest on long-term debt	22,166	-	-	-	(22,166)	-	(22,166)
Infrastructure depreciation	113,247	-	-	-	(113,247)	-	(113,247)
Total governmental activities	3,381,380	60,559	548,834	3,032	(2,768,955)	-	(2,768,955)
Business-type activities							
Water & Sewer	1,358,479	1,201,818	-	110,000	-	(46,661)	(46,661)
Total business-type activities	1,358,479	1,201,818	-	110,000	-	(46,661)	(46,661)
Total primary government	<u>\$ 4,739,859</u>	<u>\$ 1,262,377</u>	<u>\$ 548,834</u>	<u>\$ 113,032</u>	<u>(2,768,955)</u>	<u>(46,661)</u>	<u>(2,815,616)</u>
General revenues							
Property taxes					571,843	-	571,843
Sales taxes					60,486	-	60,486
Business and occupational taxes					525,642	-	525,642
Motor vehicle taxes					15,617	-	15,617
Franchise taxes					289,477	-	289,477
Consumption and utility taxes					96,147	-	96,147
Fines and forfeitures					7,553	-	7,553
Meals and lodging taxes					1,974,422	-	1,974,422
Cigarette taxes					19,959	-	19,959
Tower rental					-	169,623	169,623
Net insurance proceeds					7,997	-	7,997
Unrestricted investment earnings					18,698	318	19,016
Bond premium amortization					-	12,177	12,177
Total general revenues and transfers					<u>3,587,841</u>	<u>182,118</u>	<u>3,769,959</u>
Change in net position					818,886	135,457	954,343
Net position - beginning					<u>8,823,708</u>	<u>10,280,660</u>	<u>19,104,368</u>
Net position - ending					<u>\$ 9,642,594</u>	<u>\$ 10,416,117</u>	<u>\$ 20,058,711</u>

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

TOWN OF MIDDLEBURG, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	General	Capital Projects	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 3,175,063	\$ 573,519	\$ 3,748,582
Investments	3,769,835	7,829,825	11,599,660
Receivables			
Property taxes	121,252	-	121,252
Utility taxes	7,379	-	7,379
Accounts	461,119	-	461,119
Due from other governments	10,236	-	10,236
Total assets	\$ 7,544,884	\$ 8,403,344	\$ 15,948,228
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 38,241	\$ 168,840	\$ 207,081
Deposits, performance bonds and offsite fees	600	-	600
Due to other funds	51,926	-	51,926
Accrued expenses	51,879	-	51,879
Compensated absences	79,982	-	79,982
Total liabilities	222,628	168,840	391,468
Deferred Inflows of Resources			
Unavailable revenue	8,072	-	8,072
Fund balances			
Restricted	432,644	-	432,644
Committed			
Parking fund	219,311	-	219,311
Capital project-Town Hall	-	8,130,615	8,130,615
Capital project-other	-	103,889	103,889
Unassigned	6,662,229	-	6,662,229
Total fund balances	7,314,184	8,234,504	15,548,688
Total liabilities, deferred inflows of resources, and fund balances			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			2,411,514
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds			8,072
Pension obligation reporting			(146,281)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds			(8,179,399)
Net assets of governmental activities			<u>\$ 9,642,594</u>

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

TOWN OF MIDDLEBURG, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General	Capital Project	Total Governmental Funds
Revenues			
General property taxes	\$ 579,978	\$ -	\$ 579,978
Other local taxes	2,981,750	-	2,981,750
Zoning permits, fess, and licenses	46,764	-	46,764
Fines and forfeitures	7,553	-	7,553
Revenues from the use of money and property	18,023	675	18,698
Municipal parking	475	-	475
Miscellaneous	13,355	-	13,355
Intergovernmental	551,831	-	551,831
Total revenues	4,199,729	675	4,200,404
Expenditures			
General government	1,705,279	-	1,705,279
Public safety	813,894	-	813,894
Public works	295,387	-	295,387
Capital projects	-	417,229	417,229
Bond issuance fees	-	176,850	176,850
Total expenditures	2,814,560	594,079	3,408,639
Other Financing Sources(Uses)			
Transfers in	-	827,908	827,908
Transfers out	(827,908)	-	(827,908)
Insurance proceeds	7,997	-	7,997
Public Improvement bonds issued	-	8,000,000	8,000,000
Total other financing sources(uses)	(819,911)	8,827,908	8,007,997
Net change in fund balances	565,258	8,234,504	8,799,762
Fund balance - beginning	6,748,926	-	6,748,926
Fund balance - ending	\$ 7,314,184	\$ 8,234,504	\$ 15,548,688

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

TOWN OF MIDDLEBURG, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

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

Net change in fund balances - total governmental funds	\$ 8,799,762
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.	417,228
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(181,373)
The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds but in the Government Wide Statement of Net Position is reported as a liability. The repayment of the principal of long-term debt consumes the current financial resources of governmental funds and is reported as an expenditure, but the repayment reduces long term liabilities in the Government Wide Statement of Net Position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(7,993,670)
Pension funding obligation is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources. Therefore, pension obligation requirements are not reported as a liability in the governmental funds.	(160,701)
Some expenses reported in the Government Wide Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. These include compensated absences and accrued interest.	(54,225)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(8,135)</u>
Change in net assets of governmental activities	<u><u>\$ 818,886</u></u>

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

TOWN OF MIDDLEBURG, VIRGINIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
General property taxes	\$ 555,636	\$ 579,978	\$ 24,342
Other local taxes	3,049,500	2,981,750	(67,750)
Permits, zoning, and signs	17,000	46,764	29,764
Fines and forfeitures	30,000	7,553	(22,447)
Revenues from use of money	71,000	18,023	(52,977)
Municipal parking	2,500	475	(2,025)
Miscellaneous	44,403	13,355	(31,048)
Intergovernmental	106,324	551,831	445,507
Total revenues	3,876,363	4,199,729	323,366
Expenditures			
General government	3,171,390	2,533,187	638,203
Public safety	794,652	813,894	(19,242)
Public works	412,321	295,387	116,934
Total expenditures	4,378,363	3,642,468	735,895
Excess of revenues over expenditures	(502,000)	557,261	1,059,261
Other Financing Sources			
Total other financing sources	-	7,997	-
Net change in fund balances	(502,000)	565,258	1,067,258
Fund balances - beginning	6,748,926	6,748,926	-
Fund balances - ending	\$ 6,246,926	\$ 7,314,184	\$ 1,067,258

