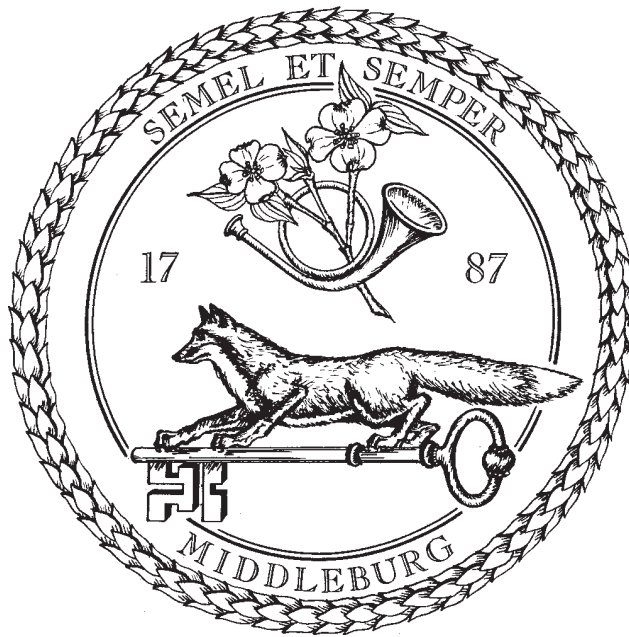


TOWN OF MIDDLEBURG, VIRGINIA



FINANCIAL REPORT YEAR ENDED JUNE 30, 2024

TOWN OF MIDDLEBURG, VIRGINIA

JUNE 30, 2024

MAYOR AND TOWN COUNCIL

Trowbridge M. Littleton, Mayor
Chris W. Bernard, Vice Mayor

Pamela Curran
John Kevin Daly
Morris "Bud" Jacobs

Darlene Kirk
Peter Leonard-Morgan
Cindy C. Pearson

OFFICIALS

Danny Davis, Town Manager
William M. Moore, Deputy Town Manager
Angela Fletcher, Finance Director/Treasurer
Ali MacIntyre, Director of Business Development & Community Partnerships
Shaun Jones, Chief of Police
Rhonda S. North, Clerk of Council

LEGAL COUNSEL

Martin R. Crim
Sands Anderson PC

**TOWN OF MIDDLEBURG, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2024**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-10
Basic Financial Statements	
Government-wide Financial Statements	
Exhibit 1 Statement of Net Position	11
Exhibit 2 Statement of Activities	12
Fund Financial Statements	
Exhibit 3 Balance Sheet–Governmental Funds	13
Exhibit 4 Statement of Revenues, Expenditures, and Changes in Fund Balance–Governmental Funds	14
Exhibit 5 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statements of Activities	15
Exhibit 6 Statement of Net Position–Proprietary Funds	16
Exhibit 7 Statement of Revenues, Expenditures and Changes in Net Position–Proprietary Funds	17
Exhibit 8 Statement of Cash Flows–Proprietary Funds	18
Notes to Financial Statements	19-51

**TOWN OF MIDDLEBURG, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2024**

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
Required Supplementary Information	
Exhibit 9 Statement of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual–General Fund	52
Exhibit 10 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	53-54
Exhibit 11 Schedule of Employer Contributions–Pension Plans	55
Exhibit 12 Notes to Required Supplementary Information–Pension Plans	56
Exhibit 13 Schedule of Town’s Share of Net OPEB Liability–Group Life Insurance (GLI) Plan	57
Exhibit 14 Schedule of Employer Contributions–Group Life Insurance (GLI) Plan	58
Exhibit 15 Notes to Required Supplementary Information–Group Life Insurance (GLI) Plan	59
Other Supplementary Information	
<u>Supporting Schedules</u>	
Schedule 1 Schedule of Revenues and Other Financing Sources–Budget and Actual–General Fund	60
Schedule 2 Schedule of Expenditure–Budget and Actual–General Fund	61-63
Schedule 3 Schedule of Revenues, Expenditures and Changes in Fund Balance–Capital Projects Fund	64
Compliance	
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	65-66



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Middleburg, Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Middleburg, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Town of Middleburg, Virginia, as of and for the year ended June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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 Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Middleburg, Virginia's basic financial statements. The accompanying supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2024, on our consideration of Town of Middleburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Middleburg, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Middleburg, Virginia's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

December 15, 2024

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, 2024.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$26,777,763.
- The Town's total net position increased by \$1,753,917.
- The Town's General Fund operating fund had a surplus of \$1,033,237. The operating expenditures for the year were \$4,013,385 while operating revenues were \$5,046,622.
- The unrestricted/uncommitted Fund Balance of the Town's General Fund increased by \$1,255,237, to \$10,404,882 after accounting for transfers to the capital fund for townwide improvement projects.
- Of this amount, \$5,864,741 is set aside as a "fiscal reserve" per the Town's policy to have 125% of operating expenditures in reserve.
- The remaining \$4,540,141 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 \$11,243,846, an increase of \$683,536 in comparison with the prior year. This is primarily due to decreased expenditures for the Town Hall after the building was placed into service in FY24. The available amount for spending at the government's discretion was \$4,540,141.
- The Town's total liabilities decreased by \$1,231,924 during the current fiscal year.
- The Utility Fund operating surplus for the year was \$940,131.
- The Utility Fund's cash and investments at the end of the year total \$1,976,967.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 two categories: governmental funds and proprietary funds.

Governmental funds

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

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

The Town of Middleburg adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 13 - 15 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 fund, which is considered to be a major fund of the Town. The basic proprietary fund financial statements can be found on pages 16 - 18 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 19-51 of this report.

Supplementary Information

Required supplementary information and other supplementary information can be found on pages 52-64 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 \$26,777,763 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, 2024.

Town of Middleburg, Virginia Summary of Net Position

	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 11,641,848	\$ 3,409,351	\$ 15,051,199
Capital assets	13,940,811	13,797,063	27,737,874
Total assets	<u>\$ 25,582,659</u>	<u>\$ 17,206,414</u>	<u>\$ 42,789,073</u>
Deferred outflows of resources	<u>\$ 316,230</u>	<u>\$ -</u>	<u>\$ 316,230</u>
Liabilities			
Long-term liabilities	\$ 10,688,848	\$ 4,241,469	\$ 14,930,317
Other liabilities	251,648	710,971	962,619
Total Liabilities	<u>\$ 10,940,496</u>	<u>\$ 4,952,440</u>	<u>\$ 15,892,936</u>
Deferred inflows of resources	<u>\$ 113,077</u>	<u>\$ 321,527</u>	<u>\$ 434,604</u>
Net Position			
Net investment in capital assets	\$ 3,484,429	\$ 9,555,594	\$ 13,040,023
Restricted	302,174	-	302,174
Unrestricted	<u>11,058,713</u>	<u>2,376,853</u>	<u>13,435,566</u>
Total Net Position	<u><u>\$ 14,845,316</u></u>	<u><u>\$ 11,932,447</u></u>	<u><u>\$ 26,777,763</u></u>

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 \$1,753,917 during the current fiscal year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental activities increased the Town of Middleburg's net position by \$813,786. These changes are presented in column one of the following table:

