

TOWN OF HAYMARKET, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021



TOWN OF HAYMARKET, VIRGINIA

TOWN COUNCIL

Ken Luersen, Mayor

TracyLynn Pater, Vice Mayor

Mary Ramirez

Bob Weir

Joseph Pasanello

Marchant Schneider

Chris Morris

OFFICIALS

Chris Coon, Business Manager

Roberto Gonzalez, Town Treasurer

Kim Henry, Clerk of Council

TOWN OF HAYMARKET, VIRGINIA

Financial Report
For the Year Ended June 30, 2021

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Independent Auditors' Report

**To the Honorable Members of the Town Council
Town of Haymarket
Haymarket, Virginia**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Town of Haymarket, Virginia, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 on pages 3-7, 45, and 46-52, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Haymarket, Virginia's basic financial statements. The supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 March 9, 2022, on our consideration of Town of Haymarket, 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 Haymarket, 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 Haymarket, Virginia's internal control over financial reporting and compliance.

Robinson, Farnum, Cox Associates

Charlottesville, Virginia
March 9, 2022

TOWN OF HAYMARKET, VIRGINIA

Management's Discussion and Analysis Year Ended June 30, 2021

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$7,777,030 (net position). Of this amount, \$2,290,705 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town's general fund reported ending fund balance of \$2,292,822 an increase of \$288,063 in comparison with the prior year. Approximately 99% of this total amount, \$2,286,662 is available for spending at the Town's discretion (unassigned fund balance).
- The Town's debt decreased \$188,827 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

This report also contains required and other supplementary information in addition to the basic financial statements themselves.

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 of the Town's 1) assets and deferred outflows of resources and 2) liabilities and deferred inflows of resources, 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 Town'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 the 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).

Overview of the Financial Statements: (Continued)

Both of the government-wide financial statements distinguish functions of the Town 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 include general government administration, public safety, public works, cultural, planning and community development.

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. Town of Haymarket, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable 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 Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains one individual governmental fund - the General Fund.

The Town 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.

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.

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and pension funding progress.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7,778,783 at the close of the most recent fiscal year.

	Town of Haymarket, Virginia's, Net Position	
	Governmental Activities	
	2021	2020
Current and other assets	\$ 3,540,450	\$ 2,470,931
Capital assets	6,092,463	6,023,475
Net Pension Asset	20,995	183,796
Total assets	<u>\$ 9,653,908</u>	<u>\$ 8,678,202</u>
Deferred outflow of resources	<u>\$ 236,186</u>	<u>\$ 108,523</u>
Current liabilities	\$ 1,447,016	\$ 665,861
Long-term liabilities outstanding	<u>515,673</u>	<u>703,711</u>
Total liabilities	<u>\$ 1,962,689</u>	<u>\$ 1,369,572</u>
Deferred inflow of resources	<u>\$ 150,375</u>	<u>\$ 206,419</u>
Net position:		
Net investment in capital assets	\$ 5,465,330	\$ 5,207,516
Net pension asset	20,995	183,796
Unrestricted	<u>2,290,705</u>	<u>1,819,422</u>
Total net position	<u>\$ 7,777,030</u>	<u>\$ 7,210,734</u>

A large part of the Town's net position, \$5,465,330 or (70%) reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis: (Continued)

Governmental Activities - Governmental activities increased the Town's net position by \$568,049. Key elements of these changes are as follows:

	Town of Haymarket, Virginia's Changes in Net Position	
	Governmental Activities	
	2021	2020
Revenues		
Program revenues:		
Charges for services	\$ 210,515	\$ 236,836
Operating grants and contributions	271,627	47,055
Capital grants and contributions	93,743	287,636
General revenues:		
General property taxes	392,862	400,412
Other local taxes	1,571,299	1,492,791
Grants and contributions not restricted to specific programs	115,988	124,651
Other general revenues	167,818	204,729
Total revenues	<u>\$ 2,823,852</u>	<u>\$ 2,794,110</u>
Expenses		
General government administration	\$ 699,808	\$ 631,160
Public safety	1,076,921	921,535
Public works	131,361	76,088
Cultural	40,799	125,653
Community development	56,332	33,949
Capital Projects	236,786	254,132
Interest and other fiscal charges	15,549	20,025
Total expenses	<u>\$ 2,257,556</u>	<u>\$ 2,062,542</u>
Change in net position	\$ 566,296	\$ 731,568
Net position, beginning	<u>7,210,734</u>	<u>6,479,166</u>
Net position, ending	<u><u>\$ 7,777,030</u></u>	<u><u>\$ 7,210,734</u></u>

Financial Analysis of the Town's Funds

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

Governmental Funds - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable 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 Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$2,292,822, an increase of \$288,063 in comparison with the prior year.

The general fund is the primary operating fund of the Town. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance totals \$2,286,662 at year end.

General Fund Budgetary Highlights

The Town's General Fund had \$2,823,852 in revenues during the year, which was \$56,870 less than budgeted (reference Exhibit 7). The Town's General Fund expended \$2,535,789 during the year. Overall the general fund had an increase in fund balance of \$288,063, (reference Exhibit 5).

Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets for its governmental funds as of June 30, 2021 totals \$6,092,463 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure and equipment.

Additional information on the Town's capital assets can be found in the notes to the financial statements.

Debt

During the year, the Town's debt decreased \$188,827 as it repaid principal on general obligation debt and capital lease financing in the General Fund. Annual requirements to amortize all long-term debt and related interest and other information relative to the Town's debt can be found in the notes to the financial statements.

Contact the Town's Financial Management

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Haymarket, 15000 Washington Street, Haymarket, Virginia 20169.

- Basic Financial Statements -

Government-wide Financial Statements

Statement of Net Position
June 30, 2021

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 3,019,664
Investments	329,998
Receivables (net of allowance for uncollectibles):	
Taxes including penalties	15,972
Accounts receivable	111,166
Due from other governments	63,490
Prepaid expenses	160
Total current assets	<u>\$ 3,540,450</u>
Net pension asset	\$ 20,995
Capital assets (net of depreciation):	
Land	\$ 1,781,511
Construction in progress	508,568
Buildings and improvements	1,154,570
Infrastructure assets	2,424,177
Historic museum	154,161
Police vehicles	31,185
Equipment	38,291
Capital assets, net	<u>\$ 6,092,463</u>
Total assets	<u>\$ 9,653,908</u>
Deferred Outflows of Resources:	
Pension related items	\$ 222,869
OPEB related items	13,317
Total deferred outflows of resources	<u>\$ 236,186</u>
Total assets and deferred outflows of resources	<u>\$ 9,890,094</u>
Liabilities:	
Accounts payable	\$ 102,976
Accrued payroll	47,280
Unearned revenue	984,593
Deposits payable	112,779
Interest payable	6,134
Long-term liabilities:	
Due within one year	193,254
Due in more than one year	515,673
Total liabilities	<u>\$ 1,962,689</u>
Deferred Inflows of Resources:	
Pension related items	\$ 146,603
OPEB related items	3,772
Total deferred inflows of resources	<u>\$ 150,375</u>
Net Position:	
Net investment in capital assets	\$ 5,465,330
Net pension asset	20,995
Unrestricted	2,290,705
Total net position	<u>\$ 7,777,030</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 9,890,094</u>

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

Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue & Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary Government:					
Governmental activities:					
General government administration	\$ 699,808	\$ -	\$ -	\$ -	\$ (699,808)
Public safety	1,076,921	157,024	44,633	-	(875,264)
Public works	131,361	40,162	226,994	-	135,795
Cultural	40,799	13,329	-	-	(27,470)
Community development	56,332	-	-	93,743	37,411
Capital projects	236,786	-	-	-	(236,786)
Interest on long-term debt	15,549	-	-	-	(15,549)
Total primary government	\$ 2,257,556	\$ 210,515	\$ 271,627	\$ 93,743	\$ (1,681,671)
General Revenues:					
General property taxes				\$	392,862
Meals tax					887,341
Cigarette tax					134,996
Business license tax					217,042
Consumer utility tax - electric					153,615
Local sales and use tax					153,950
Other local taxes					24,355
Unrestricted revenues from the use of money and property					162,727
Grants and contributions not restricted to specific programs					115,988
Miscellaneous					5,091
Total general revenues				\$	<u>2,247,967</u>
Change in net position				\$	566,296
Net position, beginning of year					<u>7,210,734</u>
Net position, end of year				\$	<u><u>7,777,030</u></u>

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

- Basic Financial Statements -

Fund Financial Statements

Balance Sheet
 Governmental Fund
 June 30, 2021

	<u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 3,019,664
Investments	329,998
Receivables (net of allowance for uncollectibles):	
Taxes including penalties	15,972
Accounts receivable	111,166
Due from other governments	63,490
Prepaid expenses	160
Total assets	<u>\$ 3,540,450</u>
Liabilities:	
Accounts payable	\$ 102,976
Accrued payroll	47,280
Deposits payable	112,779
Unearned revenues	984,593
Total liabilities	<u>\$ 1,247,628</u>
Fund Balance:	
Nonspendable:	
Prepaid expenses	\$ 160
Restricted:	
Proffers - Alexandras Keep - for historic resources	6,000
Unassigned	2,286,662
Total fund balance	<u>\$ 2,292,822</u>
Total liabilities and fund balance	<u>\$ 3,540,450</u>

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
For the Year Ended June 30, 2021

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

Total fund balances per Exhibit 3 - Balance Sheet		\$	2,292,822
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land	\$	1,781,511	
Construction in progress		508,568	
Depreciable capital assets, net of accumulated depreciation		<u>3,802,384</u>	6,092,463
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Net pension asset			20,995
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	222,869	
OPEB related items		<u>13,317</u>	236,186
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
General obligation bonds	\$	(596,000)	
Capital lease obligation		(31,133)	
Compensated absences		(29,226)	
Interest payable		(6,134)	
Net OPEB liability		<u>(52,568)</u>	(715,061)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(146,603)	
OPEB related items		<u>(3,772)</u>	<u>(150,375)</u>
Total net position of governmental activities		\$	<u><u>7,777,030</u></u>