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

TOWN OF MIDDLEBURG, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2021

	Business-Type Activities	
	Water and Sewer	
	Water and Sewer	Prior Year
	Current Year	(Memorandum Only)
Assets		
Current assets		
Cash and cash equivalents	\$ 1,794,632	\$ 1,651,191
Investments	309,585	181,942
Receivables		
Utility service	220,448	208,268
Total current assets	<u>2,324,665</u>	<u>2,041,401</u>
Noncurrent assets		
Prepaid expenses	63,648	-
Due from other funds	51,926	43,377
Total noncurrent assets	<u>115,574</u>	<u>43,377</u>
Capital assets		
Land	954,886	954,886
Water system	12,181,871	12,166,169
Sanitary sewer system	7,170,777	7,170,777
Equipment	420,849	420,849
Construction in progress	14,892	-
Less accumulated depreciation	(7,686,181)	(7,169,043)
Total capital assets	<u>13,057,094</u>	<u>13,543,638</u>
Total assets	<u>15,497,333</u>	<u>15,628,416</u>
Liabilities		
Current liabilities		
Accounts payable	76,112	154,241
Deposits, performance bonds and offsite fees	18,802	17,704
Accrued interest payable	25,998	33,182
Deferred revenue	4,858	16,336
Current maturities of long-term debt	235,303	216,847
Total current liabilities	<u>361,073</u>	<u>438,310</u>
Noncurrent liabilities		
Long-term debt	4,720,143	4,909,446
Total liabilities	<u>5,081,216</u>	<u>5,347,756</u>
Net Position		
Net investment in capital assets	8,214,278	8,542,152
Unrestricted	2,201,839	1,738,508
Total net position	<u>\$ 10,416,117</u>	<u>\$ 10,280,660</u>

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

TOWN OF MIDDLEBURG, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Business-Type Activities	
	Water and Sewer Current Year	Water and Sewer Prior Year (Memorandum Only)
Operating revenues:		
Water charges	\$ 605,206	\$ 588,814
Sewer charges	594,372	590,346
Connection fees	-	35
Other fees, reimbursements and recoveries	2,240	2,789
Total operating revenues	1,201,818	1,181,984
Operating expenses:		
Personal services	24,481	21,185
Administrative	39,368	24,214
Depreciation	517,138	526,628
Contracted services	350,275	311,429
Supplies	103,063	91,360
Repairs and maintenance	36,860	118,693
Insurance	11,095	7,691
Utilities	72,686	76,840
Tests	36,244	28,055
Sludge removal	3,335	9,170
Bad debt	2,146	5,438
Other	16,112	15,162
Total operating expenses	1,212,803	1,235,865
Operating income (loss)	(10,985)	(53,881)
Nonoperating revenues (expenses):		
Tower rental	169,623	164,920
Interest income	318	4,726
Interest expense	(99,902)	(127,768)
Bond issuance fees	(45,774)	(153,434)
Bond premium amortization	12,177	12,177
Total nonoperating revenue (expenses)	36,442	(99,379)
Income (loss) before contributions and transfers	25,457	(153,260)
Transfers and capital contributions		
Availability fees	110,000	-
Total transfers and capital contributions	110,000	-
Change in net position	135,457	(153,260)
Total net position - beginning of year	10,280,660	10,433,920
Total net position - end of year	\$ 10,416,117	\$ 10,280,660

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

**TOWN OF MIDDLEBURG, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 1,178,157
Payments to suppliers	(811,860)
Payments to employees	(24,481)
Net cash provided by operating activities	<u>341,816</u>
Cash Flows from Nonoperating Financing Activities	
Interfund transfers	(8,549)
Net cash used in capital and related financing activities	<u>(8,549)</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(30,594)
Capital contributed	110,000
Bond issuance costs	(45,774)
Acquisition of new debt	1,407,000
Principal paid on capital debt	(1,565,670)
Interest paid on capital debt	(107,086)
Net cash (used in) capital and related financing activities	<u>(232,124)</u>
Cash Flows from Investing Activities	
Tower rental	169,623
Purchase of investments	(127,643)
Interest and dividends received	318
Net cash provided by investing activities	<u>42,298</u>
Net increase in cash and cash equivalents	143,441
Cash and cash equivalents July 1, 2020	<u>1,651,191</u>
Cash and cash equivalents June 30, 2021	<u><u>\$ 1,794,632</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ (10,985)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	517,138
(Increase) decrease in assets:	
Accounts receivable	(12,180)
Prepaid expenses	(63,648)
Increase (decrease) in liabilities:	
Customer deposits	1,098
Deferred revenue	(11,478)
Accounts payable	(78,129)
Total adjustments	<u>352,801</u>
Net cash provided by operating activities	<u><u>\$ 341,816</u></u>

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

TOWN OF MIDDLEBURG, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2021

	<u>Non- Expendable Health Center</u>
Assets	
Cash and cash equivalents	\$ 603,551
Receivable	25,000
Investments	30,882
Total assets	<u>\$ 659,433</u>
Liabilities	
Accounts payable and other	<u>\$ 12,750</u>
Net Position	
Restricted	<u>646,683</u>
Total net position	<u>646,683</u>
Total liabilities and net position	<u>\$ 659,433</u>

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

TOWN OF MIDDLEBURG, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Non-Expendable Health Center</u>
Additions	
Miscellaneous income	-
Interest	<u>28</u>
Total additions	<u>28</u>
Deductions	
Administrative	-
Donations	<u>22,000</u>
Total deductions	<u>22,000</u>
Change in net position	(21,972)
Net position - beginning	<u>668,655</u>
Net position - ending	<u><u>\$ 646,683</u></u>

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Middleburg, Virginia, (the “Town”) was established in 1787. The Town is governed by a mayor and a seven-member Town Council, who are elected at large for a four year term.

