

TOWN OF MIDDLEBURG, VIRGINIA

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2022**

**TOWN OF MIDDLEBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022**

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TOWN OF MIDDLEBURG, VIRGINIA

MAYOR AND TOWN COUNCIL (as of June 30, 2022)

Trowbridge M. Littleton, Mayor
Peter Leonard-Morgan, Vice Mayor

Chris W. Bernard
John Kevin Daly
Morris “Bud” Jacobs

Darlene Kirk
Philip M. Miller
Cindy C. Pearson

OFFICIALS

Danny Davis, Town Manager
William M. Moore, Deputy Town Manager
Tina M. Staples, Finance Director/Treasurer
Ali MacIntyre, Director of Business Development & Community Partnerships
A.J. Panebianco, Chief of Police
Rhonda S. North, Clerk of Council

LEGAL COUNSEL

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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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and remaining fund information of the Town of Middleburg, Virginia at June 30, 2022, and the respective changes in the financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with account principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Middleburg, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-13 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. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financials statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Leesburg, Virginia
October 24, 2022

Mitchell, Burns & Co., P.C.

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, 2022.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$21,158,088.
- The Town's total net position increased by \$1,076,525.
- The Town's General Fund operating fund had a surplus of \$1,458,520. The operating expenditures for the year were \$3,240,290 while operating revenues were \$4,698,810. (see footnote 1 below)
- The unrestricted/uncommitted Fund Balance of the Town's General Fund increased by \$926,311, to \$7,588,540, after accounting for transfers to the capital fund for townwide improvement projects. .
 - Of this amount, \$5,097,335 is set aside as a "fiscal reserve" per the Town's policy to have 125% of operating expenditures in reserve.
 - The remaining \$2,491,205 of Unassigned Fund Balance is held for future needs, capital projects, or to pay down debt. The use of these funds, if necessary, will be determined by the Town Council.
- As of the close of the current fiscal year, the Town of Middleburg's governmental funds reported combined ending fund balances of \$15,474,342, a decrease of \$74,344 in comparison with the prior year. This is primarily due to expenditures for the Town Hall project. The available amount for spending at the government's discretion was \$2,491,203.
- The Town's total liabilities increased by \$3,861,704 during the current fiscal year.
- The Utility Fund operating surplus for the year was \$109,021. (see footnote 2 below)
- The Utility Fund's cash and investments at the end of the year total \$2,377,781.

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.

¹ See Exhibit IV. The "change in fair value of investments" is a GASB adjustment required to value long term investments. It is based on the value at June 30, 2022 and would only be realized if all the investments were sold at that time. Eliminating that negative number (\$172,069) results in General Fund revenues of \$4,698,810. Reducing revenue by expenditures (not transfers) results in a surplus of \$1,458,520.

² See Exhibit VIII. The operating surplus above begins with the operating loss of \$97,883 and excludes the effects of depreciation but includes a deduction for interest expense and principal debt service.

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 14 – 15 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 16 – 19 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 20 – 22 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 23 – 24 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 25-53 of this report.

Supplementary Information. Supplementary schedules can be found on pages 54-60 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 \$21,158,088 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, 2022.

TOWN OF MIDDLEBURG – NET POSITION			
	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 16,820,987	\$ 3,454,319	\$ 20,275,306
Capital assets	5,690,238	12,814,040	18,504,278
Total Assets	22,511,225	16,268,359	38,779,584
Deferred outflows of resources	280,759	-	280,759
Liabilities			
Long-term liabilities	10,764,446	4,720,143	15,484,589
Other liabilities	1,205,641	137,611	1,343,252
Total Liabilities	11,970,087	4,857,754	16,827,841
Deferred inflows of resources	492,181	582,233	1,074,414
Net Position			
Net investment in capital assets	2,976,500	8,194,350	11,170,850
Restricted	28,400	184,583	212,983
Unrestricted	7,324,816	2,449,439	9,774,255
Total Net Position	\$ 10,329,716	\$ 10,828,372	\$ 21,158,088

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 \$1,076,525 during the current fiscal year.

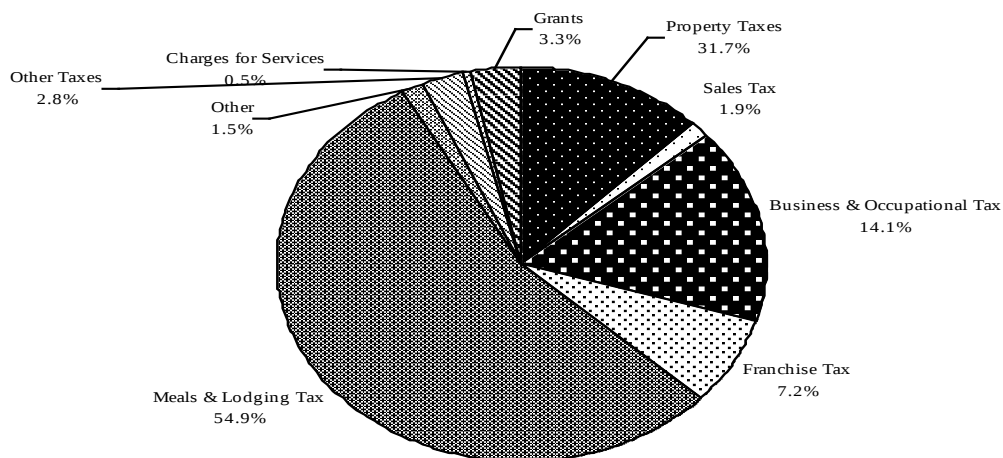
Governmental activities. Governmental activities increased the Town of Middleburg's net position by \$687,122. These changes are presented in column one of the following table:

	Governmental Activities	Business-type Activities	Total
Program Revenues			
Charges for services	\$ 86,213	\$ 1,319,214	\$ 1,405,427
Operating grants and contributions	72,947	-	72,947
Capital grants and contributions	87,029	-	87,029
General Revenues			
Property taxes	578,872	-	578,872
Other taxes	3,853,233	-	3,853,233
Other	(125,216)	150,822	25,606
Total Revenues	<u>4,553,078</u>	<u>1,470,036</u>	<u>6,023,114</u>
Expenses			
General government	1,882,059	-	1,882,059
Public safety	867,439	-	867,439
Public works	345,840	-	345,840
Interest on long-term debt	255,905	-	255,905
Capital outlay and improvements	25,900	-	25,900
Infrastructure	69,569	-	69,569
Water & Sewer	-	1,499,877	1,499,877
Total Expenses	<u>3,446,712</u>	<u>1,499,877</u>	<u>4,946,589</u>
Transfers	(419,244)	419,244	-
Increase in Net Position	687,122	389,403	1,076,525
Net Position – beginning	9,642,594	10,438,969	20,081,563
Net Position – ending	<u>\$ 10,329,716</u>	<u>\$ 10,828,372</u>	<u>\$ 21,158,088</u>