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

Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Fund
 For the Year Ended June 30, 2021

	<u>General Fund</u>
Revenues:	
General property taxes	\$ 392,862
Other local taxes	1,571,299
Permits, privilege fees and regulatory licenses	40,162
Revenue from use of money and property	162,727
Charges for services	170,353
Miscellaneous	5,091
Intergovernmental:	
Commonwealth	157,536
Federal	323,822
	<u>2,823,852</u>
Total revenues	\$ <u>2,823,852</u>
Expenditures:	
General government administration	\$ 685,037
Public safety	1,066,154
Public works	224,122
Cultural	33,615
Community development	56,332
Capital projects	264,403
Debt service:	
Principal retirement	188,827
Interest and fiscal charges	17,299
	<u>2,535,789</u>
Total expenditures	\$ <u>2,535,789</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 288,063
Fund balance at beginning of year	<u>2,004,759</u>
Fund balance at end of year	<u><u>\$ 2,292,822</u></u>

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds (Exhibit 5) \$ 288,063

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 by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 285,835	
Depreciation expense	<u>(216,847)</u>	68,988

The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position.

Principal repayments		188,828
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in compensated absences	\$ 535	
Pension expense	16,388	
OPEB expense	1,744	
Change in interest payable	<u>1,750</u>	<u>20,417</u>

Change in net position of governmental activities	\$	<u><u>566,296</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile:

Town of Haymarket, located in Prince William County, Virginia, approximately 35 miles west of Washington, D.C. was initially chartered in 1799 and later incorporated in 1882. The Town has a population of approximately 1,850 and a land area of approximately 372 acres.

The Town is governed under the Mayor-Council form of government. The Town government engages in wide ranges of municipal services including general government administration, public safety, public works, and cultural events. Judicial administration, education, fire, library, health and welfare services are provided by Prince William County.

The financial statements of the Town of Haymarket, Virginia have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

Management's Discussion and Analysis: The financial statements are accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

Government-wide Financial Statements: The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Position: The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities: The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expenses of individual functions are compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

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

A. Financial Reporting Entity (Continued)

Budgetary Comparison Schedules: Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the government's original budget as well as a current comparison of final budget and actual results for its major funds.

Accounting principles generally accepted in the United States require financial statements to present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The Town has no component units that meet the requirements for blending. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. The Town does not have any discretely presented component units.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The focus is on both the Town as a whole and the fund financial statements, including the major individual funds of the governmental categories. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental. In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, community development, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

The program revenues must be directly associated with the function (public safety, public works, community development, etc.) or a business-type activity. 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, 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 as general revenues. The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Internal service charges, if applicable, are eliminated and the net income or loss from internal service activities are allocated to the various functional expense categories based on the internal charges to each function.

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

B. Government-wide and Fund Financial Statements (Continued)

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statement's governmental column, a reconciliation is presented, which briefly explains the adjustments necessary to reconcile the governmental fund financial statements to the governmental column of the government-wide financial statement.

The following is a brief description of the funds used by the Town in FY 2021.

1. *Governmental Funds* - Governmental Funds account for and report the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Fund is:

General Fund - The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service and interest income. The General Fund is considered a major fund for reporting purposes.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government reports unavailable revenue on its balance sheet. Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurring of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

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

C. Basis of Accounting (Continued)

Governmental funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts, except that property taxes not collected within 45 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the State or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the State or utility, which is generally in the month preceding receipt by the Town.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of State and other grants for the purpose of funding specific expenditures, are recognized when measurable and available or at the time of the specific expenditure.

Expenditures, other than interest on long-term debt, are recorded as the related fund liabilities are incurred. Principal and interest on long-term debt are recognized when due except for amounts due on July 1, which are accrued.

D. Budgets and Budgetary Accounting

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Town Council. The Town Administrator is authorized to transfer budgeted amounts within departments.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town funds unless they are carried forward by a resolution of Town Council.
8. All budgetary data presented in the accompanying financial statements reflect budget revisions as of June 30.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

E. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

F. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. There was no allowance for uncollectible accounts at June 30, 2021.

G. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds of the Town and as assets in the government-wide financial statements. The Town's capitalization threshold is \$1,500 with a useful life of more than one year.

Property, plant and equipment and infrastructure purchased are stated at cost or estimated cost. Donated property is recorded at acquisition value prevailing at date of donation. Depreciation is recorded on capital assets on a government-wide basis or in the Proprietary Fund using the straight-line method and the following estimated useful lives:

Building and historic museum	40 years
Building improvements	15 years
Infrastructure	30 years
Equipment	3-7 years
Vehicles	5 years

H. Use of Estimates

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

I. Compensated Absences

The Town accrues vacation leave benefits when vested. The amounts include all balances earned by employees that would be paid upon employee terminations, resignations or retirements.

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

J. 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 balances - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. 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 purposes (such as the purchase of capital assets, construction, debt service, or for other purposes).