**Town of Middleburg, Virginia
Summary of Changes in Net Position**

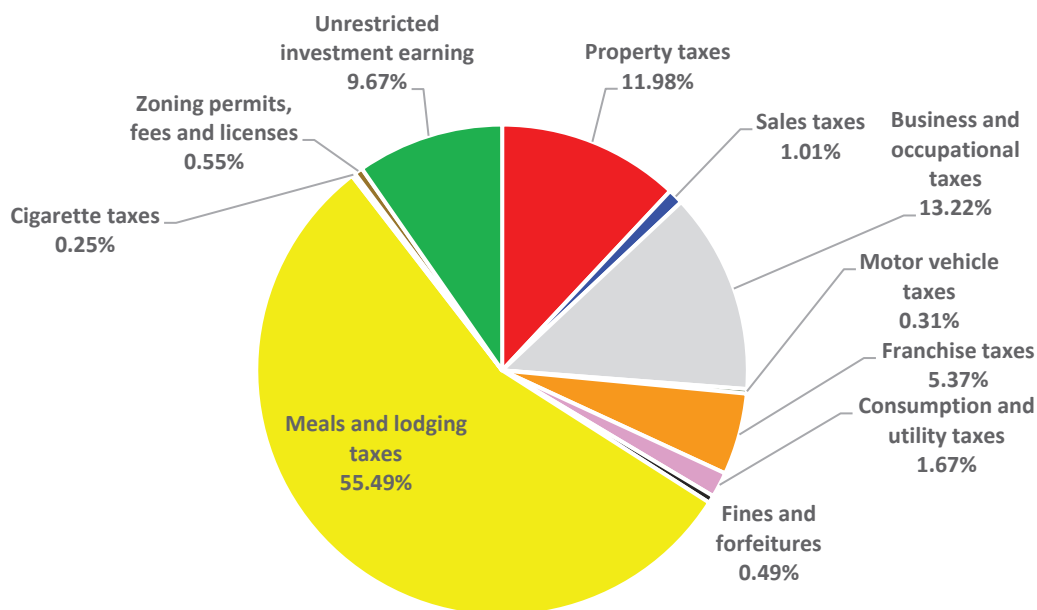
	Governmental Activities	Business-type Activities	Total
Program Revenues			
Charges for Services	\$ 120,989	\$ 2,286,685	\$ 2,407,674
Operating grants and contributions	30,085	-	30,085
Capital grants and contributions	-	-	-
General Revenues			
Property taxes	615,082	-	615,082
Other taxes	3,750,134	-	3,750,134
Other	496,384	195,815	692,199
Total Revenues	<u>\$ 5,012,674</u>	<u>\$ 2,482,500</u>	<u>\$ 7,495,174</u>
Expenses			
General government	\$ 2,575,082	\$ -	\$ 2,575,082
Public safety	929,725	-	929,725
Public works	464,658	-	464,658
Interest on long-term debt	284,910	-	284,910
Water & Sewer	-	1,542,369	1,542,369
Total Expenses	<u>\$ 4,254,375</u>	<u>\$ 1,542,369</u>	<u>\$ 5,796,744</u>
Increase in Net Position	\$ 758,299	\$ 940,131	\$ 1,698,430
Net Position - beginning	14,031,530	10,992,316	25,023,846
Net Position - ending	<u>\$ 14,789,829</u>	<u>\$ 11,932,447</u>	<u>\$ 26,722,276</u>

- In FY24, Meals Tax revenues increased by approximately 6% and Occupancy Tax revenues were relatively flat, compared to FY23.
- "Other" revenues were primarily driven by high interest rates on the Town's investments, resulting in significant interest earnings.
- 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 FY24, the amount is included as a gain of \$52,118, although this is not an actual gain but an accounting requirement.

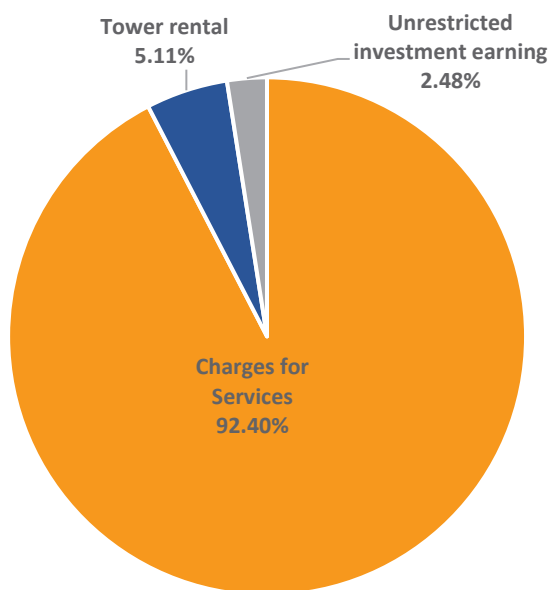
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following chart presents a graphic representation of the Town's governmental activities and the related revenue structure for fiscal year 2024.

REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES



REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES



Business-type activities. Business-type activities increased the Town of Middleburg's net position by \$932,313. Last year, business-type activities had a net gain of \$262,362. Key elements of this change are as follows:

- Expenses increased by \$216,056 while charges for services increased by \$860,292.
- Non-operating revenue increased by \$25,715 over last year's amount.
- There was no state grant revenue in the current or prior year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds

The focus of the Town of Middleburg's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned 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 \$11,243,846, an increase of \$683,536 in comparison with the prior year. Of this total amount, \$4,540,141 constitutes unassigned 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 \$5,864,741.

The general fund is the chief operating fund of the Town of Middleburg, Virginia. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,540,141. As a measure of the general fund's liquidity, it may be useful to compare unassigned and assigned fund balance to total fund expenditures. Unassigned and assigned fund balance is \$10,404,882 compared to total general fund expenditures of \$4,013,385.

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, most revenues came in as expected, although interest earnings for FY24 outperformed expectations.

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 \$11,932,447. The total increase in net position for proprietary funds was \$940,131. 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, 2024, amounts to \$27,737,874 (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, 2024.

Town of Middleburg, Virginia			
Capital Assets (Net of Accumulated Depreciation)			
	Governmental Activities	Business-type Activities	Total
Land	\$ 906,169	\$ 954,886	\$ 1,861,055
Buildings	12,083,295	-	12,083,295
Water system -lines	-	7,545,818	7,545,818
Sanitary sewer system	-	4,451,880	4,451,880
Infrastructure improvements	510,547	-	510,547
Equipment and machinery	399,551	160,024	559,575
Construction in process	41,249	684,455	725,704
Total	<u>\$ 13,940,811</u>	<u>\$ 13,797,063</u>	<u>\$ 27,737,874</u>

Additional information on the Town of Middleburg capital assets can be found in Note 6.

Long-term debt

At the end of the current fiscal year, the Town of Middleburg, Virginia had total bonded debt outstanding of \$14,621,991. This entire amount comprises debt backed by the full faith and credit of the government.

The Town of Middleburg's total debt decreased by \$386,000 during the current fiscal year as it began paying down debt incurred from constructing a new Town Administrative building and Water and Sewer upgrades.

Additional information on the Town of Middleburg long-term debt can be found in Note 7.

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.

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

STATEMENT OF NET POSITION
AS OF JUNE 30, 2024

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,748,318	\$ -	\$ 1,748,318
Investments	8,969,218	2,590,830	11,560,048
Receivables (net of allowance for uncollectible, where applicable)			
Property taxes	188,648	-	188,648
Utility taxes	6,564	-	6,564
Utility service	-	376,791	376,791
Accounts	517,556	-	517,556
Lease receivable	-	373,268	373,268
Due from other governments	4,759	-	4,759
Prepaid expenses	-	1,473	1,473
Internal balances	(66,989)	66,989	-
Net pension asset	273,774	-	273,774
Capital assets (net of accumulated depreciation)			
Land	906,169	954,886	1,861,055
Buildings	12,083,295	-	12,083,295
Water system - lines	-	7,545,818	7,545,818
Sanitary sewer system	-	4,451,880	4,451,880
Infrastructure	510,547	-	510,547
Equipment and machinery	399,551	160,024	559,575
Construction in progress	41,249	684,455	725,704
Total assets	\$ 25,582,659	\$ 17,206,414	\$ 42,789,073
Deferred Outflows of Resources			
Deferred Pension items	\$ 296,301	\$ -	\$ 296,301
Deferred OPEB items	19,929	-	19,929
Total deferred outflows of resources	\$ 316,230	\$ -	\$ 316,230
Liabilities			
Accounts payable and accrued expenses	\$ 124,228	\$ 52,066	\$ 176,294
Accrued interest payable	127,420	22,389	149,809
Reconciled Overdraft	-	613,863	613,863
Unearned revenue	-	6,025	6,025
Deposits, performance bonds and offsite fees	-	16,628	16,628
Noncurrent liabilities:			
Due within one year	542,346	1,652,168	2,194,514
Due in more than one year	10,146,502	2,589,301	12,735,803
Total liabilities	\$ 10,940,496	\$ 4,952,440	\$ 15,892,936
Deferred Inflows of Resources			
Deferred lease inflow	\$ -	\$ 321,527	\$ 321,527
Deferred pension items	101,178	-	101,178
Deferred OPEB items	11,899	-	11,899
Total deferred inflows of resources	\$ 113,077	\$ 321,527	\$ 434,604
Net Position			
Net investment in capital assets	\$ 3,484,429	\$ 9,555,594	\$ 13,040,023
Restricted for:			
Net pension asset	273,774	-	273,774
Other	28,400	-	28,400
Unrestricted	11,058,713	2,376,853	13,435,566
Total net position	\$ 14,845,316	\$ 11,932,447	\$ 26,777,763