- In fiscal year 2022, the Town had an increase of \$863,930 in other tax revenue primarily driven by increases in the meals, occupancy taxes and business license taxes.
- At the end of fiscal year 2021, the Town received \$432,000 related to the American Recovery Act. During fiscal year 2022, it was determined that the majority of this money would be used to upgrade the water and sewer system so these funds were transferred to the utility fund in FY22. These funds are shown in the audit as an expenditure in FY22, although it is a transfer from restricted fund balance to the utility fund.
- The Town of Middleburg invests its funds in the VML/VaCO Virginia Investment Pool (VIP), which requires the Town to account for unrealized gains and losses in this fund. In FY22, the amount is included as a loss of \$172,069, although this is not an actual loss but an accounting requirement.

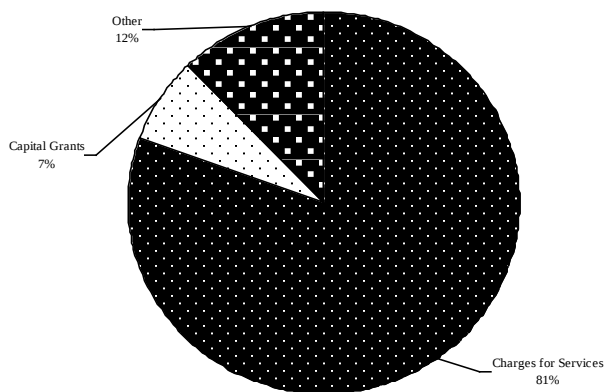
The following chart presents a graphic representation of the Town's governmental activities and the related revenue structure for fiscal year 2022.

REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES



The following chart presents a graphic representation of the Town's business-type activities and the related revenue structure for fiscal year 2022.

REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES



Business-type activities. Business-type activities increased the Town of Middleburg's net position by \$389,403. Last year, business-type activities had a net gain of \$135,457. Key elements of this change are as follows:

- Expenses increased by \$187,172 while charges for services increased by \$117,396.
- Non-operating revenue decreased by \$20,035 over last year's amount.
- Grant funds were transferred from the General fund to the Proprietary Fund.
- The Town received \$110,000 in availability fees in the prior year with no availability fees received in the current 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 \$15,474,344, a decrease of \$74,344 in comparison with the prior year. Of this total amount (\$15,474,344), \$2,491,205 constitutes unreserved fund balance, which is available for spending at the government's discretion. The Town chose to assign a portion of the fund balance as an operating reserve. This portion is \$5,097,335.

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 \$2,491,205. As a measure of the general fund's liquidity, it may be useful to compare unreserved and assigned fund balance to total fund expenditures. Unreserved and assigned fund balance is \$7,588,540 compared to total general fund expenditures of \$3,240,290.

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. As the Town continues to see economic recovery after COVID-19 and strength in tourism, expenditures are returning to pre-pandemic levels, particularly in the areas of events and marketing.

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 Council has committed to reviewing its levels of Unassigned Fund Balance in light of current policy guidelines once the Town Hall project is complete. The Town has favorable provisions in its bond financing for the Town Hall that would allow the Town to pay down a portion of its debt, as appropriate.

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 \$10,828,372. The total increase in net position for proprietary funds was \$389,403. 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. The Town continues to seek grant funding through various sources, to include ARPA funds distributed through state agencies.

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, 2022, amounts to \$18,504,278 (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, 2022.

TOWN OF MIDDLEBURG – CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)			
	Governmental Activities	Business-type Activities	Total
Land	\$ 906,169	\$ 954,886	\$ 1,861,055
Buildings	247,416	-	247,416
Water system - lines	-	7,555,215	7,555,215
Sanitary sewer system	-	3,972,218	3,972,218
Infrastructure improvements	581,172	-	581,172
Equipment and machinery	114,116	164,679	278,795
Construction in process	3,841,365	167,042	4,008,407
Total	<u>\$ 5,690,238</u>	<u>\$ 12,814,040</u>	<u>\$ 18,504,278</u>

Additional information on the Town of Middleburg capital assets can be found in note III.D on pages 34 – 36 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 \$15,238,991. This entire amount comprises debt backed by the full faith and credit of the government.

The Town of Middleburg’s total debt increased by \$2,271,000 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 36 – 38 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, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,472,776	\$ 1,323,252	\$ 2,796,028
Investments	14,515,193	1,054,529	15,569,722
Receivables (net of allowance for uncollectible, where applicable)			
Property taxes	164,605	-	164,605
Utility taxes	7,379	-	7,379
Utility service	-	274,047	274,047
Lease	-	615,026	615,026
Accounts	528,590	-	528,590
Due from other governments	11,911	-	11,911
Prepaid expenses	-	127,477	
Interfund advances	(59,988)	59,988	-
Net pension asset	180,521	-	180,521
Capital assets (net of accumulated depreciation)			
Land	906,169	954,886	1,861,055
Building	247,415	-	247,415
Water system - lines	-	7,555,215	7,555,215
Sanitary sewer system	-	3,972,218	3,972,218
Infrastructure	581,172	-	581,172
Equipment and machinery	114,116	164,679	278,795
Construction in progress	3,841,365	167,042	4,008,407
Total assets	22,511,224	16,268,359	38,652,106
Deferred Outflows of Resources			
Deferred pension obligation	280,759	-	280,759
Total deferred outflows	280,759	-	280,759
Liabilities			
Accounts payable and accrued expenses	1,088,761	90,671	1,179,432
Accrued interest payable	116,279	24,967	141,246
Deferred revenue	-	5,247	5,247
Deposits, performance bonds and offsite fees	600	16,726	17,326
Noncurrent liabilities:			
Due within one year	5,874	237,303	243,177
Due in more than one year	10,758,572	4,482,840	15,241,412
Total liabilities	11,970,086	4,857,754	16,827,840
Deferred Inflows of Resources			
Deferred lease inflow	-	582,233	582,233
Deferred pension inflow	492,181	-	492,181
Total deferred inflows	492,181	582,233	1,074,414
Net Position			
Net investment in capital assets	2,976,499	8,194,350	11,170,849
Restricted	28,400	184,583	212,983
Unrestricted	7,324,817	2,449,439	9,774,256
Total net position	\$ 10,329,716	\$ 10,828,372	\$ 21,158,088