The financial statements of the Town of Middleburg, Virginia (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of the more significant policies is presented to assist the reader in interpreting the financial statements and other data contained in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

A. REPORTING ENTITY

The Town is an incorporated municipal government governed by an elected mayor and seven-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Financial accountability is defined at appointment of voting majority of the component unit’s board and either (a) the ability to impose its will on the component unit, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based upon the above, all potential component units were evaluated for inclusion in the reporting entity and it was determined that there are no component units requiring inclusion in the Town’s reporting.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. 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 activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year end are reflected as deferred revenues. Sales, which are collected by the state and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County. Utility taxes are collected by the utilities and remitted directly to the Town.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The *capital project fund* is used to account for all resources used in the acquisition and construction of capital assets for the general government. Any capital assets used in water and sewer activities will be accounted for in the water and sewer fund.

The government reports the following major proprietary funds:

The *water and sewer fund* accounts for the activities of the Town's water and sewer operations.

Additionally, the government reports the following fund types:

The *nonexpendable health center fund* is a nonexpendable trust fund used to account for resources legally held in trust for use by a not-for-profit organization.

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

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

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

1. DEPOSITS AND INVESTMENTS

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value, which approximates cost due to the short-term nature of the investment maturities.

2. RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The trade and property tax receivables are shown net of an allowance for doubtful accounts. The allowance for doubtful accounts is determined using historical collection data and account analysis.

Real estate and personal property taxes are assessed annually by Loudoun County, Virginia for all property of record as of January 1. The County bills and collects property taxes for the Town. Real estate and personal property taxes are levied annually and payments are due semi-annually.

**D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES,
AND NET POSITION OR FUND BALANCE (CONTINUED)****2. RECEIVABLES AND PAYABLES (CONTINUED)**

Collections of real and personal property taxes between July 1 and August 15 of the subsequent fiscal year, classified as delinquent at June 30, are recorded as revenue for the fiscal year then ended, in accordance with the standards established by the Auditor of Public Accounts of the Commonwealth of Virginia. Liens attach to the property when the tax remains unpaid after July 1 of the following year. The billings are considered past due after the respective tax billing date at which time the applicable property is subject to a 10% penalty and interest is assessed 30 days therefrom.

3. RESTRICTED ASSETS

Customer Deposits – The Town collects a utility deposit when a new customer establishes a water/sewer account. Under certain circumstances, the deposit is refunded. Cash is restricted to set aside resources for future refunding along with a related customer deposit liability.

Off-site Fees, Performance Bonds, and Deposits – Cash funds are restricted to set aside resources designated for fulfilling the obligation related to these deposit liabilities. As funds are utilized for these purposes, the restricted cash asset and deposit liability is reduced.

4. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Type of Asset	Years
Buildings	40
Equipment and vehicles	5-20
Infrastructure	30
Utility distribution systems	20-50

**D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES,
AND NET POSITION OR FUND BALANCE (CONTINUED)**

5. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources for the deferred pension obligation in the governmental activities in the government wide financial statement of net position. A deferred charge pension obligation results from advanced payments on the funding prior to the actuarial report establishing the funding requirement.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two items which qualify for reporting in this category: (1) Under modified accrual basis of accounting under the governmental funds, unavailable revenue, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from real estate taxes. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available; and, (2) Deferred pension inflow reported in the governmental activities in the government wide financial statement of net position. The deferred pension inflow results from the net difference between projected and actual earnings on plan investments.

6. COMPENSATED ABSENCES

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. At the time of retirement, employees are paid 25% of their unused sick pay. The Town accrues 25% of the earned sick pay in the government-wide fund financial statements. Unused vacation is paid to employees upon separation from service. All vacation is accrued when incurred in the government-wide fund financial statements. Vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund.

7. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts of debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS

**D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES,
AND NET POSITION OR FUND BALANCE (CONTINUED)**

8. FUND BALANCE

Beginning with fiscal year 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- *Committed fund balance* – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- *Assigned fund balance* – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- *Unassigned fund balance* – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

9. NET POSITION

Net position is the difference between assets and liabilities. Net investment in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

10. ESTIMATES

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

NOTES TO FINANCIAL STATEMENTS

**D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES,
AND NET POSITION OR FUND BALANCE (CONTINUED)****11. COMPARATIVE DATA/RECLASSIFICATIONS**

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Certain amounts presented in prior year data have been reclassified to be consistent with current year's presentation.

12. PENSIONS

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the governmental funds. All annual appropriations lapse at fiscal year end. Budgets for the enterprise funds serve as a spending guide and do not constitute legally binding limitations.

Before June 30, the proposed budget is presented to Town Council for review. The council holds public hearings and a final budget must be prepared and adopted no later than June 30.

The appropriated budget is prepared by fund, function, and department.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2021, expenditures exceeded appropriations in the following general fund departments:

Department	Excess Expenditures over Appropriations
Public Safety	\$ 19,242

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**A. DEPOSITS AND INVESTMENTS****Deposits**

As of June 30, 2021, the carrying amount of the Town's deposits with banks and savings institutions was \$6,146,766 and the bank balance was \$6,384,208.

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

Investments

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain qualifying corporate notes, bankers acceptances, repurchase agreements and the State Treasurer's Local Government Pool (LGIP). The Town invests funds in the Virginia investment pool (VIP). During fiscal year 2021, the Town received bond proceeds that are being held in the Virginia State non-arbitrage program (SNAP).

As of June 30, 2021, the Town had the following investments:

Type	Carrying Amount	Fair Value
VIP Fund	\$ 4,110,302	\$ 4,110,302
SNAP funds	7,829,825	7,829,825
	<u>\$ 11,940,127</u>	<u>\$ 11,940,127</u>

Interest rate risk. In accordance with its investment policy, the government manages its exposure to declines in fair value by limiting the average maturity of its investment portfolio.