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 2,575,082	\$ 120,989	\$ 4,300	\$ -	\$ (2,449,793)	\$ -	\$ (2,449,793)
Public safety	929,725	53,402	25,785	-	(850,538)	-	(850,538)
Public works	464,658	2,085	-	-	(462,573)	-	(462,573)
Interest on long-term debt	<u>284,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(284,910)</u>	<u>-</u>	<u>(284,910)</u>
Total governmental activities	<u>\$ 4,254,375</u>	<u>\$ 176,476</u>	<u>\$ 30,085</u>	<u>\$ -</u>	<u>\$ (4,047,814)</u>	<u>\$ -</u>	<u>\$ (4,047,814)</u>
Business-type activities							
Water and Sewer	<u>\$ 1,542,369</u>	<u>\$ 2,286,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 744,316</u>	<u>\$ 744,316</u>
Total business-type activities	<u>\$ 1,542,369</u>	<u>\$ 2,286,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 744,316</u>	<u>\$ 744,316</u>
Total primary government	<u>\$ 5,796,744</u>	<u>\$ 2,463,161</u>	<u>\$ 30,085</u>	<u>\$ -</u>	<u>\$ (4,047,814)</u>	<u>\$ 744,316</u>	<u>\$ (3,303,498)</u>
General revenues							
Property taxes				\$ 615,082	\$ -	\$ 615,082	
Sales taxes				51,863	-	51,863	
Business and occupational taxes				678,311	-	678,311	
Motor vehicle taxes				15,663	-	15,663	
Franchise taxes				275,603	-	275,603	
Consumption and utility taxes				85,721	-	85,721	
Meals and lodging taxes				2,630,301	-	2,630,301	
Cigarette taxes				12,672	-	12,672	
Tower rental				-	126,579	126,579	
Unrestricted investment earnings				<u>496,384</u>	<u>69,236</u>	<u>565,620</u>	
Total general revenues and transfers				<u>\$ 4,861,600</u>	<u>\$ 195,815</u>	<u>\$ 5,057,415</u>	
Change in net position				<u>\$ 813,786</u>	<u>\$ 940,131</u>	<u>\$ 1,753,917</u>	
Net position - beginning				<u>14,031,530</u>	<u>10,992,316</u>	<u>25,023,846</u>	
Net position - ending				<u>\$ 14,845,316</u>	<u>\$ 11,932,447</u>	<u>\$ 26,777,763</u>	

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

Fund Financial Statements

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2024

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental funds</u>
Assets			
Cash and cash equivalents	\$ 1,620,442	\$ 127,876	\$ 1,748,318
Investments	8,308,049	661,169	8,969,218
Receivables			
Property taxes	188,648	-	188,648
Utility taxes	6,564	-	6,564
Accounts	517,556	-	517,556
Due from other governments	4,759	-	4,759
Total assets	<u>\$ 10,646,018</u>	<u>\$ 789,045</u>	<u>\$ 11,435,063</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 103,296	\$ 20,932	\$ 124,228
Due to other funds	66,989	-	66,989
Total liabilities	<u>\$ 170,285</u>	<u>\$ 20,932</u>	<u>\$ 191,217</u>
Fund balances			
Restricted	\$ 28,400	\$ -	\$ 28,400
Committed			
Parking fund	42,451	-	42,451
Capital projects	-	768,113	768,113
Assigned for reserve	5,864,741	-	5,864,741
Unassigned	4,540,141	-	4,540,141
Total fund balances	<u>\$ 10,475,733</u>	<u>\$ 768,113</u>	<u>\$ 11,243,846</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,646,018</u>	<u>\$ 789,045</u>	<u>\$</u>

Detailed explanation of adjustments from fund statements to government-wide Statement of Net Position:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund	13,940,811
Pension items	468,897
OPEB items	(55,054)
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	<u>(10,753,184)</u>
Net position of governmental activities	<u>\$ 14,845,316</u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental funds</u>
Revenues			
General property taxes	\$ 615,082	\$ -	\$ 615,082
Other local taxes	3,750,134	-	3,750,134
Zoning permits, fees and licenses	28,224	-	28,224
Fines and forfeitures	25,178	-	25,178
Investment income	430,545	21,539	452,084
Change in fair value of investments	44,300	-	44,300
Municipal parking	2,750	-	2,750
Miscellaneous	122,539	-	122,539
Intergovernmental	27,870	-	27,870
Total revenues	<u>\$ 5,046,622</u>	<u>\$ 21,539</u>	<u>\$ 5,068,161</u>
Expenditures			
General government	\$ 2,253,209	\$ -	\$ 2,253,209
Public safety	971,581	-	971,581
Public works	344,864	-	344,864
Capital projects	-	371,240	371,240
Debt service:			
Principal retirement	157,045	-	157,045
Interest and other fiscal charges	286,686	-	286,686
Total expenditures	<u>\$ 4,013,385</u>	<u>\$ 371,240</u>	<u>\$ 4,384,625</u>
Net change in fund balances	\$ 1,033,237	\$ (349,701)	\$ 683,536
Fund balance - beginning	<u>9,442,496</u>	<u>1,117,814</u>	<u>10,560,310</u>
Fund balance - ending	<u>\$ 10,475,733</u>	<u>\$ 768,113</u>	<u>\$ 11,243,846</u>

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

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

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

Net change in fund balances - total governmental funds	\$	683,536
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.		371,240
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.		(640,554)
The issuance of long term obligations (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 obligations 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.		157,045
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.		239,167
OPEB 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, OPEB obligation requirements are not reported as a liability in the governmental funds.		2,261
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.		<u>1,091</u>
Change in net position of governmental activities	\$	<u><u>813,786</u></u>