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, 2022

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	\$ 1,882,059	\$ 86,213	\$ 4,485	\$ 87,029	\$ (1,704,332)	\$ -	\$ (1,704,332)
Public safety	867,439	-	68,462	-	(798,977)	-	(798,977)
Public works	345,840	-	-	-	(345,840)	-	(345,840)
Interest on long-term debt	255,905	-	-	-	(255,905)	-	(255,905)
Capital outlay and improvements	25,900	-	-	-	(25,900)	-	(25,900)
Infrastructure depreciation	69,569	-	-	-	(69,569)	-	(69,569)
Total governmental activities	<u>3,446,712</u>	<u>86,213</u>	<u>72,947</u>	<u>87,029</u>	<u>(3,200,523)</u>	<u>-</u>	<u>(3,200,523)</u>
Business-type activities							
Water & Sewer	1,499,877	1,319,214	-	-	-	(180,663)	(180,663)
Total business-type activities	<u>1,499,877</u>	<u>1,319,214</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(180,663)</u>	<u>(180,663)</u>
Total primary government	<u>\$ 4,946,589</u>	<u>\$ 1,405,427</u>	<u>\$ 72,947</u>	<u>\$ 87,029</u>	<u>(3,200,523)</u>	<u>(180,663)</u>	<u>(3,381,186)</u>
General revenues							
Property taxes					578,872	-	578,872
Sales taxes					65,998	-	65,998
Business and occupational taxes					750,800	-	750,800
Motor vehicle taxes					16,553	-	16,553
Franchise taxes					334,033	-	334,033
Consumption and utility taxes					94,713	-	94,713
Fines and forfeitures					10,071	-	10,071
Meals and lodging taxes					2,563,754	-	2,563,754
Cigarette taxes					17,311	-	17,311
Tower rental					-	150,243	150,243
Unrestricted investment earnings					(125,216)	(11,598)	(136,814)
Bond premium amortization					-	12,177	12,177
Transfers					(419,244)	419,244	-
Total general revenues and transfers					<u>3,887,645</u>	<u>570,066</u>	<u>4,457,711</u>
Change in net position					<u>687,122</u>	<u>389,403</u>	<u>1,076,525</u>
Net position - beginning					<u>9,642,594</u>	<u>10,438,969</u>	<u>20,081,563</u>
Net position - ending					<u>\$ 10,329,716</u>	<u>\$ 10,828,372</u>	<u>\$ 21,158,088</u>

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

TOWN OF MIDDLEBURG, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General	Capital Projects	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 632,076	\$ 840,700	\$ 1,472,776
Investments	6,705,222	\$ 7,809,972	14,515,194
Receivables			
Property taxes	164,605	-	164,605
Utility taxes	7,379	-	7,379
Accounts	528,590	-	528,590
Due from other governments	11,911	-	11,911
Total assets	\$ 8,049,783	\$ 8,650,672	\$ 16,700,455
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 31,975	\$ 1,057,719	\$ 1,089,694
Deposits, performance bonds and offsite fees	600	-	600
Due to other funds	59,988	-	59,988
Accrued expenses	(932)	-	(932)
Compensated absences	65,315	-	65,315
Total liabilities	156,946	1,057,719	1,214,665
Deferred Inflows of Resources			
Unavailable revenue	11,446	-	11,446
Fund balances			
Restricted	28,400	-	28,400
Committed			
Parking fund	264,451	-	264,451
Capital projects	-	7,592,953	7,592,953
Assigned for reserve	5,097,335	-	5,097,335
Unassigned	2,491,205	-	2,491,205
Total fund balances	7,881,391	7,592,953	15,474,344
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.			5,690,237
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds			11,446
Pension obligation reporting			(30,902)
Long-term liabilities, including bonds payable and related accrued interest and compensated absences, are not due and payable in the current period and therefore are not reported in the funds			(10,815,409)
Net assets of governmental activities			\$ 10,329,716

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, 2022

	General	Capital Project	Total Governmental Funds
Revenues			
General property taxes	\$ 575,498	\$ -	\$ 575,498
Other local taxes	3,843,162	-	3,843,162
Zoning permits, fess, and licenses	23,479	-	23,479
Fines and forfeitures	10,071	-	10,071
Investment income	23,890	22,963	46,853
Change in fair value of investments	(172,069)	-	(172,069)
Municipal parking	46,215	-	46,215
Miscellaneous	21,004	-	21,004
Intergovernmental	155,491	-	155,491
Total revenues	4,526,741	22,963	4,549,704
Expenditures			
General government	2,000,182	-	2,000,182
Public safety	898,892	-	898,892
Public works	341,216	-	341,216
Capital projects	-	3,429,664	3,429,664
Bond issuance fees	-	34,850	34,850
Total expenditures	3,240,290	3,464,514	6,704,804
Other Financing Sources(Uses)			
Transfers in	-	300,000	300,000
Transfers out	(719,244)	-	(719,244)
Public Improvement bonds issued	-	2,500,000	2,500,000
Total other financing sources(uses)	(719,244)	2,800,000	2,080,756
Net change in fund balances	567,207	(641,551)	(74,344)
Fund balance - beginning	7,314,184	8,234,504	15,548,688
Fund balance - ending	\$ 7,881,391	\$ 7,592,953	\$ 15,474,344

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, 2022

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

Net change in fund balances - total governmental funds	\$ (74,344)
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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.	3,403,764
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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.	(125,041)
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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.	(2,494,126)
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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.	115,379
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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.	(141,884)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>3,374</u>
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Change in net assets of governmental activities	<u><u>\$ 687,122</u></u>
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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, 2022