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension asset and net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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

K. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension asset and net OPEB liability. For more detailed information on these items, reference the related notes.

L. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

M. 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 fiduciary net 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.

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

N. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plan and the additions to/deductions from the VRS OPEB Plans' fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Upcoming Pronouncements

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

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

O. Upcoming Pronouncements (Continued)

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

NOTE 2 - PROPERTY TAXES RECEIVABLE:

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable December 5. The Town bills and collects its own property taxes. The Town does not record an allowance for uncollectible receivables as all receivables are deemed collectible.

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 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 amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

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

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments at June 30, 2021 were held in the Town's name by the Town's custodial bank.

Credit Risk of Debt Securities: The Town has not adopted an investment policy for credit risk. The Town's rated debt investments as of June 30, 2021 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

<u>Town's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AA+f/S1</u>
VIP 1-3 Year High Quality Bond Fund	\$ <u>329,998</u>

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

Fair Value Measurements: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Interest Rate Risk

The Town has not adopted an investment policy for interest rate risk. Investments subject to interest rate risk are presented below along with their corresponding maturities.

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>1-5 Years</u>
VIP 1-3 Year High Quality Bond Fund	\$ 329,998	\$ 329,998
Total	\$ <u>329,998</u>	\$ <u>329,998</u>

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2021, the Town has receivables from other governments as follows:

Prince William County:	
Sales tax	\$ 1,293
Commonwealth of Virginia:	
Sales tax	27,984
Communication tax	14,444
Federal Government:	
Ground transportation safety	19,769
Total	\$ <u>63,490</u>

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 5 - CAPITAL ASSETS:

The following is a summary of changes in capital assets during the fiscal year:

Governmental Activities:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Capital assets not being depreciated:				
Land	\$ 1,781,511	\$ -	\$ -	\$ 1,781,511
Construction in progress	1,036,714	264,232	792,378	508,568
Total capital assets not being depreciated	<u>\$ 2,818,225</u>	<u>\$ 264,232</u>	<u>\$ 792,378</u>	<u>\$ 2,290,079</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 2,202,841	\$ 10,970	\$ -	\$ 2,213,811
Infrastructure assets	2,557,882	792,378	-	3,350,260
Historic museum	302,807	-	-	302,807
Equipment	186,387	10,633	-	197,020
Police vehicles	255,550	-	-	255,550
Total capital assets being depreciated	<u>\$ 5,505,467</u>	<u>\$ 813,981</u>	<u>\$ -</u>	<u>\$ 6,319,448</u>
Accumulated depreciation:				
Buildings and improvements	\$ 989,135	\$ 70,106	\$ -	\$ 1,059,241
Infrastructure assets	840,747	85,336	-	926,083
Historic museum	141,463	7,183	-	148,646
Equipment	144,687	14,042	-	158,729
Police vehicles	184,185	40,180	-	224,365
Total accumulated depreciation	<u>\$ 2,300,217</u>	<u>\$ 216,847</u>	<u>\$ -</u>	<u>\$ 2,517,064</u>
Capital assets being depreciated, net	<u>\$ 3,205,250</u>	<u>\$ 597,134</u>	<u>\$ -</u>	<u>\$ 3,802,384</u>
Net capital assets	<u>\$ 6,023,475</u>	<u>\$ 861,366</u>	<u>\$ 792,378</u>	<u>\$ 6,092,463</u>
Depreciation expense has been allocated as follows:				
General government administration		\$ 14,670		
Public safety		51,139		
Public works		143,854		
Cultural		7,184		
Total depreciation expense		<u>\$ 216,847</u>		

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligations for the fiscal year ended June 30, 2021:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Issuances/</u> <u>Increases</u>	<u>Retirements/</u> <u>Decreases</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Obligations:					
Direct borrowings and placements					
General obligation bonds	\$ 754,300	\$ -	\$ 158,300	\$ 596,000	\$ 159,200
Capital leases	61,660	-	30,527	31,133	31,132
Compensated absences	29,760	8,768	9,302	29,226	2,922
Net OPEB liability	49,794	17,849	15,075	52,568	-
Total Governmental Obligations	<u>\$ 895,514</u>	<u>\$ 26,617</u>	<u>\$ 213,204</u>	<u>\$ 708,927</u>	<u>\$ 193,254</u>

Annual requirements to amortize the Town's long-term obligations are as follows:

Year Ending June 30,	<u>Direct Borrowings and Placements</u>			
	<u>General</u>		<u>Capital Leases</u>	
	<u>Obligation Bonds</u>		<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 159,200	\$ 12,424	\$ 31,132	\$ 461
2023	160,100	8,544	-	-
2024	136,600	4,945	-	-
2025	70,700	2,462	-	-
2026	69,400	815	-	-
Total	<u>\$ 596,000</u>	<u>\$ 29,190</u>	<u>\$ 31,132</u>	<u>\$ 461</u>

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS: (CONTINUED)

Details of the Town's long-term obligations are as follows:

Direct borrowings and placements:

General obligation bonds:

\$1,458,000 2014 A General Obligation Refunding Bond Series 2014A, payable in semi-annual installments ranging from \$144,300 to \$69,400 beginning August 1, 2014 through August 1, 2025, interest payable at 2.28%	\$ 521,100
\$243,500 2014 B Taxable General Obligation Refunding Bond Series 2014B, payable in semi-annual installments ranging from \$24,400 to \$20,400 beginning August 1, 2014 through August 1, 2023, interest payable at 3.25%	<u>74,900</u>
Total direct borrowings and placements	\$ 596,000

Capital lease:

\$149,731 Equipment Lease Purchase, Series 2017, for purchase of five police vehicles, payable in semi-annual installments in the amount of \$15,796 beginning September 30, 2017 through March 30, 2022, interest payable at 1.97%	31,133
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Compensated absences	29,226
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Net OPEB liability	<u>52,568</u>
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Total long-term obligations	<u><u>\$ 708,927</u></u>
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NOTE 7 - COMPENSATED ABSENCES:

The Town has accrued the liability arising from outstanding compensated absences. Town employees earn vacation leave based upon length of service. At June 30, 2021, the Town had outstanding accrued vacation pay totaling \$29,226.

NOTE 8 - PENSION PLAN:

Plan Description

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

NOTE 8 - 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.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 8 - 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, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	2
Inactive members:	
Vested inactive members	2
Non-vested inactive members	5
Inactive members active elsewhere in VRS	2
Total inactive members	<u>9</u>
Active members	<u>9</u>
Total covered employees	<u><u>20</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, 2021 was 10.79% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$61,608 and \$59,298 for the years ended June 30, 2021 and June 30, 2020, respectively.

NOTE 8 - PENSION PLAN: (CONTINUED)

Net Pension Liability (Asset)

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

Actuarial Assumptions - General Employees

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 8 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 8 - PENSION PLAN: (CONTINUED)

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 8 - 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:

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

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

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

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 8 - PENSION PLAN: (CONTINUED)

Discount Rate: (Continued)

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, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers 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 Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 551,490	\$ 735,286	\$ (183,796)
Changes for the year:			
Service cost	\$ 93,783	\$ -	\$ 93,783
Interest	36,908	-	36,908
Differences between expected and actual experience	135,709	-	135,709
Contributions - employer	-	59,050	(59,050)
Contributions - employee	-	30,329	(30,329)
Net investment income	-	14,653	(14,653)
Benefit payments, including refunds	(9,405)	(9,405)	-
Administrative expenses	-	(414)	414
Other changes	-	(19)	19
Net changes	\$ 256,995	\$ 94,194	\$ 162,801
Balances at June 30, 2020	\$ 808,485	\$ 829,480	\$ (20,995)

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 8 - PENSION PLAN: (CONTINUED)

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

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

	Rate		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
Town's Net Pension Liability (Asset)	\$ 126,871	\$ (20,995)	\$ (139,761)

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

For the year ended June 30, 2021, the Town recognized pension expense of \$44,972. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 121,857	\$ 137,817
Change in assumptions	13,726	8,786
Net difference between projected and actual earnings on pension plan investments	25,677	-
Employer contributions subsequent to the measurement date	61,609	-
Total	<u>\$ 222,869</u>	<u>\$ 146,603</u>

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 8 - PENSION PLAN: (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

\$61,608 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ (6,749)
2023	(2,322)
2024	4,787
2025	21,406
2026	(711)
Thereafter	(1,754)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 9 - 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.

NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

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, 2021, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were \$3,396 and \$3,375 for the years ended June 30, 2021 and June 30, 2020, respectively.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 9 - 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

At June 30, 2021, the entity reported a liability of \$52,568 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 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, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.00315% as compared to 0.00306% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$1,656. 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.

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,372	\$ 472
Net difference between projected and actual earnings on GLI OPEB plan investments	1,579	-
Change in assumptions	2,629	1,098
Changes in proportion	2,341	2,202
Employer contributions subsequent to the measurement date	3,396	-
Total	<u>\$ 13,317</u>	<u>\$ 3,772</u>

NOTE 9 - 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)

\$3,396 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2022	\$	443
2023		889
2024		1,791
2025		2,213
2026		737
Thereafter		76

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

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

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75

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

Pre-Retirement:

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

Post-Retirement:

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

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

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

Post-Disablement:

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75

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, 2020, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	GLI OPEB Plan
Total GLI OPEB Liability	\$ 3,523,937
Plan Fiduciary Net Position	1,855,102
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,668,835</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%

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

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 9 - 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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.14%

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

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 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 Group Life Insurance Plan Net OPEB Liability	\$ 69,105	\$ 52,568	\$ 39,139

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 10 - LITIGATION:

At June 30, 2021, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11 - OPERATING LEASES:

Lease Revenue: The Town leases certain commercial buildings and office suites in its Town Hall Properties. The non-cancelable operating lease agreements expire at various times throughout the fiscal years ending June 30, 2022 through 2026. Most of the leases are for one year with annual renewals of two to five years from inception. Rental income from these non-cancelable operating leases was approximately \$157,199 for the fiscal year ended June 30, 2021. The approximate future minimum lease rentals to be received by the Town's are as follows for the fiscal years ending June 30:

Year Ending June 30:		
2022	\$	161,915
2023		166,772
2024		171,776
2025		176,929
2026		<u>182,237</u>
	\$	<u><u>859,629</u></u>

NOTE 12 - COMMITMENTS AND CONTINGENCIES:

Federal programs in which the Town participates are subject to audit in accordance with the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

NOTE 13 - 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. The Town carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 14 - UNEARNED REVENUE:

The following is a summary of unearned revenue for the year ended June 30, 2021:

	<u>Government-wide Statements</u>		<u>Balance Sheet</u>
	<u>Governmental Activities</u>		<u>Governmental Funds</u>
Unearned revenue:			
CARES Act grant	\$ 68,458	\$	68,458
American Rescue Plan Act grant	869,439		869,439
Prepaid rent, events and other items	46,696		46,696
Total	<u>\$ 984,593</u>	\$	<u>984,593</u>

NOTE 15 - COVID-19 PANDEMIC SUBSEQUENT EVENT:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Town of Haymarket, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the Town is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

CARES Act Funding

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the covid-19 pandemic, which included direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF).

Each locality received its CRF allocations based on population in two equal payments, with the second and final round of funding being received during fiscal year 2021. The Town received total CRF funding of \$295,452. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021 will be returned to the federal government. Unspent CRF funds in the amount of \$68,458 are reported as unearned revenue as of June 30.

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

On June 30, 2021, the Town received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$869,439 from the initial allocation are reported as unearned revenue as of June 30.

- Required Supplementary Information -

Note to Required Supplementary Information:

Presented Budgets were prepared in accordance with
Accounting Principles Generally Accepted in the United States of America.

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
General property taxes	\$ 389,535	\$ 391,135	\$ 392,862	\$ 1,727
Other local taxes	1,468,500	1,503,381	1,571,299	67,918
Permits, privilege fees and regulatory licenses	46,400	46,400	40,162	(6,238)
Revenue from use of money and property	161,285	162,229	162,727	498
Charges for services	130,000	199,215	170,353	(28,862)
Miscellaneous	1,000	4,783	5,091	308
Intergovernmental:				
Commonwealth	175,175	172,037	157,536	(14,501)
Federal	95,571	401,542	323,822	(77,720)
Total revenues	<u>\$ 2,467,466</u>	<u>\$ 2,880,722</u>	<u>\$ 2,823,852</u>	<u>\$ (56,870)</u>
Expenditures				
General government administration	\$ 710,410	\$ 751,321	\$ 685,037	\$ 66,284
Public safety	816,577	1,243,523	1,066,154	177,369
Public works	286,338	289,621	224,122	65,499
Cultural	143,150	45,150	33,615	11,535
Community development	111,223	64,223	56,332	7,891
Capital projects	455,532	440,083	264,403	175,680
Debt service:				
Principal retirement	197,736	197,736	188,827	8,909
Interest and fiscal charges	16,500	16,500	17,299	(799)
Total expenditures	<u>\$ 2,737,466</u>	<u>\$ 3,048,157</u>	<u>\$ 2,535,789</u>	<u>\$ 512,368</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (270,000)	\$ (167,435)	\$ 288,063	\$ 455,498
Fund balance at beginning of year	<u>270,000</u>	<u>167,435</u>	<u>2,004,759</u>	<u>1,837,324</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,292,822</u>	<u>\$ 2,292,822</u>

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018	2017
Total pension liability				
Service cost	\$ 93,783	\$ 78,990	\$ 89,804	\$ 103,530
Interest	36,908	40,065	35,624	19,052
Changes in benefit terms	-	-	-	114,107
Changes in assumptions	-	23,460	-	(15,830)
Benefit payments, including refunds of employee contributions	(9,405)	(9,311)	(24,677)	(1,607)
Differences between expected and actual experience	135,709	(158,731)	(44,982)	29,014
Net change in total pension liability	\$ 256,995	\$ (25,527)	\$ 55,769	\$ 248,266
Total pension liability - beginning	551,490	577,017	521,248	272,982
Total pension liability - ending (a)	\$ 808,485	\$ 551,490	\$ 577,017	\$ 521,248
Plan fiduciary net position				
Contributions - employer	\$ 59,050	\$ 56,131	\$ 59,155	\$ 61,313
Contributions - employee	30,329	27,780	26,520	28,041
Net investment income	14,653	45,143	39,169	51,579
Benefit payments, including refunds of employee contributions	(9,405)	(9,311)	(24,677)	(1,607)
Administrative expense	(414)	(345)	(280)	(205)
Other	(19)	(29)	(38)	(50)
Net change in plan fiduciary net position	\$ 94,194	\$ 119,369	\$ 99,849	\$ 139,071
Plan fiduciary net position - beginning	735,286	615,917	516,068	376,997
Plan fiduciary net position - ending (b)	\$ 829,480	\$ 735,286	\$ 615,917	\$ 516,068
Town's net pension liability (asset) - ending (a) - (b)	\$ (20,995)	\$ (183,796)	\$ (38,900)	\$ 5,180
Plan fiduciary net position as a percentage of the total pension asset	102.60%	133.33%	106.74%	99.01%
Covered payroll	\$ 649,092	\$ 599,609	\$ 561,699	\$ 573,262
Town's net pension liability (asset) as a percentage of covered payroll	-3.23%	-30.65%	-6.93%	0.90%