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF JUNE 30, 2024

	Business-Type Activities Water and Sewer
Assets	
Current assets	
Investments	\$ 2,590,830
Prepaid expenses	1,473
Receivables	
Utility service taxes	376,791
Lease receivable	132,631
Total current assets	<u>\$ 3,101,725</u>
Noncurrent assets	
Lease receivable	\$ 240,637
Due from other funds	66,989
Total noncurrent assets	<u>\$ 307,626</u>
Capital assets	
Land	\$ 954,886
Water system	12,902,215
Sanitary sewer system	8,048,429
Equipment	492,995
Construction in progress	684,455
Less accumulated depreciation	(9,285,917)
Total capital assets	<u>\$ 13,797,063</u>
Total assets	<u><u>\$ 17,206,414</u></u>
Liabilities	
Current liabilities	
Accounts payable	\$ 52,066
Deposits, performance bonds and offsite fee	16,628
Reconciled overdraft	613,863
Accrued interest payable	22,389
Unearned revenue	6,025
Current maturities of long-term debt	1,652,168
Total current liabilities	<u>\$ 2,363,139</u>
Noncurrent liabilities	
Long-term debt	\$ 2,589,301
Total noncurrent liabilities	<u>\$ 2,589,301</u>
Total liabilities	<u>\$ 4,952,440</u>
Deferred inflows of Resources	
Deferred lease inflow	<u>\$ 321,527</u>
Net Position	
Net investment in capital assets	\$ 9,555,594
Unrestricted	<u>2,376,853</u>
Total net position	<u><u>\$ 11,932,447</u></u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Business-Type Activities
	Water and Sewer
Operating revenues	
Water charges	\$ 802,414
Sewer charges	789,483
Connection fees	29,535
Other fees, reimbursement and recoveries	1,435
Grant funding	638,318
Total operating revenues	\$ 2,261,185
Operating expenses	
Personal services	\$ 26,893
Administrative	79,077
Depreciation	567,226
Contracted services	389,486
Supplies	138,555
Repairs and maintenance	104,369
Insurance	10,490
Utilities	83,361
Tests	32,554
Sludge removal	38,885
Other	8,991
Total operating expenses	\$ 1,479,887
Operating income (loss)	\$ 781,298
Nonoperating revenues (expenses)	
Tower rental	\$ 126,579
Interest income	61,418
Investment income	7,818
Interest expense	(62,482)
Total nonoperating revenue (expense)	\$ 133,333
Income (loss) before capital contributions and transfers	\$ 914,631
Transfers and capital contributions	
Availability fees	\$ 25,500
Total transfers and capital contributions	\$ 25,500
Change in net position	\$ 940,131
Net position - beginning	10,992,316
Net position - end	\$ 11,932,447

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 2,148,709
Payments to suppliers	(871,489)
Payments to employees	(26,893)
Net cash provided by operating activities	<u>\$ 1,250,327</u>
Cash Flows from Noncapital Financing Activities	
Availability fees	\$ 25,500
Net cash provided by (used for) noncapital financing activities	<u>\$ 25,500</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	\$ (1,511,022)
Grants	(525,037)
Principal paid on capital debt	(228,000)
Interest paid on capital debt	(75,689)
Net cash (used for) capital and related financing activities	<u>\$ (2,339,748)</u>
Cash Flows from Investing Activities	
Tower rental	\$ 123,780
Change in investments	(1,556,148)
Interest and dividends received	61,418
Net cash provided by investing activities	<u>\$ (1,370,950)</u>
Net increase in cash and cash equivalents	\$ (2,434,871)
Cash and cash equivalents July 1, 2023	<u>1,813,190</u>
Reclassification to reconciled overdraft	613,863
Cash and cash equivalents June 30, 2024	<u><u>\$ (7,818)</u></u>
Reconciliation of operating income to net cash provided (used for) operating activities:	
Operating income (loss)	\$ <u>781,298</u>
Adjusting to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	\$ 567,226
(Increase) decrease in assets:	
Accounts receivable	(111,952)
Prepaid Expenses	9,017
Increase (decrease) in liabilities:	
Customer deposits	(524)
Accounts payable	5,262
Total adjustments	<u>\$ 469,029</u>
Net cash provided by operating activities	<u><u>\$ 1,250,327</u></u>

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

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

Note 1–Nature of Operations and Summary of Significant Accounting Policies:

The Town of Middleburg, Virginia, (the “Town”) was established in 1787. The Town is governed by a mayor, who is elected every two years, 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.

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 1–Nature of Operations and Summary of Significant Accounting Policies: (Continued)

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 recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 projects 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.

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 1–Nature of Operations and Summary of Significant Accounting Policies: (Continued)

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

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.

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 all 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

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.

Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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."

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 1–Nature of Operations and Summary of Significant Accounting Policies: (Continued)

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

Receivables and Payables (continued)

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds.” 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 on 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.

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.

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.

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 the asset’s life are not capitalized.

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

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 1–Nature of Operations and Summary of Significant Accounting Policies: (Continued)

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

Capital Assets (Continued)

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

Buildings	40 years
Equipment and vehicles	5-20 years
Infrastructure	30 years
Utility distribution systems	20-50 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resource represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources for certain items related to pension and OPEB. For more information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town 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. The Town reports deferred outflows of resources for certain items related to pension and OPEB. For more information on these items, reference the related notes.

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 with a cap on the payout depending on years of service. The maximum payout of sick leave is \$20,000 per employee. The Town accrues 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 general fund.

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 1–Nature of Operations and Summary of Significant Accounting Policies: (Continued)

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

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 on 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.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called “fund balance.” 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.

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 1–Nature of Operations and Summary of Significant Accounting Policies: (Continued)

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

Fund Balance (Continued)

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).

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.

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 report period. Actual results could differ from those estimates.

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town'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.

E. Leases and Subscription Based IT Arrangements

The Town has various lease assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 1–Nature of Operations and Summary of Significant Accounting Policies: (Continued)

E. Leases and Subscription Based IT Arrangements (Continued)

Lessor

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

Key Estimates and Judgments

Lease and subscription-based IT arrangement accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease and subscription payments to present value, (2) lease and subscription term, and (3) lease and subscription payments.

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

The Town monitors changes in circumstances that would require a remeasurement or modification of its leases and subscriptions. The Town will remeasure the lease receivable and deferred inflows of resources (lessor), the lease asset and liability (lessee) or the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the lease receivable, lease liability or subscription liability.

Note 2–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.

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 2—Stewardship, Compliance and Accountability: (Continued)

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2024, no expenditures exceeded appropriations in the general fund departments.

Note 3—Deposits and Investments:

Deposits

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

Investments

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), 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).

External Investment Pool

The value of the positions in the external investment pools (Local Government Investment Pool is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury. LGIP is amortized cost basis portfolios. There are no withdrawal limitations or restrictions imposed on participants.

Redemption Restrictions: The Town is limited to two withdrawals per month.

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 3—Deposits and Investments: (Continued)

As of June 30, 2024, the Town had the following investments:

Type	Cost	Fair Value	Unrealized gain/(loss)
VIP liquidity fund	\$ 4,169,926	4,169,926	\$ -
VIP 1-3 year fund	7,486,888	7,228,953	(257,935)
SNAP funds	161,169	161,169	-
	<u>\$ 11,817,983</u>	<u>\$ 11,560,048</u>	<u>\$ (257,935)</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.

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

Credit risk. State Law limits investments in commercial paper and corporate bonds to the top rating issued by nationally recognized statistical rating organizations. It is the Town's policy to limit its investments in these types of investments to the State Law. As of June 30, 2024, 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.

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 4–Receivables:

Receivables as of year end for the government’s individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer	Total
Receivables			
Delinquent property taxes	\$ 188,648	\$ -	\$ 188,648
Utility taxes	6,564	-	6,564
Utility service	-	376,791	376,791
Lease	-	373,268	373,268
Other accounts	517,556	-	517,556
Net total receivables	<u>\$ 712,768</u>	<u>\$ 750,059</u>	<u>\$ 1,462,827</u>

Governmental funds report referred 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, there was no deferred revenue reported in the general fund representing delinquent property taxes.