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
General property taxes	\$ 539,818	\$ 575,498	\$ 35,680
Other local taxes	3,774,000	3,843,162	69,162
Permits, zoning, and signs	30,000	23,479	(6,521)
Fines and forfeitures	30,000	10,071	(19,929)
Revenues from use of money	10,000	23,890	13,890
Change in fair value of investments	-	(172,069)	(172,069)
Municipal parking	1,000	46,215	45,215
Miscellaneous	60,200	21,004	(39,196)
Intergovernmental	125,050	155,491	30,441
Total revenues	4,570,068	4,526,741	(43,327)
Expenditures			
General government	2,914,008	2,000,182	913,826
Public safety	898,634	898,892	(258)
Public works	407,426	341,216	66,210
Total expenditures	4,220,068	3,240,290	979,778
Excess of revenues over expenditures	350,000	1,286,451	936,451
Other Financing Sources(Uses)			
Transfers	(350,000)	(719,244)	(369,244)
Net change in fund balance	-	567,207	567,207
Fund balances - beginning	7,314,184	7,314,184	-
Fund balances - ending	\$ 7,314,184	\$ 7,881,391	\$ 567,207

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, 2022

	Business-Type Activities	
	Water and Sewer Current Year	Water and Sewer Prior Year (Memorandum Only)
Assets		
Current assets		
Cash and cash equivalents	\$ 1,323,252	\$ 1,794,632
Investments	1,054,529	309,585
Receivables		
Utility service	274,047	220,448
Lease receivable	117,610	136,471
Total current assets	<u>2,769,438</u>	<u>2,461,136</u>
Noncurrent assets		
Prepaid expenses	127,477	63,648
Lease receivable	497,416	617,880
Due from other funds	59,988	51,926
Total noncurrent assets	<u>684,881</u>	<u>733,454</u>
Capital assets		
Land	954,886	954,886
Water system	12,214,815	12,181,871
Sanitary sewer system	7,216,939	7,170,777
Equipment	459,349	420,849
Construction in progress	167,042	14,892
Less accumulated depreciation	<u>(8,198,991)</u>	<u>(7,686,181)</u>
Total capital assets	<u>12,814,040</u>	<u>13,057,094</u>
Total assets	<u>16,268,359</u>	<u>16,251,684</u>
Liabilities		
Current liabilities		
Accounts payable	90,671	76,112
Deposits, performance bonds and offsite fees	16,726	18,802
Accrued interest payable	24,967	25,998
Deferred revenue	5,247	4,858
Current maturities of long-term debt	237,303	235,303
Total current liabilities	<u>374,914</u>	<u>361,073</u>
Noncurrent liabilities		
Long-term debt	4,482,840	4,720,143
Total liabilities	<u>4,857,754</u>	<u>5,081,216</u>
Deferred inflows of Resources		
Deferred lease inflow	<u>582,233</u>	<u>731,499</u>
Net Position		
Net investment in capital assets	8,194,350	8,214,278
Restricted	184,583	-
Unrestricted	2,449,439	2,224,691
Total net position	<u>\$ 10,828,372</u>	<u>\$ 10,438,969</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, 2022

	Business-Type Activities	
	Water and Sewer Current Year	Water and Sewer Prior Year (Memorandum Only)
Operating revenues:		
Water charges	\$ 646,407	\$ 605,206
Sewer charges	667,139	594,372
Connection fees	110	-
Other fees, reimbursements and recoveries	5,558	2,240
Total operating revenues	1,319,214	1,201,818
Operating expenses:		
Personal services	23,449	24,481
Administrative	112,432	39,368
Depreciation	512,810	517,138
Contracted services	335,240	350,275
Supplies	109,535	103,063
Equipment	113,637	-
Repairs and maintenance	67,838	36,860
Insurance	8,618	11,095
Utilities	69,882	72,686
Tests	32,046	36,244
Sludge removal	12,255	3,335
Bad debt	-	2,146
Other	19,355	16,112
Total operating expenses	1,417,097	1,212,803
Operating income (loss)	(97,883)	(10,985)
Nonoperating revenues (expenses):		
Tower rental	150,243	167,942
Interest income	22,515	24,851
Interest expense	(82,780)	(99,902)
Unrealized loss on investments	(34,113)	-
Bond issuance fees	-	(45,774)
Bond premium amortization	12,177	12,177
Total nonoperating revenue (expenses)	68,042	59,294
Income (loss) before contributions and transfers	(29,841)	48,309
Transfers and capital contributions		
Transfer from general fund	419,244	-
Availability fees	-	110,000
Total transfers and capital contributions	419,244	110,000
Change in net position	389,403	158,309
Total net position - beginning of year	10,438,969	10,280,660
Total net position - end of year	\$ 10,828,372	\$ 10,438,969

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, 2022

	Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 1,256,063
Payments to suppliers	(932,184)
Payments to employees	(23,449)
Net cash provided by operating activities	<u>300,430</u>
Cash Flows from Nonoperating Financing Activities	
Interfund transfers	411,182
Net cash used in capital and related financing activities	<u>411,182</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(269,755)
Principal paid on capital debt	(223,126)
Interest paid on capital debt	(83,811)
Net cash (used in) capital and related financing activities	<u>(576,692)</u>
Cash Flows from Investing Activities	
Tower rental	150,243
Purchase of investments	(779,058)
Interest and dividends received	22,515
Net cash provided by investing activities	<u>(606,300)</u>
Net decrease in cash and cash equivalents	(471,380)
Cash and cash equivalents July 1, 2021	<u>1,794,632</u>
Cash and cash equivalents June 30, 2022	<u><u>\$ 1,323,252</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ (97,883)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	512,810
(Increase) decrease in assets:	
Accounts receivable	85,726
Prepaid expenses	(63,829)
Increase (decrease) in liabilities:	
Customer deposits	(2,076)
Deferred revenue	(148,877)
Accounts payable	14,559
Total adjustments	<u>398,313</u>
Net cash provided by operating activities	<u><u>\$ 300,430</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, 2022

	<u>Non- Expendable Health Center</u>
Assets	
Cash and cash equivalents	\$ 835,570
Receivable	12,500
Investments	32,184
Total assets	<u>\$ 880,254</u>
Liabilities	
Accounts payable and other	<u>\$ 12,750</u>
Net Position	
Restricted	<u>867,504</u>
Total net position	<u>867,504</u>
Total liabilities and net position	<u>\$ 880,254</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, 2022

	Non- Expendable Health Center
Additions	
General Fund reimbursement	250,000
Investment income	<u>(865)</u>
Total additions	<u>249,135</u>
Deductions	
Administrative	6,064
Donations	<u>22,250</u>
Total deductions	<u>28,314</u>
Change in net position	220,821
Net position - beginning	<u>646,683</u>
Net position - ending	<u><u>\$ 867,504</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.

NOTES TO FINANCIAL STATEMENTS

**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.

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.