Custodial credit risk. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments of the government have a custodial credit risk exposure because the related securities are uninsured, unregistered and held by the government's brokerage firm or outside custodian which is also the counterparty for these particular securities. The Town's investment policy provides for annual review of custodian and selecting custodians that have annual 3rd party audits of their custodian accounts and financial internal accounting control.

Credit risk. State Law limits investments in commercial paper and corporate bonds to the top rating issued by nationally recognized statistical rating organizations. It is the Town's policy to limit its investments in these types of investments to the State Law. As of June 30, 2021, the Town's investment in the Virginia Investment Pool and State non-arbitrage program was rated AAA by Standard & Poor's.

TOWN OF MIDDLEBURG, VIRGINIA**NOTES TO FINANCIAL STATEMENTS**

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of credit risk. It is the policy of the Town to diversify its investment portfolios to eliminate the risk of loss.

B. RECEIVABLES

Receivables as of year end for the government's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer	Total
Receivables			
Delinquent property taxes	\$ 121,252	\$ -	\$ 121,252
Utility taxes	7,379	-	7,379
Utility service	-	220,448	220,448
Other accounts	461,119	-	461,119
Net total receivables	<u>\$ 589,750</u>	<u>\$ 220,448</u>	<u>\$ 810,198</u>

Governmental funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the deferred revenue reported in the governmental funds was \$8,072 representing delinquent property taxes in the general fund.

C. DUE FROM OTHER GOVERNMENTS

At June 30, 2021 amounts due from other governments were as follows:

Description/Payer	General
Commonwealth of Virginia – Loudoun County Sales Tax	<u>\$ 10,236</u>

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

D. CAPITAL ASSETS

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

Primary Government

	7/1/2020			6/30/2021
	Balance	Increases	Decreases	Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 906,169	\$ -	\$ -	\$ 906,169
Construction in progress	115,560	417,228	-	532,788
Total capital assets not being depreciated	1,021,729	417,228	-	1,438,957
Capital assets, being depreciated:				
Buildings	373,643	-	-	373,643
Machinery and equipment	864,507		-	864,507
Infrastructure	2,114,381		-	2,114,381
Total capital assets being depreciated	3,352,531	-	-	3,352,531
Less accumulated depreciation for:				
Buildings	(103,417)	(11,405)	-	(114,822)
Machinery and equipment	(744,791)	(56,721)	-	(801,512)
Infrastructure	(1,350,393)	(113,247)	-	(1,463,640)
Total accumulated depreciation	(2,198,601)	(181,373)	-	(2,379,974)
Net capital assets being depreciated	1,153,930	(181,373)	-	972,557
Governmental capital assets	\$ 2,175,659	\$ 235,855	\$ -	\$ 2,411,514

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

D. CAPITAL ASSETS (CONTINUED)

	7/1/2020 Balance	Increases	Decreases	6/30/2021 Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 954,886	\$ -	\$ -	\$ 954,886
Construction in progress	-	14,892	-	14,892
Total capital assets not being depreciated	954,886	14,892	-	969,778
Capital assets, being depreciated:				
Water system - lines	12,166,169	15,702	-	12,181,871
Sanitary sewer system	7,170,777	-	-	7,170,777
Equipment	420,850	-	-	420,850
Total capital assets being depreciated	19,757,796	15,702	-	19,773,498
Less accumulated depreciation for:				
Water system	(3,983,048)	(340,732)	-	(4,323,780)
Sanitary sewer system	(2,922,638)	(160,874)	-	(3,083,512)
Equipment	(263,358)	(15,532)	-	(278,890)
Total accumulated depreciation	(7,169,044)	(517,138)	-	(7,686,182)
Net capital assets being depreciated	12,588,752	(501,436)	-	12,087,316
Business-type activities capital assets	\$ 13,543,638	\$ (486,544)	\$ -	\$ 13,057,094

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

D. CAPITAL ASSETS (CONTINUED)

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

Activity	Depreciation
Governmental activities:	
General government administration	\$ 29,524
Public safety	26,646
Public works	11,956
Infrastructure	113,247
Total depreciation expense - governmental activities	<u>\$ 181,373</u>
Business-type activities:	
Water and sewer	\$ 517,138
Total depreciation expense - business-type activities	<u>\$ 517,138</u>

E. LONG-TERM DEBT

General Obligation Bonds. The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental and proprietary activities. These bonds are reported in the funds as they are expected to be repaid. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds generally are issued as serial bonds with amounts of principal maturing each year.

General obligation bonds and notes outstanding at June 30, 2021 are as follows:

Description	Amount
\$2,200,000 general obligation note (tax-exempt), series 2020, dated March 27, 2020, interest at 1.62%, interest payable semi-annual on proceeds drawn, principal due June 30, 2025.	1,096,991
\$300,000 general obligation note (taxable), series 2020, dated March 27, 2020, interest at 2.04% interest payable semi-annual on proceeds drawn, principal due June 30, 2025.	300,000
\$2,306,000 general obligation refunding bond, series 2020, dated April 13, 2020, interest at 1.79%, interest payable semi-annual, principal due annually starting October 1, 2020 in amounts \$103,000 to \$285,000, due October 1, 2034.	2,195,000
\$1,407,000 general obligation refunding bond, series 2020, dated August 5, 2020, interest at 1.81%, interest payable semi-annual, principal due annually starting October 1, 2020 in amounts \$31,000 to \$150,000, due October 1, 2030	1,376,000
\$8,000,000 general obligation public improvement bond, series 2021, dated May 24, 2021, interest at 2.72%, interest payable semi-annual, principal due annually starting July 15, 2024 in amounts \$349,000 to \$555,000, due July 15, 2041	8,000,000
Total General Obligation Debt	<u>\$ 12,967,991</u>

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

E. LONG-TERM DEBT (CONTINUED)

On August 5, 2020, the Town issued a general obligation refunding bond for \$1,407,000. The Town issued the bond to currently refund the Series 2010 general obligation bond. The advance refunding reduced total debt service payments over the next 10 years by \$194,000. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$174,000.