Note 5–Due from Other Governments:

At June 30, 2024 amounts due from other governments were as follows:

	General
Commonwealth of Virginia – Loudoun County Sales Tax	<u>\$ 4,759</u>

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 6—Capital Assets:

The change in capital assets for the year ended June 30, 2024, was as follows:

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 906,169	\$ -	\$ -	\$ 906,169
Construction in progress	12,063,057	281,897	12,303,705	41,249
Total capital assets not being depreciated	<u>\$ 12,969,226</u>	<u>\$ 281,897</u>	<u>\$ 12,303,705</u>	<u>\$ 947,418</u>
Capital assets being depreciated:				
Buildings	\$ 373,643	\$ 12,306,267	\$ -	\$ 12,679,910
Machinery and equipment	1,411,155	52,532	-	1,463,687
Infrastructure	2,156,381	34,249	-	2,190,630
Total capital assets being depreciated	<u>\$ 3,941,179</u>	<u>\$ 12,393,048</u>	<u>\$ -</u>	<u>\$ 16,334,227</u>
Less accumulated depreciation for:				
Buildings	\$ (137,632)	\$ (458,983)	\$ -	\$ (596,615)
Machinery and equipment	(956,769)	(107,367)	-	(1,064,136)
Infrastructure	(1,605,879)	(74,204)	-	(1,680,083)
Total accumulated depreciation	<u>\$ (2,700,280)</u>	<u>\$ (640,554)</u>	<u>\$ -</u>	<u>\$ (3,340,834)</u>
Net capital assets being depreciated	<u>\$ 1,240,899</u>	<u>\$ 11,752,494</u>	<u>\$ -</u>	<u>\$ 12,993,393</u>
Governmental capital assets	<u>\$ 14,210,125</u>	<u>\$ 12,034,391</u>	<u>\$ 12,303,705</u>	<u>\$ 13,940,811</u>

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 6—Capital Assets: (Continued)

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 954,886	\$ -	- \$	954,886
Construction in progress	326,646	492,718	134,909	684,455
Total capital assets not being depreciated	<u>\$ 1,281,532</u>	<u>\$ 492,718</u>	<u>\$ 134,909</u>	<u>\$ 1,639,341</u>
Capital assets being depreciated:				
Water system - lines	\$ 12,382,117	\$ 520,098	\$ -	\$ 12,902,215
Sanitary sewer system	7,292,697	755,732	-	8,048,429
Equipment	488,135	4,860	-	492,995
Total capital assets being depreciated	<u>\$ 20,162,949</u>	<u>\$ 1,280,690</u>	<u>\$ -</u>	<u>\$ 21,443,639</u>
Less accumulated depreciation for:				
Water system - lines	\$ (4,997,829)	\$ (358,568)	\$ -	\$ (5,356,397)
Sanitary sewer system	(3,407,396)	(189,153)	-	(3,596,549)
Equipment	(313,466)	(19,505)	-	(332,971)
Total accumulated depreciation	<u>\$ (8,718,691)</u>	<u>\$ (567,226)</u>	<u>\$ -</u>	<u>\$ (9,285,917)</u>
Net capital assets being depreciated	<u>\$ 11,444,258</u>	<u>\$ 713,464</u>	<u>\$ -</u>	<u>\$ 12,157,722</u>
Business-type capital assets	<u>\$ 12,725,790</u>	<u>\$ 1,206,182</u>	<u>\$ 134,909</u>	<u>\$ 13,797,063</u>

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

	<u>Depreciation</u>
Governmental activities:	
General government administration	\$ 459,637
Public safety	49,810
Public works	131,107
Total depreciation expense - governmental activities	<u>\$ 640,554</u>
Business-type activities:	
Water & Sewer	\$ 567,226
Total depreciation expense - business-type activities	<u>\$ 567,226</u>

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 7—Long-term Debt:

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

General obligation bonds and notes outstanding at June 30, 2024 are as follows:

	<u>Amount</u>
Governmental Activities:	
\$2,306,000 (General Fund portion \$131,504) general obligation refunding bond, series 2020, dated April 13, 2020, interest at 1.79%, interest payable semi-annually, principal due annually starting October 1, 2020 in amounts of \$103,000 to \$285,000, due October 1, 2034.	\$ 107,382
\$8,000,000 general obligation public improvement bond, series 2021, dated May 24, 2021, interest at 2.72%, interest payable semi-annually, principal due annually starting July 15, 2024 in amounts of \$349,000 to \$555,000, due July 15, 2041.	8,000,000
\$2,500,000 general obligation public improvement bond, series 2022, dated March 25, 2022, interest at 2.527%, interest payable semi-annually, principal due annually starting January 15, 2024 in amounts \$151,000 to \$209,000, due January 15, 2037.	<u>2,349,000</u>
Total Governmental Activities	<u>\$ 10,456,382</u>
Business-type Activities:	
\$2,200,000 general obligation note (tax-exempt), series 2020, dated March 27, 2020, interest at 1.62%, interest payable semi-annually 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-annually on proceeds drawn, principal due June 30, 2025.	300,000
\$2,306,000 (Enterprise portion \$2,174,496) general obligation refunding bond, series 2020, dated April 13, 2020, interest at 1.79%, interest payable semi-annually, principal due annually starting October 1, 2020 in amounts of \$103,000 to \$285,000, due October 1, 2034.	1,775,618
\$1,407,000 general obligation refunding bond, series 2020, dated August 5, 2020, interest at 1.81%, interest payable semi-annually, principal due annually starting October 1, 2020 in amounts of \$31,000 to \$150,000, due October 1, 2030.	<u>993,000</u>
Total Business-type Activities	<u>\$ 4,165,609</u>
Total General Obligation Debt	<u><u>\$ 14,621,991</u></u>

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 7—Long-term Debt: (Continued)

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

Year Ending June 30,	Principal	Interest
2025	\$ 2,139,991	\$ 355,567
2026	761,000	303,836
2027	780,000	285,498
2028	798,000	266,706
2029	817,000	247,460
2030-2034	4,388,000	931,771
2035-2039	3,318,000	422,272
2039-2042	1,620,000	66,912
Total	\$ 14,621,991	\$ 2,880,022

Long-term liability activity for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2024	Due Within One Year
Governmental activities:					
General obligation debt	\$ 10,613,427	\$ -	\$ (157,045)	\$ 10,456,382	\$ 500,000
Compensated absences	168,697	685	-	169,382	42,346
Group life OPEB liability	61,891	1,193	-	63,084	-
Governmental activity Long-term liabilities	\$ 10,844,015	\$ 1,878	\$ (157,045)	\$ 10,688,848	\$ 542,346
Business-type activities:					
Bonds and notes payable:					
General obligation debt	\$ 4,394,564	\$ -	\$ (228,955)	\$ 4,165,609	\$ 1,639,991
Bond premium	88,276	-	(12,177)	76,099	12,177
Business-type activity Long-term liabilities	\$ 4,482,840	\$ -	\$ (241,132)	\$ 4,241,708	\$ 1,652,168

The total legal debt margin mandated by the Commonwealth of Virginia is \$45,700,306 which is computed based on 10% of the assessed value of real estate subject to taxation.

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 8–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:

The Town has workers' compensation coverage with the Virginia Risk Sharing Association (VRSA). During the fiscal year 2024, the Town paid premiums of approximately \$17,967 to VRSA.

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 Risk Sharing Association (VRSA). During the fiscal year 2024, the Town paid contributions of approximately \$42,362 to the VRSA.

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

Note 9–Surety Bonds:

The Town maintains a \$250,000 blanket surety bond on all Town officials through the Virginia Risk Sharing Association (VRSA).

Note 10–Pension Plan:

Plan Description

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

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 10—Pension Plan: (Continued)

Benefit Structures

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

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

Average Final Compensation and Service Retirement Multiplier

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

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 10–Pension Plan: (Continued)

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

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

Employees Covered by Benefit Terms

As of the June 30, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government</u>
Inactive members or their beneficiaries currently receiving benefits	19
Inactive members:	
Vested inactive members	1
Non-vested inactive members	2
Inactive members active elsewhere in VRS	<u>10</u>
Total inactive members	13
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 political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement

The Town’s contractually required employer contribution rate for the year ended June 30, 2024 was 19.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$227,669 and \$218,160 for the years ended June 30, 2024 and June 30, 2023, respectively.