**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, 2022, expenditures exceeded appropriations in the following general fund departments:

Department	Excess Expenditures over Appropriations
Public Safety	\$ 258

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

As of June 30, 2022, the carrying amount of the Town's deposits with banks and savings institutions was \$3,631,598 and the bank balance was \$4,392,670.

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 years 2022 and 2021, the Town received bond proceeds that are being held in the Virginia State non-arbitrage program (SNAP).

As of June 30, 2022, the Town had the following investments:

Type	Carrying Amount	Fair Value	Unrealized gain/(loss)
VIP liquidity fund	\$ 1,386,116	\$ 1,386,116	\$ -
VIP 1-3 year fund	6,613,044	6,405,820	(207,224)
SNAP funds	7,809,225	7,809,225	-
	<u>\$ 15,808,385</u>	<u>\$ 15,601,161</u>	<u>\$ (207,224)</u>

Fair value measurement. The Town categorizes its fair value measurements within the fair value hierarchy established by the generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are the quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The investments in the SNAP funds use short term investments and are therefore valued at amortized cost. The VIP liquidity fund and the VIP 1-3 year funds measure their investments at fair value as provided in GASB Statement No. 72. Since the VIP liquidity pool and the VIP 1-3 year fund measure their investments at fair value in accordance with Paragraph 11 of Statement 31 and as amended by Paragraph 41 of Statement 79, a participant's investment in either fund is not required to be categorized within the fair value hierarchy for purposes of Paragraph 81a(2) of Statement 72.

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.

NOTES TO FINANCIAL STATEMENTS

A. DEPOSITS AND INVESTMENTS (CONTINUED)

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 custodial 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, 2022, the Town's investment in the VIP NAV liquidity fund and State non-arbitrage program was rated AAA by Standard & Poor's. The Town's investment in the 1-3 year bond fund was rated AA+ by Standard & Poor's.

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	\$ 164,605	\$ -	\$ 164,605
Utility taxes	7,379	-	7,379
Utility service	-	274,047	274,047
Lease	-	615,026	615,026
Other accounts	528,590	-	528,590
Net total receivables	<u>\$ 700,574</u>	<u>\$ 889,073</u>	<u>\$ 1,589,647</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 \$11,446 representing delinquent property taxes in the general fund.

C. DUE FROM OTHER GOVERNMENTS

At June 30, 2022 amounts due from other governments were as follows:

Description/Payer	General
Commonwealth of Virginia – Loudoun County Sales Tax	<u>\$ 11,911</u>

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

Primary Government

	7/1/2021 Balance	Increases	Decreases	6/30/2022 Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 906,169	\$ -	\$ -	\$ 906,169
Construction in progress	532,788	3,308,576	-	3,841,364
Total capital assets not being depreciated	1,438,957	3,308,576	-	4,747,533
Capital assets, being depreciated:				
Buildings	373,643	-	-	373,643
Machinery and equipment	864,507	95,188	-	959,695
Infrastructure	2,114,381	-	-	2,114,381
Total capital assets being depreciated	3,352,531	95,188	-	3,447,719
Less accumulated depreciation for:				
Buildings	(114,822)	(11,405)	-	(126,227)
Machinery and equipment	(801,512)	(44,067)	-	(845,579)
Infrastructure	(1,463,640)	(69,569)	-	(1,533,209)
Total accumulated depreciation	(2,379,974)	(125,041)	-	(2,505,015)
Net capital assets being depreciated	972,557	(29,853)	-	942,704
Governmental capital assets	\$ 2,411,514	\$ 3,278,723	\$ -	\$ 5,690,237

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

D. CAPITAL ASSETS (CONTINUED)

	7/1/2021 Balance	Increases	Decreases	6/30/2022 Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 954,886	\$ -	\$ -	\$ 954,886
Construction in progress	14,892	152,150	-	167,042
Total capital assets not being depreciated	969,778	152,150	-	1,121,928
Capital assets, being depreciated:				
Water system - lines	12,181,871	32,944	-	12,214,815
Sanitary sewer system	7,170,777	46,162	-	7,216,939
Equipment	420,850	38,500	-	459,350
Total capital assets being depreciated	19,773,498	117,606	-	19,891,104
Less accumulated depreciation for:				
Water system	(4,323,780)	(335,820)	-	(4,659,600)
Sanitary sewer system	(3,083,512)	(161,209)	-	(3,244,721)
Equipment	(278,890)	(15,781)	-	(294,671)
Total accumulated depreciation	(7,686,182)	(512,810)	-	(8,198,992)
Net capital assets being depreciated	12,087,316	(395,204)	-	11,692,112
Business-type activities capital assets	\$ 13,057,094	\$ (243,054)	\$ -	\$ 12,814,040

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	\$ 26,946
Public safety	16,570
Public works	11,956
Infrastructure	69,569
Total depreciation expense - governmental activities	<u>\$ 125,041</u>
Business-type activities:	
Water and sewer	\$ 512,810
Total depreciation expense - business-type activities	<u>\$ 512,810</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.

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

E. LONG-TERM DEBT (CONTINUED)

General obligation bonds and notes outstanding at June 30, 2022 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.	2,092,000
\$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	1,250,000
\$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
\$2,500,0000 general obligation public improvement bond, series 2022, dated March 25, 2022, interest at 2.527%, interest payable semi-annual, principal due annually starting January 15, 2024 in amounts \$151,000 to \$209,000 , due January 15, 2037	2,500,000
Total General Obligation Debt	<u>\$ 15,238,991</u>

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

Year ending June 30,	Principal	Interest
2023	231,000	368,219
2024	386,000	376,309
2025	2,139,991	380,765
2026	761,000	303,836
2027	780,000	285,498
2028-2032	4,185,000	1,136,315
2033-2037	4,128,000	616,159
2038-2042	2,628,000	182,648
	<u>\$ 15,238,991</u>	<u>\$ 3,649,749</u>

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

E. LONG-TERM DEBT (CONTINUED)

Long-term liability activity for the year ended June 30, 2022 was as follows:

	7/1/2021 Beginning Balance	Additions	Retirements	6/30/2022 Ending Balance	Due Within One Year
Governmental activities:					
General obligation debt	\$ 8,125,175	\$ 2,500,000	\$ (5,874)	\$ 10,619,301	\$ 5,874
Compensated absences	114,260	30,885	-	145,145	-
Unfunded pension liability	440,394	-	(440,394)	-	-
Governmental activity					
Long-term liabilities	<u>\$ 8,679,829</u>	<u>\$ 2,530,885</u>	<u>\$ (446,268)</u>	<u>\$ 10,764,446</u>	<u>\$ 5,874</u>

	7/1/2021 Beginning Balance	Additions	Retirements	6/30/2022 Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligation debt	\$ 4,842,816	\$ -	\$ (223,126)	\$ 4,619,690	\$ 225,126
Bond premium	112,630	-	(12,177)	100,453	12,177
Business-type activity					
Long-term liabilities	<u>\$ 4,955,446</u>	<u>\$ -</u>	<u>\$ (235,303)</u>	<u>\$ 4,720,143</u>	<u>\$ 237,303</u>

Total 2022 interest debt service and fees paid on long-term debt was \$181,300.