Annual debt service requirements to maturity for general obligation debt is as follows:

Year ending June 30,	Business-type Activities	
	Principal	Interest
2022	229,000	243,494
2023	231,000	317,328
2024	235,000	313,134
2025	1,984,991	321,405
2026	602,000	248,394
2027-2031	3,232,000	1,020,042
2032-2036	3,342,000	618,458
2037-2041	2,557,000	253,164
2042	555,000	7,548
	<u>\$ 12,967,991</u>	<u>\$ 3,342,967</u>

Long-term liability activity for the year ended June 30, 2021 was as follows:

	7/1/2020 Beginning Balance	Additions	Retirements	6/30/2021 Ending Balance	Due Within One Year
Governmental activities:					
General obligation debt	\$ 131,505	\$ 8,000,000	\$ (6,330)	\$ 8,125,175	\$ 5,874
Compensated absences	139,007		(24,747)	114,260	-
Unfunded pension liability	220,787	219,607	-	440,394	-
Governmental activity Long-term liabilities	<u>\$ 491,299</u>	<u>\$ 8,219,607</u>	<u>\$ (31,077)</u>	<u>\$ 8,679,829</u>	<u>\$ 5,874</u>

	7/1/2020 Beginning Balance	Additions	Retirements	6/30/2021 Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligation debt	\$ 5,001,486	\$ 1,407,000	\$ (1,565,670)	\$ 4,842,816	\$ 223,126
Bond premium	124,807	-	(12,177)	112,630	12,177
Business-type activity Long-term liabilities	<u>\$ 5,126,293</u>	<u>\$ 1,407,000</u>	<u>\$ (1,577,847)</u>	<u>\$ 4,955,446</u>	<u>\$ 235,303</u>

E. LONG-TERM DEBT (CONTINUED)

Total 2020 interest debt service and fees paid on long-term debt was \$122,068.

The total legal debt margin mandated by the Commonwealth of Virginia is \$33,877,006 which is computed based on 10% of the assessed value of real estate subject to taxation.

IV. OTHER INFORMATION

A. 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 together with other municipalities in the Commonwealth of Virginia in several public entity risk pools (not self-insured) that operate as common risk management and insurance programs for member municipalities. The risk pools include:

VMGSIA: The Town has workers' compensation coverage with the Virginia Municipal Group Self Insurance Association (VMGSIA). During the fiscal year 2021, the Town paid premiums of approximately \$19,589 to VMGSIA.

VMLP: The Town has general and excess liability, automobile, property, boiler and machinery, law enforcement liability, public officials, legal liability, and commercial crime insurance with the Virginia Municipal Liability Pool (VMLP). During the fiscal year 2021, the Town paid contributions of approximately \$32,474 to the VMLP.

Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. SURETY BONDS

The Town maintains a \$100,000 blanket surety bond on all town officials through the Virginia Municipal Liability Pool Insurance Program.

C. DEFINED BENEFIT PENSION PLAN

Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of the Town are automatically covered by VRS Retirement Plan upon employment. This plan is 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 are pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria a 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.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and they have not taken a refund Hybrid Opt-in Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 Hybrid Opt-in Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. *Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees Those employees eligible for an

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Retirement Plan and remain as Plan 1 or ORP.	2 or ORP.	optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Same as Plan 1	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Service Credit Same as Plan 1.	Service Credit Defined Benefit Component: Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may

NOTES TO FINANCIAL STATEMENTS

		count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <u>Defined Contributions Component:</u> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

		contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required b by law until age 70½
Calculating the Benefit The Basic Benefit is calculated using the member's average final compensation, a retirement multiplier and total service credit. An early retirement reduction is applied to this amount if the member retires with a reduced retirement benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	Calculating the Benefit See definition under Plan 1	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1 <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For nonhazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component 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.
Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.	Sheriffs and regional jail superintendents: Same as Plan 1.	Sheriffs and regional jail superintendents: Not applicable.

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Political subdivision hazardous duty employees: Same as Plan 1	Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Not applicable.
Normal Retirement Age VRS: Age 65. Political subdivisions hazardous duty employees: Age 60	Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

		to receive distributions upon leaving employment, subject to restrictions
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. <u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. <u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member Is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. <u>Eligibility:</u> Same as Plan 1 <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> Not applicable. <u>Eligibility:</u> Same as Plan 1 and Plan 2. <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one year waiting period before becoming eligible for non-work related disability benefits
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

C. DEFINED BENEFIT PENSION PLAN (CONTINUED)**Employees Covered by Benefit Terms**

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

	<u>June 30, 2019</u>
Inactive members or their beneficiaries currently receiving benefits	<u>17</u>
Inactive Members:	
Vested inactive members	2
Non-vested inactive members	4
Inactive members active elsewhere in VRS	9
Total inactive members	<u>15</u>
Active members	<u>14</u>
Total covered employees	<u><u>46</u></u>

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 town by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Town's contractually required contribution rate for the year ended June 30, 2021 was 15.75% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the Town were \$109,688 and \$186,916 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

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

C. DEFINED BENEFIT PENSION PLAN (CONTINUED)**Actuarial Assumptions – General Employees**

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

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	6.75 percent, net of pension plan investment expense, including inflation*

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

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

C. DEFINED BENEFIT PENSION PLAN (CONTINUED)**Actuarial Assumptions – General Employees (Continued)**

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

Mortality Rates (Pre-retirement post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Actuarial Assumptions – Public Safety Employees

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

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 4.75percent
Investment rate of return	6.75 percent, net of pension plan investment expense, including inflation*

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

C. DEFINED BENEFIT PENSION PLAN (CONTINUED)**Actuarial Assumptions – Public Safety Employees (Continued)**

Mortality rates:

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

C. DEFINED BENEFIT PENSION PLAN (CONTINUED)**Actuarial Assumptions – Public Safety Employees (Continued)**

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

Long-Term Expected Rate of Return

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

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

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

C. DEFINED BENEFIT PENSION PLAN (CONTINUED)**Discount Rate**

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

	Increase(Decrease)		
	Total	Plan	
	Pension	Fiduciary Net	Net Pension
	Liability	Position	Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2019	\$ 3,328,902	\$ 3,108,116	\$ 220,786
Changes for the year:			
Service cost	179,117		179,117
Interest	216,713		216,713
Changes of assumptions	-		-
Difference between expected and actual experience	109,957		109,957
Contributions-employer		182,482	(182,482)
Contributions-employee		47,321	(47,321)
Net investment income		58,430	(58,430)
Benefit payments, including refunds of employee contributions	(236,690)	(236,690)	-
Administrative expense		(1,982)	1,982
Other changes	-	(71)	71
Net changes	269,097	49,490	219,607
Balances at June 30, 2020	\$ 3,597,999	\$ 3,157,606	\$ 440,393

C. DEFINED BENEFIT PENSION PLAN (CONTINUED)**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

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

	5.75%	6.75%	7.75%
Town's net pension liability	<u>\$ 850,330</u>	<u>\$ 440,393</u>	<u>\$ 96,447</u>

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

For the year ended June 30, 2021, the Town recognized pension expense of (\$265,955). At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 71,095	\$ -
Changes of assumptions	14,805	-
Net difference between projected and actual earnings on plan investments	98,525	-
Employer contributions subsequent to the measurement date	109,688	-
Total	<u>\$ 294,113</u>	<u>\$ -</u>

\$109,688 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Amount
2022	\$ 71,234
2023	50,977
2024	32,000
2025	30,214
2026	-
Thereafter	-
	<u>\$ 184,425</u>

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

C. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Schedule of Changes in Net Pension Liability and Related Ratios

	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ 179,117	\$ 163,301	\$ 160,831	\$ 159,247	\$ 165,126	\$ 150,555
Interest	216,713	206,165	201,881	203,507	193,703	172,849
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	109,957	34,300	(91,124)	(177,613)	(52,150)	123,902
Changes of assumptions	-	87,025	-	(14,657)	-	-
Benefit payments, including refunds of employee contributions	(236,690)	(214,209)	(206,576)	(180,825)	(152,419)	(146,390)
Net change in total pension liability	269,097	276,582	65,012	(10,341)	154,260	300,916
Total pension liability - beginning	3,328,902	3,052,320	2,987,308	2,997,649	2,843,389	2,542,473
Total pension liability - ending (a)	\$ 3,597,999	\$ 3,328,902	\$ 3,052,320	\$ 2,987,308	\$ 2,997,649	\$ 2,843,389
Plan fiduciary net position						
Contributions - employer	\$ 182,482	\$ 184,332	\$ 179,078	\$ 160,727	\$ 153,232	\$ 152,583
Contributions - employee	47,321	67,749	44,585	40,738	38,505	38,589
Net investment income	58,430	193,809	195,204	288,503	41,264	98,791
Benefit payments, including refunds of employee contributions	(236,690)	(214,209)	(206,576)	(180,825)	(152,419)	(146,390)
Administrative expense	(1,982)	(1,821)	(1,640)	(1,605)	(1,374)	(1,290)
Other	(71)	(124)	(179)	(261)	(17)	(22)
Net change in total net pension position	49,490	229,736	210,472	307,277	79,191	142,261
Total net pension position - beginning	3,108,116	2,878,380	2,667,908	2,360,631	2,281,440	2,139,179
Total net pension position - ending (b)	\$ 3,157,606	\$ 3,108,116	\$ 2,878,380	\$ 2,667,908	\$ 2,360,631	\$ 2,281,440
Town's net pension liability - ending (a) - (b)	\$ 440,393	\$ 220,786	\$ 173,940	\$ 319,400	\$ 637,018	\$ 561,949
Plan fiduciary net position as a percentage of the total pension liability	87.76%	93.37%	94.30%	89.31%	78.75%	80.24%
Covered-employee payroll	\$ 1,103,295	\$ 1,001,598	\$ 956,484	\$ 776,157	\$ 803,101	\$ 778,344
Town's net pension liability as a percentage of covered-employee payroll	39.92%	22.04%	18.19%	41.15%	79.32%	72.20%

C. DEFINED BENEFIT PENSION PLAN (CONTINUED)**Schedule of Employer Contributions**

FYE June 30,	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (1) - (2)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (2)/(4)
2021	\$ 109,688	\$ 109,688	-	\$ 1,103,295	9.94%
2020	186,916	186,916	-	1,001,598	18.66%
2019	190,077	190,077	-	956,484	19.87%
2018	184,177	184,177	-	776,157	23.73%
2017	163,125	163,125	-	803,101	20.31%
2016	153,565	153,565	-	778,344	19.73%
2015	152,354	152,354	-	685,354	22.23%
Prior to GASB Statement No. 68 and 2015:					
2014	120,755	120,755	-	652,553	18.51%
2013	131,816	131,816	-	629,895	20.93%
2012	116,275	116,275	-	613,430	18.95%

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

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

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement healthy, and disabled post-retirement)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed funal retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

C. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Mortality Rates (Pre-retirement post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed funal retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Largest 10 – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

D. DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

E. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Retirees who retired from the Town prior to July 1, 2017 and who participate in the Town's health insurance program shall receive a \$100 per month benefit paid by the Town toward the cost of their health insurance premium. All remaining costs are paid by the retiree. Retirees who retired from the Town under VRS on or after July 1, 2017 shall receive a \$200 monthly benefit paid by the Town toward the cost of their health insurance premium. This benefit is paid regardless of whether the retiree participates in the Town's health insurance program or utilizes an outside insurer. Employees hired before March 8, 2018 may remain on the Town's Health insurance plan until the retiree obtains supplemental Medicare insurance, at which time, he/she may participate in the supplemental plan offered through the Town's group health insurance program. Employees hired after March 8, 2018 may remain on the Town's health insurance plan upon retirement from the Town only until such time as the retiree is eligible for Medicare insurance. For fiscal year ended June 30, 2021, the Town paid \$14,400 towards retired employees' health insurance.