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 10–Pension Plan: (Continued)

Net Pension Asset

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. The Town’s net pension assets were measured as of June 30, 2023. The total pension liability used to calculate the net pension assets were determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 10–Pension Plan: (Continued)

Actuarial Assumptions – General Employees (Continued)

Mortality rates: (Continued)

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

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

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 10–Pension Plan: (Continued)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 10—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year expected return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate

TOWN OF MIDDLEBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 10—Pension Plan: (Continued)

Discount Rate (Continued)

was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2023, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 112% of the actuarially determined contribution rate. From July 1, 2023 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2022	\$ 3,649,578	\$ 3,992,269	\$ (342,691)
Changes for the year:			
Service cost	\$ 229,471	\$ -	\$ 229,471
Interest	253,956	-	253,956
Differences between expected and actual experience	122,169	-	122,169
Contributions - employer	-	218,014	(218,014)
Contributions - employee	-	58,365	(58,365)
Net investment income	-	262,715	(262,715)
Benefit payments, including refunds	(233,479)	(233,479)	-
Administrative expenses	-	(2,522)	2,522
Other changes	-	107	(107)
Net changes	\$ 372,117	\$ 303,200	\$ 68,917
Balances at June 30, 2023	\$ 4,021,695	\$ 4,295,469	\$ (273,774)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town Net Pension Liability (Asset)	\$ 216,516	\$ (273,774)	\$ (652,857)

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 10—Pension Plan: (Continued)

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

For the year ended June 30, 2024, the Town recognized pension income of \$17,644, respectively. At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 74,632	\$ 41,003
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	60,175
Employer contributions subsequent to the measurement date	221,669	-
Total	<u>\$ 296,301</u>	<u>\$ 101,178</u>

\$221,669 reported as deferred outflows of resources related to the pension resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	Amount
2025	\$ (37,696)
2026	(47,350)
2027	56,875
2028	1,625
2029	-
Thereafter	-
Total	<u>\$ (26,546)</u>

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 10—Pension Plan: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/media/shared/pdf/publications/2023-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 11—Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,254 as of June 30, 2024.

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 11—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2024 was 0.54% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were \$6,490 and \$6,686 for the years ended June 30, 2024 and June 30, 2023, respectively.

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

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

At June 30, 2024, the entity reported a liability of \$63,084 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion was .0053% as compared to 0.0051% at June 30, 2022.

For the year ended June 30, 2024, the participating employer recognized GLI OPEB expense of \$4,763. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 11–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

At June 30, 2024, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,301	\$ 1,915
Net difference between projected and actual earnings on GLI OPEB plan investments	-	2,535
Change in assumptions	1,348	4,371
Changes in proportionate share	5,790	3,078
Employer contributions subsequent to the measurement date	6,490	-
Total	\$ 19,929	\$ 11,899

\$6,490 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2025	\$ 785
2026	(2,133)
2027	1,942
2028	72
2029	874
Thereafter	-

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 11–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

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

- Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years
- Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year
- Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years
- Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally
- Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 11—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 11–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2023, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

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

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

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 11—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2023, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 11—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Discount Rate: (Continued)

contribution rate. From July 1, 2023 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town's proportionate share of the GLI Plan			
Net OPEB Liability	\$ 93,510	\$ 63,084	\$ 38,484

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/media/shared/pdf/publications/2023-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 12—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.

Note 13—Water Tower Lease Revenue:

The Town has entered into agreements with three telecommunications companies to lease space on the Town's water tower. Interest revenue and lease revenue in the amount of \$16,104 and \$123,664, respectfully were recognized during the year. 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	Yes	\$ 4,012	3%
T-Mobile	3/1/2016	4 years, 11 months	Yes	Yes	4,105	4%
Verizon	7/1/2007	10 years	Yes	Yes	3,777	3%

NOTES TO FINANCIAL STATEMENTS: (CONTINUED)
JUNE 30, 2024

Note 14–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.

Note 15–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. As of the end of FY24, 12 of these homes had connected to the Town's system. No additional tap fees/availability charges will be made for the remaining 37 units.

Note 16–Subsequent Events:

The Town of Middleburg has evaluated events and transactions subsequent to June 30, 2024 through December 15, 2024, the date these financial statements were available to be issued. Based on the definitions and requirements of the U.S. generally accepted accounting principles, management has not identified any events subsequent to June 30, 2024 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2024.

Note 17–Upcoming Pronouncements:

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

Statement No. 102, *Certain Risk Disclosures*, provides users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

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

Required Supplementary Information

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
General property taxes	\$ 602,605	\$ 615,082	\$ 12,477
Other local taxes	3,975,425	3,750,134	(225,291)
Zoning permits, fees and licenses	31,928	28,224	(3,704)
Fines and forfeitures	12,000	25,178	13,178
Revenues from use of money	200,000	430,545	230,545
Change in fair value of investments	-	44,300	44,300
Municipal parking	500	2,750	2,250
Miscellaneous	127,979	122,539	(5,440)
Intergovernmental	40,000	27,870	(12,130)
Total revenues	<u>\$ 4,990,437</u>	<u>\$ 5,046,622</u>	<u>\$ 56,185</u>
Expenditures			
General government	\$ 3,486,028	\$ 2,696,940	\$ 789,088
Public safety	1,054,159	971,581	82,578
Public works	450,250	344,864	105,386
Total expenditures	<u>\$ 4,990,437</u>	<u>\$ 4,013,385</u>	<u>\$ 977,052</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 1,033,237</u>	<u>\$ 1,033,237</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,033,237</u>	<u>\$ 1,033,237</u>
Fund balance - beginning	<u>9,442,496</u>	<u>9,442,496</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 9,442,496</u></u>	<u><u>\$ 10,475,733</u></u>	<u><u>\$ 1,033,237</u></u>

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Primary Government
For the Measurement Dates of June 30, 2015 through June 30, 2023

	2023	2022	2021	2020	2019
Total pension liability					
Service cost	\$ 229,471	\$ 200,759	\$ 190,567	\$ 179,117	\$ 190,567
Interest	253,956	265,280	236,148	216,713	236,148
Differences between expected and actual experience	122,169	(413,765)	(99,476)	109,957	(99,476)
Changes of assumptions	-	-	135,109	-	135,109
Benefit payments	(233,479)	(264,023)	(199,020)	(236,690)	(199,020)
Net change in total pension liability	\$ 372,117	\$ (211,749)	\$ 263,328	\$ 269,097	\$ 263,328
Total pension liability - beginning	<u>3,649,578</u>	<u>3,861,327</u>	<u>3,597,999</u>	<u>3,328,902</u>	<u>3,597,999</u>
Total pension liability - ending (a)	<u>\$ 4,021,695</u>	<u>\$ 3,649,578</u>	<u>\$ 3,861,327</u>	<u>\$ 3,597,999</u>	<u>\$ 3,861,327</u>
Plan fiduciary net position					
Contributions - employer	\$ 218,014	\$ 168,963	\$ 163,533	\$ 182,482	\$ 163,533
Contributions - employee	58,365	52,842	51,518	47,321	51,518
Net investment income	262,715	(4,935)	870,217	58,430	870,217
Benefit payments	(233,479)	(264,023)	(199,020)	(236,690)	(199,020)
Administrator charges	(2,522)	(2,520)	(2,089)	(1,982)	(2,089)
Other	107	94	83	(71)	83
Net change in plan fiduciary net position	\$ 303,200	\$ (49,579)	\$ 884,242	\$ 49,490	\$ 884,242
Plan fiduciary net position - beginning	<u>3,992,269</u>	<u>4,041,848</u>	<u>3,157,606</u>	<u>3,108,116</u>	<u>3,157,606</u>
Plan fiduciary net position - ending (b)	<u>\$ 4,295,469</u>	<u>\$ 3,992,269</u>	<u>\$ 4,041,848</u>	<u>\$ 3,157,606</u>	<u>\$ 4,041,848</u>
Town's net pension liability (asset) - ending (a) - (b)	\$ (273,774)	\$ (342,691)	\$ (180,521)	\$ 440,393	\$ (180,521)
Plan fiduciary net position as a percentage of the total pension liability	106.81%	109.39%	104.68%	87.76%	104.68%
Covered payroll	\$ 1,238,217	\$ 1,117,697	\$ 1,088,833	\$ 991,070	\$ 1,007,432
Town's net pension liability (asset) as a percentage of covered payroll	-22.11%	-30.66%	-16.58%	44.44%	-17.92%

Schedule is intended to show information for 10 years. Information prior to the 2015 valuation is not available. However, additional years will be included as they become available.