The total legal debt margin mandated by the Commonwealth of Virginia is \$40,615,436 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 2022, the Town paid premiums of approximately \$21,665 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 2022, the Town paid contributions of approximately \$36,431 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 available at:

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>
- <https://www.varetirement.org/hybrid.html>

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

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>June 30, 2020</u>
Inactive members or their beneficiaries currently receiving benefits	<u>17</u>
Inactive Members:	
Vested inactive members	1
Non-vested inactive members	4
Inactive members active elsewhere in VRS	<u>10</u>
Total inactive members	<u>15</u>
Active members	<u>15</u>
Total covered employees	<u><u>47</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, 2022 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 \$179,350 and \$172,759 for the years ended June 30, 2022 and June 30, 2021, 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, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

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, 2020, 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, 2021.

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*

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

C. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2020, 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:

Actuarial Assumptions – General Employees (Continued)**Largest 10 – Non-Hazardous Duty:**

Mortality Rates (Pre-retirement healthy, and disabled post-retirement)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Mortality Rates (Pre-retirement healthy, and disabled post-retirement)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

C. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2020, 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, 2021.

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

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

Mortality Improvement:

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

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

Largest 10 – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increases disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increases disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

C. DEFINED BENEFIT PENSION PLAN (CONTINUED)**Long-Term Expected Rate of Return**

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long- Term Expected Rate of Return
Public equity	34.00%	5.00%	1.70%
Fixed income	15.00%	0.57%	0.09%
Credit strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private equity	14.00%	9.94%	1.39%
MAPS - Multi-asset public strategies	6.00%	3.29%	0.20%
PIP - Private investment partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.39%</u>

* The above allocation provides a one-year return of 7.39%. 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 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2021, 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, 2021 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.

C. DEFINED BENEFIT PENSION PLAN (CONTINUED)**Changes in Net Pension Liability**

	Increase(Decrease)		
	Plan		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2020	\$ 3,597,999	\$ 3,157,606	\$ 440,393
Changes for the year:			
Service cost	190,567		190,567
Interest	236,148		236,148
Changes of assumptions	135,109		135,109
Difference between expected and actual experience	(99,476)		(99,476)
Contributions-employer		163,533	(163,533)
Contributions-employee		51,518	(51,518)
Net investment income		870,217	(870,217)
Benefit payments, including refunds of employee contributions	(199,020)	(199,020)	-
Administrative expense		(2,089)	2,089
Other changes	-	83	(83)
Net changes	263,328	884,242	(620,914)
Balances at June 30, 2020	\$ 3,861,327	\$ 4,041,848	\$ (180,521)

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 (asset)	\$ 267,322	\$ (180,521)	\$ (555,169)

C. DEFINED BENEFIT PENSION PLAN (CONTINUED)**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2022, the Town recognized pension expense of \$117,816. At June 30, 2022, 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	\$ 20,561	\$ 59,526
Changes of assumptions	80,848	-
Net difference between projected and actual earnings on plan investments	-	432,655
Employer contributions subsequent to the measurement date	179,350	-
Total	<u>\$ 280,759</u>	<u>\$ 492,181</u>

\$179,350 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, 2023. 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
2023	\$ (66,033)
2024	(92,310)
2025	(101,107)
2026	(131,322)
2027	-
Thereafter	-
	<u>\$ (390,772)</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

	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	\$ 190,567	\$ 179,117	\$ 163,301	\$ 160,831	\$ 159,247	\$ 165,126	\$ 150,555
Interest	236,148	216,713	206,165	201,881	203,507	193,703	172,849
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	(99,476)	109,957	34,300	(91,124)	(177,613)	(52,150)	123,902
Changes of assumptions	135,109	-	87,025	-	(14,657)	-	-
Benefit payments, including refunds of employee contributions	(199,020)	(236,690)	(214,209)	(206,576)	(180,825)	(152,419)	(146,390)
Net change in total pension liability	263,328	269,097	276,582	65,012	(10,341)	154,260	300,916
Total pension liability - beginning	3,597,999	3,328,902	3,052,320	2,987,308	2,997,649	2,843,389	2,542,473
Total pension liability - ending (a)	\$ 3,861,327	\$ 3,597,999	\$ 3,328,902	\$ 3,052,320	\$ 2,987,308	\$ 2,997,649	\$ 2,843,389
Plan fiduciary net position							
Contributions - employer	\$ 163,533	\$ 182,482	\$ 184,332	\$ 179,078	\$ 160,727	\$ 153,232	\$ 152,583
Contributions - employee	51,518	47,321	67,749	44,585	40,738	38,505	38,589
Net investment income	870,217	58,430	193,809	195,204	288,503	41,264	98,791
Benefit payments, including refunds of employee contributions	(199,020)	(236,690)	(214,209)	(206,576)	(180,825)	(152,419)	(146,390)
Administrative expense	(2,089)	(1,982)	(1,821)	(1,640)	(1,605)	(1,374)	(1,290)
Other	83	(71)	(124)	(179)	(261)	(17)	(22)
Net change in total net pension position	884,242	49,490	229,736	210,472	307,277	79,191	142,261
Total net pension position - beginning	3,157,606	3,108,116	2,878,380	2,667,908	2,360,631	2,281,440	2,139,179
Total net pension position - ending (b)	\$ 4,041,848	\$ 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)	\$ (180,521)	\$ 440,393	\$ 220,786	\$ 173,940	\$ 319,400	\$ 637,018	\$ 561,949
Plan fiduciary net position as a percentage of the total pension liability	104.68%	87.76%	93.37%	94.30%	89.31%	78.75%	80.24%
Covered-employee payroll	\$ 912,184	\$ 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	-19.79%	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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement healthy, and disabled post-retirement)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Largest 10 – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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, 2022, the Town paid \$14,033 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 determine rate from an actuarial valuation as of June 30, 2019. During the year ended June 30, 2021, the Town contributed \$6,149 towards life insurance. The VRS system's actuary determined the total net OPEB liability, valued at June 30, 2021, and this amount was allocated to each employer in the plan. The Town's portion of the net OPEB liability was \$61,474.