All full-time, salaried permanent employees of the Town are automatically covered by the VRS Group Life Insurance Program upon employment. The plan is administered by the Virginia Retirement System for public employer groups in the Commonwealth of Virginia. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. Each employer's contractually required employer contribution rate was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. During the year ended June 30, 2021, the Town contributed \$5,923 towards life insurance. The VRS system's actuary determined the total net OPEB liability, valued at June 30, 2020, and this amount was allocated to each employer in the plan. The Town's portion of the net OPEB liability was \$80,000.

F. RENTAL LEASE COMMITMENTS

Information Visitor Center: The Town entered into a Memorandum of Agreement with the owner of the Pink Box Building, Middleburg Museum Foundation. Under the agreement, the Town no longer pays rent on the building. The Town does pay utilities and any interior repairs and maintenance related to their use.

Police Department: The Town entered into a lease on October 23, 2015 for property on W Federal Street to house the Police Department. The original lease expired on September 30, 2018 but the Town negotiated a two year renewal, through September 30, 2020 and a second renewal through September 30, 2022. The Town pays annual rent of \$44,712, plus monthly condo fees.

Future minimum Police department rent lease commitment is as follows:

Year ending June 30:	Amount
2022	\$ 44,712
2023	11,178
	<u>\$ 55,890</u>

G. DEED OF GIFT-MIDDLEBURG VOLUNTEER FIRE DEPARTMENT

The Middleburg Volunteer Fire Department dissolved and conveyed the land and building to the County of Loudoun for use as a fire and rescue facility. If the County ceases to use the property for such a facility, ownership of the property and all improvements will go to the Town.

H. SALAMANDER RESORT TAP AND AVAILABILITY FEES

In 2007, Salamander Resort, under a “Water Supply Facilities and Wastewater Treatment Plant Agreement” agreed to pay tap fees/availability charges for up to 49 dwelling units, at an amount of \$19,000 per dwelling. The total payment to the Town was \$931,000. Although Salamander has yet to utilize these tap fees/availability charges to connect these 49 units to the Town’s system, it is anticipated that these connections will be made in calendar year 2022. No additional tap fees/availability charges will be made for these 49 units.

I. RISKS AND UNCERTAINTIES

Covid-19: The extent of the impact of COVID-19 on the Town’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, as well as the impact on the Town’s customers, employees and vendors, all of which are uncertain and cannot be reasonably predicted.

J. SUBSEQUENT EVENTS

The Town of Middleburg has evaluated events and transactions subsequent to June 30, 2021 through October 13, 2021, the date these financial statements were available to be issued. Based on the definitions and requirements of the U.S. generally accepted accounting principles, management has not identified any events that have occurred subsequent to June 30, 2021 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2021.

TOWN OF MIDDLEBURG, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
Sources of Revenues			
General Property Taxes			
Real estate taxes	\$ 519,136	\$ 533,722	\$ 14,586
Personal property taxes	35,000	41,794	6,794
Penalties and interest	1,500	4,462	2,962
Total General Property Taxes	555,636	579,978	24,342
Other Local Taxes			
Sales taxes	50,000	60,486	10,486
Utility taxes	107,000	96,147	(10,853)
Meals taxes	1,115,000	934,369	(180,631)
Business licenses	475,000	525,642	50,642
Motor vehicle licenses	11,500	15,617	4,117
Bank franchise taxes	270,000	289,477	19,477
Cigarette tax	25,000	19,959	(5,041)
Occupancy tax	996,000	1,040,053	44,053
Total Other Local Taxes	3,049,500	2,981,750	(67,750)
Zoning Permits, Fees and Licenses	17,000	46,764	29,764
Fines and Forfeitures	30,000	7,553	(22,447)
Revenues from Use of Money and Property	71,000	18,023	(52,977)
Municipal Parking			
Lot receipts	1,500	-	(1,500)
Meter receipts	1,000	475	(525)
Total Municipal Parking	2,500	475	(2,025)

(Continued)

TOWN OF MIDDLEBURG, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
Miscellaneous Revenue			
Donations	34,203	35	(34,168)
Professional review fees	5,000	-	(5,000)
Miscellaneous	5,200	13,320	8,120
Total miscellaneous revenue	44,403	13,355	(31,048)
Intergovernmental			
Law enforcement apportionment	20,500	26,331	5,831
COVID assistance funding	74,824	507,468	432,644
State grants	1,000	2,000	1,000
Litter grant	-	1,032	
Fire program	10,000	15,000	5,000
Total Intergovernmental	106,324	551,831	444,475
Total General Fund Revenues	3,876,363	4,199,729	322,334
Other Financing Sources			
Insurance proceeds	-	7,997	7,997
Total Other Financing Sources	-	7,997	7,997
Total General Fund Revenues and Other Financing	\$ 3,876,363	\$ 4,207,726	\$ 330,331

TOWN OF MIDDLEBURG, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
General Government			
Administration salaries			
Administrative	\$ 302,646	\$ 327,343	\$ (24,697)
Other wages	38,000	(34,760)	72,760
Mayor's/Council compensation	42,800	26,655	16,145
Payroll taxes and employee benefits	297,669	301,522	(3,853)
Subtotal	<u>681,115</u>	<u>620,760</u>	<u>60,355</u>
Administrative services			
Citizen engagement	6,500	2,902	3,598
Legal fees	61,800	52,786	9,014
Engineering/consulting fees	50,000	21,184	28,816
Advertising	5,000	2,863	2,137
Accounting & Audit	13,000	18,300	(5,300)
Professional development	10,000	960	9,040
Memberships/publications	4,000	2,756	1,244
Fire and Rescue	60,000	60,000	-
Insurance	7,000	4,333	2,667
Contingency	329,175	261	328,914
Election	2,000	-	2,000
County Collection	6,750	2,583	4,167
COVID 19 expenses	9,824	21,432	(11,608)
COVID 19 support	50,000	13,176	36,824
Town committee support	8,000	4,288	3,712
Charitable contributions	20,000	20,000	-
Other	2,500	842	1,658
Subtotal	<u>645,549</u>	<u>228,666</u>	<u>416,883</u>
Administrative supplies			
Office supplies	6,000	4,966	1,034
Printing	6,500	5,938	562
Postage	5,000	1,651	3,349
Office equipment purchase	10,000	15,623	(5,623)
Office equipment maintenance	71,500	75,896	(4,396)
Office equipment rental	4,000	2,916	1,084
Other	1,000	2,020	(1,020)
Subtotal	<u>104,000</u>	<u>109,010</u>	<u>(5,010)</u>
Other			
Transfer to Capital projects fund	280,000	827,908	(547,908)
Principal and interest debt service	450,100	13,451	436,649
Subtotal	<u>730,100</u>	<u>841,359</u>	<u>(111,259)</u>