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Primary Government
For the Measurement Dates of June 30, 2015 through June 30, 2023

	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 190,567	\$ 190,567	\$ 190,567	\$ 190,567
Interest	236,148	236,148	236,148	236,148
Differences between expected and actual experience	(99,476)	(99,476)	(99,476)	(99,476)
Changes of assumptions	135,109	135,109	135,109	135,109
Benefit payments	(199,020)	(199,020)	(199,020)	(199,020)
Net change in total pension liability	\$ 263,328	\$ 263,328	\$ 263,328	\$ 263,328
Total pension liability - beginning	<u>3,597,999</u>	<u>3,597,999</u>	<u>3,597,999</u>	<u>3,597,999</u>
Total pension liability - ending (a)	<u>\$ 3,861,327</u>	<u>\$ 3,861,327</u>	<u>\$ 3,861,327</u>	<u>\$ 3,861,327</u>
Plan fiduciary net position				
Contributions - employer	\$ 163,533	\$ 163,533	\$ 163,533	\$ 163,533
Contributions - employee	51,518	51,518	51,518	51,518
Net investment income	870,217	870,217	870,217	870,217
Benefit payments	(199,020)	(199,020)	(199,020)	(199,020)
Administrator charges	(2,089)	(2,089)	(2,089)	(2,089)
Other	83	83	83	83
Net change in plan fiduciary net position	\$ 884,242	\$ 884,242	\$ 884,242	\$ 884,242
Plan fiduciary net position - beginning	<u>3,157,606</u>	<u>3,157,606</u>	<u>3,157,606</u>	<u>3,157,606</u>
Plan fiduciary net position - ending (b)	<u>\$ 4,041,848</u>	<u>\$ 4,041,848</u>	<u>\$ 4,041,848</u>	<u>\$ 4,041,848</u>
Town's net pension liability (asset) - ending (a) - (b)	\$ (180,521)	\$ (180,521)	\$ (180,521)	\$ (180,521)
Plan fiduciary net position as a percentage of the total pension liability	104.68%	104.68%	104.68%	104.68%
Covered payroll	\$ 912,184	\$ 912,184	\$ 912,184	\$ 912,184
Town's net pension liability (asset) as a percentage of covered payroll	-19.79%	-19.79%	-19.79%	-19.79%

Schedule of Employer Contributions

Pension Plans

For the Years Ended June 30, 2019 through June 30, 2024

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2024	\$ 221,669	\$ 221,669	\$ -	\$ 1,201,814	18%
2023	218,160	218,160	-	1,238,217	18%
2022	169,578	169,578	-	1,117,697	15%
2021	163,619	163,619	-	1,088,833	15%
2020	183,016	183,016	-	991,070	18%
2019	184,332	184,332	-	1,007,432	18%

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

Schedule is intended to show information for 10 years. Information prior to 2019 is not available.

Notes to Required Supplementary Information
Pension Plans
For the Year Ended June 30, 2024

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

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

Schedule of Town's Share of Net OPEB Liability

Group Life Insurance (GLI) Plan

For the Measurement Dates of June 30, 2018 through June 30, 2023

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)		Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)		Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2023	0.0053%	\$	63,084	\$	1,238,217	5.09%	69.30%
2022	0.0051%		61,891		1,117,697	5.54%	67.21%
2021	0.0053%		61,471		1,088,833	5.65%	67.45%
2020	0.0048%		80,438		991,070	8.12%	52.64%
2019	0.0051%		83,641		1,007,432	8.30%	52.00%
2018	0.0049%		75,000		1,007,432	7.44%	51.22%

Schedule is intended to show information for 10 years. Information prior to the 2018 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions

Group Life Insurance (GLI) Plan

For the Years Ended June 30, 2019 through June 30, 2024

Date	Contributions in Relation to		Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)			
2024	\$ 6,490	\$ 6,490	\$ -	\$ 1,201,814	0.54%
2023	6,686	6,686	-	1,238,217	0.54%
2022	6,036	6,036	-	1,117,697	0.54%
2021	5,880	5,880	-	1,088,833	0.54%
2020	5,154	5,154	-	991,070	0.52%
2019	5,239	5,239	-	1,007,432	0.52%

Schedule is intended to show information for 10 years. Information prior to 2019 is not available.

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 For the Year Ended June 30, 2024

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Other Supplementary Information

- Supporting Schedules –

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Source of Revenues			
General Property Taxes			
Real estate taxes	\$ 561,105	\$ 566,961	\$ 5,856
Personal property taxes	40,000	46,811	6,811
Penalties and interest	1,500	1,310	(190)
Total General Property Taxes	\$ <u>602,605</u>	\$ <u>615,082</u>	\$ <u>12,477</u>
Other Local Taxes			
Sales taxes	\$ 50,000	\$ 51,863	\$ 1,863
Utility	107,000	85,721	(21,279)
Meals taxes	1,429,450	1,364,974	(64,476)
Business licenses	675,000	678,311	3,311
Motor vehicle licenses	15,000	15,663	663
Bank franchise	315,000	275,603	(39,397)
Cigarette tax	17,500	12,672	(4,828)
Occupancy tax	1,366,475	1,265,327	(101,148)
Total Other Local Taxes	\$ <u>3,975,425</u>	\$ <u>3,750,134</u>	\$ <u>(225,291)</u>
Zoning Permits, Fees and Licenses	\$ <u>31,928</u>	\$ <u>28,224</u>	\$ <u>(3,704)</u>
Fines and Forfeitures	\$ <u>12,000</u>	\$ <u>25,178</u>	\$ <u>13,178</u>
Revenue from Use of Money and Property			
Investment income	\$ 200,000	\$ 430,545	\$ 230,545
Change in fair value of investments	-	44,300	44,300
Total Revenues from Use of Money and Property	\$ <u>200,000</u>	\$ <u>474,845</u>	\$ <u>274,845</u>
Municipal Parking			
Lot receipts	\$ -	\$ 600	\$ 600
Meter receipts	500	2,150	1,650
Total Municipal Parking	\$ <u>500</u>	\$ <u>2,750</u>	\$ <u>2,250</u>
Miscellaneous Revenue			
Donations	\$ 75,000	\$ 4,300	\$ (70,700)
Professional review fees	5,000	-	(5,000)
Miscellaneous	47,979	118,239	70,260
Total miscellaneous revenue	\$ <u>127,979</u>	\$ <u>122,539</u>	\$ <u>(5,440)</u>
Intergovernmental			
Law enforcement apportionment	\$ 20,500	\$ 25,785	\$ 5,285
State grants	4,500	-	(4,500)
Litter grant	-	2,085	2,085
Fire program	15,000	-	(15,000)
Total Intergovernmental	\$ <u>40,000</u>	\$ <u>27,870</u>	\$ <u>(12,130)</u>
Total General Fund Revenues	\$ <u>4,990,437</u>	\$ <u>5,046,622</u>	\$ <u>56,185</u>
Total General Fund Revenues	\$ <u>4,990,437</u>	\$ <u>5,046,622</u>	\$ <u>56,185</u>