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. After September 2022 the Town will operate under a month to month lease until the Police move into the new Town Hall. The Town paid annual rent of \$44,712, plus monthly condo fees. Due to the short term nature of this lease, GASB 87 was not implemented.

Municipal Parking Lot: The Town entered into a new lease on July 1, 2021 for .29 acres of land with 26 parking spaces. The term is for 5 years. Base rent is \$8,000 per year to increase by 3% each year, effective on each anniversary of the Commencement Date. The annual payment is to be adjusted for repairs done at the cost of the Town. The cost of the repairs was \$6,680. Rent will be reduced by one fifth of the repair amount per year. Rent expense for the year ended June 30, 2022 was \$6,664. Due to the immaterial amount of this lease, GASB 87 was not implemented.

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

F. RENTAL LEASE COMMITMENTS (CONTINUED)

Future minimum rent lease commitment is as follows:

Year ending June 30:	Amount
2023	\$ 18,082
2024	7,151
2025	7,406
2026	7,668
	<u>\$ 40,307</u>

G. WATER TOWER LEASE REVENUE

The Town has entered into agreements with three telecommunications companies allowing the companies to lease space on the Town's water tower. See below for a summary of lease terms:

Company	Lease commencement	Lease Term	Renewal Option	Renewed	Monthly base rent	Annual Escalation
AT&T	3/2/2018	5 years	Yes	N/A	3,360.00	3%
T-Mobile	3/1/2016	4 years, 11 months	Yes	Yes	3,000.00	4%
Verizon	7/1/2007	10 years	Yes	Yes	2,000.00	3%

For the year ended June 30, 2022, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use a lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Town's June 30, 2022 financial statements and had an effect on the beginning net position of the proprietary fund as follows:

	Proprietary Fund
Net position June 30, 2021	\$ 10,416,117
Adjustments:	
Lease Receivable	754,351
Deferred inflows	(731,499)
Restated net position June 30, 2021	<u>\$ 10,438,969</u>

H. 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.

I. 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, construction has begun on the homes and connections will be made when construction is completed. No additional tap fees/availability charges will be made for these 49 units.

J. SUBSEQUENT EVENTS

The Town of Middleburg has evaluated events and transactions subsequent to June 30, 2022 through October 24, 2022, the date these financial statements were available to be issued. Subsequent to June 30, 2022, the Town received a grant of \$500,000 from the County of Loudoun for the Town Hall project. In addition, the Town was awarding a \$2,000,000 reimbursable grant from HUD for the Town Hall project. Based on the definitions and requirements of the U.S. generally accepted accounting principles, management has not identified any other events that have occurred subsequent to June 30, 2022 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2022.

TOWN OF MIDDLEBURG, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	Final Budget	Actual	Variance Favorable (Unfavorable)
Sources of Revenues			
General Property Taxes			
Real estate taxes	\$ 503,318	\$ 533,518	\$ 30,200
Personal property taxes	35,000	41,980	6,980
Penalties and interest	1,500	-	(1,500)
Total General Property Taxes	539,818	575,498	35,680
Other Local Taxes			
Sales taxes	52,000	65,998	13,998
Utility taxes	107,000	94,713	(12,287)
Meals taxes	1,250,000	1,254,464	4,464
Business licenses	750,000	750,800	800
Motor vehicle licenses	11,500	16,553	5,053
Bank franchise taxes	315,000	334,033	19,033
Cigarette tax	25,000	17,311	(7,689)
Occupancy tax	1,263,500	1,309,290	45,790
Total Other Local Taxes	3,774,000	3,843,162	69,162
Zoning Permits, Fees and Licenses	30,000	23,479	(6,521)
Fines and Forfeitures	30,000	10,071	(19,929)
Revenues from Use of Money and Property			
Investment income	10,000	23,890	13,890
Change in fair value of investments	-	(172,069)	(172,069)
Total Revenues from Use of Money and Property	10,000	(148,179)	(158,179)
Municipal Parking			
Lot receipts	-	640	640
Parking capital fees		45,000	
Meter receipts	1,000	575	(425)
Total Municipal Parking	1,000	46,215	215

(Continued)

TOWN OF MIDDLEBURG, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	Final Budget	Actual	Variance Favorable (Unfavorable)
Miscellaneous Revenue			
Donations	34,000	4,485	(29,515)
Professional review fees	5,000	-	(5,000)
Miscellaneous	21,200	16,519	(4,681)
Total miscellaneous revenue	60,200	21,004	(39,196)
Intergovernmental			
Law enforcement apportionment	53,450	53,462	12
COVID assistance funding	15,000	-	(15,000)
State grants	41,600	85,700	44,100
Litter grant	-	1,329	1,329
Fire program	15,000	15,000	-
Total Intergovernmental	125,050	155,491	30,441
Total General Fund Revenues	4,570,068	4,526,741	(88,327)
Total General Fund Revenues and Other Financing	\$ 4,570,068	\$ 4,526,741	\$ (88,327)