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

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2020

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability			
Service cost	\$ 60,061	\$ 65,618	\$ 60,633
Interest	15,462	12,655	8,407
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	-	(16,721)	-
Differences between expected and actual experience	(23,423)	(29,814)	-
Net change in total pension liability	<u>\$ 52,100</u>	<u>\$ 31,738</u>	<u>\$ 69,040</u>
Total pension liability - beginning	220,882	189,144	120,104
Total pension liability - ending (a)	<u><u>\$ 272,982</u></u>	<u><u>\$ 220,882</u></u>	<u><u>\$ 189,144</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 36,959	\$ 29,383	\$ 42,203
Contributions - employee	30,431	24,216	24,622
Net investment income	7,311	12,395	29,876
Benefit payments, including refunds of employee contributions	-	(16,721)	-
Administrative expense	(146)	(130)	(103)
Other	(3)	(3)	2
Net change in plan fiduciary net position	<u>\$ 74,552</u>	<u>\$ 49,140</u>	<u>\$ 96,600</u>
Plan fiduciary net position - beginning	302,445	253,305	156,705
Plan fiduciary net position - ending (b)	<u><u>\$ 376,997</u></u>	<u><u>\$ 302,445</u></u>	<u><u>\$ 253,305</u></u>
Town's net pension liability (asset) - ending (a) - (b)	\$ (104,015)	\$ (81,563)	\$ (64,161)
Plan fiduciary net position as a percentage of the total pension asset	138.10%	136.93%	133.92%
Covered payroll	\$ 615,832	\$ 487,282	\$ 492,446
Town's net pension liability (asset) as a percentage of covered payroll	-16.89%	-16.74%	-13.03%

Schedule of Employer Contributions - Pension Plan
 For the Years Ended June 30, 2012 through June 30, 2021

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
2021	\$ 61,608	\$ 61,608	- \$	628,801	9.80%
2020	59,298	59,298	-	649,092	9.14%
2019	56,468	56,468	-	599,609	9.42%
2018	59,155	59,155	-	561,699	10.53%
2017	61,970	61,970	-	573,262	10.81%
2016	37,319	37,319	-	615,832	6.06%
2015	29,383	29,383	-	487,282	6.03%
2014	42,203	42,203	-	492,446	8.57%
2013	39,185	39,185	-	457,229	8.57%
2012	35,501	35,501	-	452,824	7.84%

Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2021

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

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

Mortality Rates (pre-retirement, post-retirement)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Town's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Years Ended June 30, 2017 through June 30, 2020

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)
2020	0.00315% \$	52,568 \$	649,609	8.09%	52.64%
2019	0.00306%	49,794	599,609	8.30%	52.00%
2018	0.00295%	45,000	561,699	8.01%	51.22%
2017	0.00311%	47,000	573,262	8.20%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Group Life Insurance (GLI) Plan
 For the Years Ended June 30, 2015 through June 30, 2021

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
2021	\$ 3,396	\$ 3,396	\$ -	\$ 628,801	0.54%
2020	3,375	3,375	-	649,609	0.52%
2019	3,118	3,118	-	599,609	0.52%
2018	2,921	2,921	-	561,699	0.52%
2017	2,981	2,981	-	573,262	0.52%
2016	2,956	2,956	-	615,832	0.48%
2015	2,402	2,402	-	500,464	0.48%

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

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 For the Year Ended June 30, 2021