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Final Budget	Actual	Variance Favorable (Unfavorable)
General Government			
Administration salaries			
Administrative	\$ 345,890	\$ 352,183	\$ (6,293)
Other wages	67,000	56,263	10,737
Mayor's Council compensation	42,800	44,115	(1,315)
Payroll taxes and employee benefits	291,968	276,554	15,414
Subtotal	<u>\$ 747,658</u>	<u>\$ 729,115</u>	<u>\$ 18,543</u>
Administrative services			
Citizen engagement	\$ 18,000	\$ 9,878	\$ 8,122
Legal fees	77,773	68,410	9,363
Engineering/consulting fees	38,840	28,459	10,381
Advertising	4,120	5,426	(1,306)
Accounting & Audit	20,000	23,000	(3,000)
Professional development	10,000	7,597	2,403
Tuition reimbursement	5,000	3,089	1,911
Membership/publications	4,000	2,816	1,184
Fire and Rescue	15,000	-	15,000
Insurance	15,717	14,510	1,207
Contingency	2,500	388	2,112
County Collection	7,102	-	7,102
Town committee support	10,000	85	9,915
Charitable contributions	20,000	300,000	(280,000)
Other	3,000	1,538	1,462
Subtotal	<u>\$ 251,052</u>	<u>\$ 465,196</u>	<u>\$ (214,144)</u>
Administrative supplies			
Office supplies	\$ 6,600	\$ 18,814	\$ (12,214)
Printing	6,500	23,548	(17,048)
Postage	2,000	2,567	(567)
Office equipment purchase	40,000	12,085	27,915
Office equipment maintenance	84,172	99,533	(15,361)
Office equipment rental	5,400	6,982	(1,582)
Other	1,100	970	130
Subtotal	<u>\$ 145,772</u>	<u>\$ 164,499</u>	<u>\$ (18,727)</u>
Other			
Transfer to Capital projects fund	\$ 60,000	\$ -	\$ 60,000
Principal and interest debt service	436,000	443,731	(7,731)
Contingency	782,221	-	782,221
Subtotal	<u>\$ 1,278,221</u>	<u>\$ 443,731</u>	<u>\$ 834,490</u>

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024**

	Final Budget	Actual	Variance Favorable (Unfavorable)
General Government (Continued)			
Town office			
Electricity	\$ 8,000	\$ 22,217	\$ (14,217)
Fuel	3,000	1,690	1,310
Building repairs	35,000	19,944	15,056
Grounds and equipment repairs	23,000	1,418	21,582
Supplies	1,516	753	763
Telephone/internet	13,000	9,312	3,688
Insurance	12,000	10,234	1,766
Water/sewer fees	3,000	-	3,000
Other	500	-	500
Subtotal	<u>\$ 99,016</u>	<u>\$ 65,568</u>	<u>\$ 33,448</u>
Planning and zoning			
Zoning administrator's salary and fees	\$ 183,455	\$ 179,932	\$ 3,523
Payroll taxes and employee benefits	54,270	45,624	8,646
Legal fees	9,000	-	9,000
Engineering/consulting fees	50,000	19,619	30,381
Advertising	2,500	164	2,336
Supplies and publications	1,850	908	942
Professional development	8,000	4,354	3,646
Other	100	25	75
Subtotal	<u>\$ 309,175</u>	<u>\$ 250,626</u>	<u>\$ 58,549</u>
Economic Development			
Economic development administrator	\$ 94,212	\$ 98,540	\$ (4,328)
Payroll taxes and employee benefits	29,722	23,401	6,321
Meeting expenses	4,000	160	3,840
Marketing contract	128,000	82,472	45,528
VCA Grant program	9,000	-	9,000
Professional development	1,500	4,950	(3,450)
Farmers market	10,000	8,134	1,866
Arts council support	12,000	12,913	(913)
Organization support	105,000	75,075	29,925
Special event support	247,500	266,915	(19,415)
Dues & association membership	1,000	1,548	(548)
Printing	10,000	1,427	8,573
Supplies	1,000	397	603
Utilities	-	-	-
Telephone	-	65	(65)
Contingency	2,000	2,208	(208)
Other	200	-	200
Subtotal	<u>\$ 655,134</u>	<u>\$ 578,205</u>	<u>\$ 76,929</u>
Total General Government	<u>\$ 3,486,028</u>	<u>\$ 2,696,940</u>	<u>\$ 789,088</u>

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Public Safety			
Police Department			
Police salary	\$ 608,006	\$ 526,898	\$ 81,108
Overtime	27,608	45,339	(17,731)
Payroll taxes and employee benefits	46,478	41,597	4,881
Workers compensation	18,018	16,116	1,902
Vehicle fuel	15,000	15,431	(431)
Vehicle maintenance	6,600	3,740	2,860
Telephone	2,700	7,314	(4,614)
Legal fees	4,400	120	4,280
Advertising	500	245	255
Training	12,500	12,306	194
Uniforms	6,950	5,537	1,413
Supplies	29,600	34,338	(4,738)
Printing	1,000	318	682
Insurance (Auto/Liability)	7,000	6,772	228
Police Professional Insurance	119,100	111,347	7,753
Virginia supplemental retirement and life insurance	112,434	84,511	27,923
Office rental	-	23,746	(23,746)
Equipment maintenance/service contract	21,865	21,917	(52)
Capital Outlay	3,800	3,788	12
Special Events	4,600	5,697	(1,097)
Other	6,000	4,504	1,496
Total Public Safety	\$ 1,054,159	\$ 971,581	\$ 82,578
Public Works			
Street maintenance			
Superintendent	\$ 79,798	\$ 80,489	\$ (691)
Street assistant	22,000	5,755	16,245
Overtime	2,000	521	1,479
Payroll taxes and employee benefits	22,864	21,122	1,742
Workers' compensation	1,000	1,000	-
Refuse disposal	134,320	127,616	6,704
Vehicle fuel	3,000	935	2,065
Vehicle maintenance	1,166	417	749
Telephone	500	375	125
Electricity	18,700	16,296	2,404
Maintenance and repairs	45,000	14,064	30,936
Supplies	4,000	4,490	(490)
Equipment	2,000	895	1,105
Street cleaning	13,000	13,055	(55)
Landscape maintenance	55,000	42,266	12,734
Training	1,500	-	1,500
Uniforms	250	-	250
Snow removal	22,000	2,775	19,225
Liberty Street maintenance	7,500	5,389	2,111
Municipal parking lot rental	7,152	7,151	1
Insurance	5,000	-	5,000
Water/sewer fees	1,500	-	1,500
Other	1,000	253	747
Total Public Works	\$ 450,250	\$ 344,864	\$ 105,386
Total expenditures	\$ 4,990,437	\$ 4,013,385	\$ 977,052

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
Revenues			
Revenues from the use of money and property	\$ 21,539	\$ 161,097	\$ -
Expenditures			
Capital Outlay:			
Wayfinding	\$ -	\$ 355,897	\$ 327,577
Townwide improvements	36,811	63,858	791,000
Road and paving projects	41,250	83,250	40,000
Maintenance and storage facility	-	44,620	200,000
Town administration building	240,647	12,552,889	11,500,000
Police department fleet	52,532	198,662	204,000
Bond issuance fees	-	221,716	-
Total expenditures	<u>\$ 371,240</u>	<u>\$ 13,520,892</u>	<u>\$ 13,062,577</u>
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ 1,127,908	\$ 1,530,000
Grant funding	-	2,500,000	500,000
Public improvement bonds issued	-	10,500,000	11,000,000
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 14,127,908</u>	<u>\$ 13,030,000</u>
Net change in fund balance	\$ (349,701)	\$ 768,113	\$ (32,577)
Fund balance beginning	<u>1,117,814</u>		
Fund balance ending	<u><u>\$ 768,113</u></u>		

Compliance



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Middleburg, Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Town of Middleburg, Virginia's basic financial statements, and have issued our report thereon dated December 15, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Middleburg, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Middleburg, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Middleburg, Virginia's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
December 15, 2024