TOWN OF MIDDLEBURG, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	Final Budget	Actual	Variance Favorable (Unfavorable)
General Government			
Administration salaries			
Administrative	\$ 311,266	\$ 310,922	\$ 344
Other wages	25,241	(31,755)	56,996
Mayor's/Council compensation	42,800	43,140	(340)
Payroll taxes and employee benefits	299,622	272,788	26,834
Subtotal	<u>678,929</u>	<u>595,095</u>	<u>83,834</u>
Administrative services			
Citizen engagement	11,500	1,348	10,152
Legal fees	63,600	53,747	9,853
Engineering/consulting fees	80,000	73,560	6,440
Advertising	5,000	2,328	2,672
Accounting & Audit	11,500	11,500	-
Professional development	10,000	4,646	5,354
Memberships/publications	4,000	4,306	(306)
Fire and Rescue	15,000	-	15,000
Insurance	12,850	12,295	555
Contingency	539,218	452	538,766
Election	3,500	549	2,951
County Collection	6,340	(9)	6,349
COVID 19 expenses	5,000	4,758	242
Town committee support	8,000	5,316	2,684
Charitable contributions	20,000	19,250	750
Other	2,500	3,689	(1,189)
Subtotal	<u>798,008</u>	<u>197,735</u>	<u>600,273</u>
Administrative supplies			
Office supplies	6,000	3,456	2,544
Printing	6,500	5,712	788
Postage	5,000	1,799	3,201
Office equipment purchase	17,000	17,381	(381)
Office equipment maintenance	67,134	70,866	(3,732)
Office equipment rental	4,000	5,024	(1,024)
Other	1,000	694	306
Subtotal	<u>106,634</u>	<u>104,932</u>	<u>1,702</u>
Other			
Transfer to Health Center fund	250,000	250,000	-
Transfer to Capital projects fund	350,000	300,000	50,000
Transfer to Water & Sewer fund	-	419,244	(419,244)
Principal and interest debt service	200,000	147,649	52,351
Subtotal	<u>800,000</u>	<u>1,116,893</u>	<u>(316,893)</u>

(Continued)

TOWN OF MIDDLEBURG, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	Final Budget	Actual	Variance Favorable (Unfavorable)
Town office			
Electricity	4,000	3,722	278
Fuel	1,500	929	571
Building repairs	20,000	16,006	3,994
Grounds and equipment repairs	10,000	3,568	6,432
Supplies	1,300	1,318	(18)
Telephone/internet	5,500	3,123	2,377
Insurance	4,000	4,000	-
Water/sewer fees	1,000	-	1,000
Capital Outlay	7,500	-	7,500
Other	500	-	500
Subtotal	55,300	32,666	22,634
Planning and zoning			
Zoning administrator's salary and fees	164,500	163,702	798
Payroll taxes and employee benefits	39,150	48,070	(8,920)
Legal fees	12,000	5,041	6,959
Engineering/consulting fees	55,000	44,813	10,187
Advertising	2,500	65	2,435
Supplies and publications	2,050	2,450	(400)
Professional development	8,000	4,629	3,371
Other	200	21	179
Subtotal	283,400	268,791	14,609
Economic Development			
Economic development administrator	91,800	68,654	23,146
Payroll taxes and employee benefits	23,037	20,157	2,880
Meeting expenses	4,000	389	3,611
Marketing contract	135,000	89,179	45,821
VCA Grant program	9,000	5,063	3,937
Professional development	1,500	520	980
Arts council support	5,000	7,604	(2,604)
Organization support	90,000	71,322	18,678
Special event support	151,000	120,869	30,131
Dues & association membership	1,000	815	185
Website	-	4,000	(4,000)
Printing	10,000	13,365	(3,365)
Supplies	400	210	190
Utilities	-	675	(675)
Telephone	-	446	(446)
Other	20,000	46	19,954
Subtotal	541,737	403,314	138,423
Total General Government	3,264,008	2,719,426	544,582

(Continued)

TOWN OF MIDDLEBURG, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	Final Budget	Actual	Variance Favorable (Unfavorable)
Public Safety			
Police Department			
Police salary	556,049	555,174	875
Overtime	25,130	26,687	(1,557)
Payroll taxes and employee benefits	40,815	42,837	(2,022)
Workers' compensation	12,770	12,770	-
Vehicle fuel	12,000	15,585	(3,585)
Vehicle maintenance	5,900	7,117	(1,217)
Telephone	9,000	10,472	(1,472)
Legal fees	3,400	-	3,400
Advertising	500	300	200
Training	10,000	9,052	948
Uniforms	5,225	5,808	(583)
Supplies	9,270	10,180	(910)
Printing	500	735	(235)
Insurance (Auto/Liability)	7,230	5,318	1,912
Police Professional Insurance	5,400	5,400	-
Virginia supplemental retirement and life insurance	83,895	87,331	(3,436)
Office rental	47,500	47,492	8
Equipment maintenance/service contract	50,450	45,466	4,984
Capital Outlay	3,000	2,392	608
Special Events	4,600	4,326	274
Other	6,000	4,450	1,550
Total Public Safety	898,634	898,892	(258)

(Continued)

TOWN OF MIDDLEBURG, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	Final Budget	Actual	Variance Favorable (Unfavorable)
Public Works			
Street maintenance			
Superintendent	72,351	72,347	4
Street assistant	20,000	6,305	13,695
Overtime	2,000	496	1,504
Payroll taxes and employee benefits	17,900	18,712	(812)
Workers' compensation	875	875	-
Refuse disposal	117,500	120,694	(3,194)
Vehicle fuel	1,600	2,905	(1,305)
Vehicle maintenance	1,000	-	1,000
Telephone	500	499	1
Electricity	18,000	16,661	1,339
Maintenance and repairs	42,500	18,931	23,569
Supplies	5,500	4,891	609
Equipment	1,500	220	1,280
Street cleaning	13,000	11,817	1,183
Landscape maintenance	50,000	43,426	6,574
Uniforms	1,000	175	825
Snow removal	20,000	3,148	16,852
Liberty Street maintenance	8,000	6,189	1,811
Municipal parking lot rental	4,000	6,664	(2,664)
Insurance	6,200	6,200	-
Water/sewer fees	1,500	61	1,439
Other	2,500	-	2,500
Total Public Works	407,426	341,216	66,210
Total expenditures	\$ 4,570,068	\$ 3,959,534	\$ 610,534

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, 2022

	Current Year	Total to Date	Project Authorization
Revenues			
Revenues from the use of money and property	\$ 22,963	\$ 23,638	\$ -
Expenditures			
Capital Outlay:			
Wayfinding	299,576	340,897	327,577
Townwide improvements	25,900	25,900	791,000
Road and paving projects	-	-	40,000
Maintenance and storage facility	-	-	200,000
Town administration building	3,009,000	3,384,908	11,500,000
Police department fleet	95,188	95,188	204,000
Bond issuance fees	34,850	211,700	-
Total expenditures	3,464,514	4,058,593	13,062,577
Other Financing Sources(Uses)			
Transfers in	300,000	1,127,908	1,530,000
Grant funding	-	-	500,000
Public improvement bonds issued	2,500,000	10,500,000	11,000,000
Total other financing sources(uses)	2,800,000	11,627,908	13,030,000
Net change in fund balance	(641,551)	7,592,953	(32,577)
Fund balance-beginning	8,234,504		
Fund balance-ending	\$ 7,592,953		