(Continued)

TOWN OF MIDDLEBURG, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
Town office			
Electricity	4,000	2,713	1,287
Fuel	1,500	735	765
Building repairs	20,000	12,351	7,649
Grounds and equipment repairs	10,000	3,980	6,020
Supplies	1,300	1,802	(502)
Telephone/internet	5,500	4,383	1,117
Insurance	1,805	4,000	(2,195)
Water/sewer fees	1,000	-	1,000
Capital Outlay	7,500	240	7,260
Other	500	8	492
Subtotal	53,105	30,212	22,893
Planning and zoning			
Zoning administrator's salary and fees	151,335	163,812	(12,477)
Payroll taxes and employee benefits	37,565	38,266	(701)
Legal fees	12,000	4,876	7,124
Engineering/consulting fees	55,000	62,859	(7,859)
Advertising	2,500	2,042	458
Supplies and publications	2,000	2,024	(24)
Professional development	8,000	671	7,329
Other	200	-	200
Subtotal	268,600	274,550	(5,950)
Economic Development			
Economic development administrator	95,614	63,238	32,376
Payroll taxes and employee benefits	24,280	16,992	7,288
Meeting expenses	4,000	60	3,940
Marketing contract	125,000	128,509	(3,509)
Program development and marketing	-	10,000	
VCA Grant program	9,000	-	9,000
Professional development	1,500	-	1,500
Farmers market	10,000	1,620	8,380
Arts council support	5,000	1,141	3,859
Organization support	90,000	53,000	37,000
Special event support	93,000	44,298	48,702
COVID support funds	135,000	93,078	
Dues & association membership	1,000	695	305
Printing	10,000	7,827	2,173
Supplies and repairs	5,103	5,706	(603)
Event agency	60,000	-	60,000
Liability insurance	424	-	424
Utilities	-	871	(871)
Telephone	-	1,595	(1,595)
Other	20,000	-	20,000
Subtotal	688,921	428,630	228,369

TOWN OF MIDDLEBURG, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
Public Safety			
Police Department			
Police salary	492,223	537,100	(44,877)
Overtime	23,310	24,115	(805)
Payroll taxes and employee benefits	39,163	42,646	(3,483)
Workers' compensation	11,667	13,916	(2,249)
Vehicle fuel	15,000	10,443	4,557
Vehicle maintenance	6,500	7,340	(840)
Telephone	11,800	12,697	(897)
Legal fees	2,000	-	2,000
Advertising	500	1,016	(516)
Training	8,500	5,458	3,042
Uniforms	4,500	2,327	2,173
Supplies	11,000	5,586	5,414
Printing	500	73	427
Insurance (Auto/Liability)	5,235	7,230	(1,995)
Police Professional Insurance	6,600	5,400	1,200
Virginia supplemental retirement and life insurance	80,450	77,305	3,145
Office rental	47,500	47,492	8
Equipment maintenance/service contract	14,504	9,021	5,483
Capital Outlay	3,000	1,461	1,539
Special Events	5,000	60	4,940
Other	5,700	3,208	2,492
Total Public Safety	794,652	813,894	(19,242)

(Continued)

TOWN OF MIDDLEBURG, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
Public Works			
Street maintenance			
Superintendent	68,848	74,083	(5,235)
Street assistant	20,000	1,629	18,371
Overtime	2,000	-	2,000
Payroll taxes and employee benefits	17,033	17,849	(816)
Workers' compensation	749	851	(102)
Refuse disposal	117,500	118,448	(948)
Vehicle fuel	1,600	1,067	533
Vehicle maintenance	1,000	1,163	(163)
Telephone	500	167	333
Electricity	16,500	13,791	2,709
Maintenance and repairs	42,500	5,427	37,073
Supplies	5,500	1,407	4,093
Equipment	1,500	714	786
Street cleaning	13,000	11,700	1,300
Landscape maintenance	50,000	31,485	18,515
Uniforms	1,000	-	1,000
Snow removal	30,000	2,835	27,165
Liberty Street maintenance	8,000	1,396	6,604
Municipal parking lot rental	4,200	4,200	-
Insurance	5,391	6,166	(775)
Water/sewer fees	1,500	-	1,500
Other	4,000	-	4,000
Capital outlay, improvements & contingency	-	1,009	(1,009)
Total Public Works	412,321	295,387	116,934
Total expenditures	\$ 4,378,363	\$ 3,642,468	\$ 703,973

TOWN OF MIDDLEBURG, VIRGINIA

CAPITAL PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	Current Year	Total to Date	Project Authorization
Revenues			
Revenues from the use of money and property	\$ 675	\$ 675	\$ -
Expenditures			
Capital Outlay:			
Wayfinding	41,321	41,321	67,578
Street sign replacement	-	-	37,632
Road and paving projects	-	-	40,000
Maintenance and storage facility	-	-	200,000
Town administration building	375,908	375,908	6,182,698
Police department fleet	-	-	160,000
Bond issuance fees	176,850	176,850	-
Total expenditures	594,079	594,079	6,687,908
Other Financing Sources(Uses)			
Transfers in	827,908	827,908	1,187,908
Public improvement bonds issued	8,000,000	8,000,000	5,500,000
Total other financing sources(uses)	8,827,908	8,827,908	6,687,908
Net change in fund balance	8,234,504	8,234,504	-
Fund balance-beginning	-		
Fund balance-ending	\$ 8,234,504		