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

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

- Other Supplementary Information -

Supporting Schedules

Governmental Fund

Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2021

Fund, Major and Minor Revenue Source	Original Budget	Budget as Amended	Actual	Variance from Final Budget Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 375,326	\$ 375,326	\$ 368,970	\$ (6,356)
Public service corporation taxes:				
Real property	13,209	13,209	13,835	626
Penalties and interest	1,000	2,600	10,057	7,457
Total general property taxes	\$ 389,535	\$ 391,135	\$ 392,862	\$ 1,727
Other local taxes:				
Local sales and use taxes	\$ 140,000	\$ 129,376	\$ 153,950	\$ 24,574
Cigarette tax	146,500	135,000	134,996	(4)
Business license tax	195,000	211,000	217,042	6,042
Bank franchise taxes	12,000	24,355	24,355	-
Consumer utility tax - electric	158,000	158,000	153,615	(4,385)
Meals tax	800,000	840,000	887,341	47,341
Transient Occupancy tax	17,000	-	-	-
Penalties and interest	-	5,650	-	(5,650)
Total other local taxes	\$ 1,468,500	\$ 1,503,381	\$ 1,571,299	\$ 67,918
Permits, privilege fees and regulatory licenses:				
Application fees	\$ 4,500	\$ 4,500	\$ 1,850	\$ (2,650)
Motor vehicle licenses	1,900	1,900	827	(1,073)
Inspections	15,000	15,000	405	(14,595)
Pass through fees	-	-	18,542	18,542
Other planning and permits	25,000	25,000	18,538	(6,462)
Total permits, privilege fees and regulatory licenses	\$ 46,400	\$ 46,400	\$ 40,162	\$ (6,238)
Revenue from use of money and property:				
Revenue from use of money	\$ 10,000	\$ 6,000	\$ 5,528	\$ (472)
Revenue from use of property	151,285	156,229	157,199	970
Total revenue from use of money and property	\$ 161,285	\$ 162,229	\$ 162,727	\$ 498
Charges for services:				
Recovered costs - events	\$ 80,000	\$ 20,000	\$ 13,329	\$ (6,671)
Public safety fees	50,000	179,215	157,024	(22,191)
Total charges for services	\$ 130,000	\$ 199,215	\$ 170,353	\$ (28,862)

Governmental Fund

Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2021 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget as Amended	Actual	Variance from Final Budget Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous income	\$ 1,000	\$ 4,783	\$ 5,091	\$ 308
Total revenue from local sources	<u>\$ 2,196,720</u>	<u>\$ 2,307,143</u>	<u>\$ 2,342,494</u>	<u>\$ 35,351</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
PPTRA	\$ 18,627	\$ 18,627	\$ 18,627	\$ -
Communications tax	117,000	117,000	92,606	(24,394)
Car rental tax	6,500	-	93	93
Rolling stock tax	1,500	1,500	1,300	(200)
Recruitment and retention funds	-	3,362	3,362	-
Total non-categorical aid	<u>\$ 143,627</u>	<u>\$ 140,489</u>	<u>\$ 115,988</u>	<u>\$ (24,501)</u>
Categorical aid:				
Law enforcement grants	\$ 31,548	\$ 31,548	\$ 31,548	\$ -
Fire funds	-	-	10,000	10,000
Total categorical aid	<u>\$ 31,548</u>	<u>\$ 31,548</u>	<u>\$ 41,548</u>	<u>\$ 10,000</u>
Total revenue from the Commonwealth	<u>\$ 175,175</u>	<u>\$ 172,037</u>	<u>\$ 157,536</u>	<u>\$ (14,501)</u>
Revenue from the federal government:				
Categorical aid:				
Pedestrian improvement grant	\$ 89,571	\$ 92,090	\$ 93,743	\$ 1,653
Ground transportation safety grant	6,000	14,000	3,085	(10,915)
CARES Act grant	-	295,452	226,994	(68,458)
Total categorical aid	<u>\$ 95,571</u>	<u>\$ 401,542</u>	<u>\$ 323,822</u>	<u>\$ (77,720)</u>
Total revenue from the federal government	<u>\$ 95,571</u>	<u>\$ 401,542</u>	<u>\$ 323,822</u>	<u>\$ (77,720)</u>
Total General Fund	<u><u>\$ 2,467,466</u></u>	<u><u>\$ 2,880,722</u></u>	<u><u>\$ 2,823,852</u></u>	<u><u>\$ (56,870)</u></u>

Governmental Fund

Schedule of Expenditures - Budget and Actual
For the Year Ended June 30, 2021

Fund, Function, Activity and Elements	Original Budget	Budget as Amended	Actual	Variance from Final Budget Positive (Negative)
General Fund:				
General government administration:				
Mayor and Town Council	\$ 34,100	\$ 28,000	\$ 25,768	\$ 2,232
Salary - general	330,830	321,731	318,386	3,345
Fringe benefits - general	93,948	100,845	79,267	21,578
Payroll taxes	24,257	28,329	24,880	3,449
Insurance	15,000	15,000	14,123	877
Auditing	16,000	16,000	14,850	1,150
Accounting	8,000	8,000	6,504	1,496
Printing and binding	12,000	8,298	6,385	1,913
Advertising	12,000	9,000	9,355	(355)
Computer, internet and website	23,650	23,650	16,469	7,181
Postage	4,000	4,000	3,239	761
Telecommunications	7,500	7,500	5,570	1,930
Mileage allowance	1,250	1,250	-	1,250
Meals and lodging	8,000	3,000	1,169	1,831
Convention and education	15,000	8,500	1,885	6,615
Miscellaneous	1,000	1,000	180	820
Books, dues and subscriptions	16,000	16,000	17,722	(1,722)
Office supplies	6,500	6,500	10,663	(4,163)
Legal services	70,000	130,643	123,971	6,672
Capital outlays	4,075	14,075	4,651	9,424
Advertising	7,300	-	-	-
Total general government administration	\$ 710,410	\$ 751,321	\$ 685,037	\$ 66,284
Public safety:				
Salary - law enforcement	\$ 490,405	\$ 626,388	\$ 578,745	\$ 47,643
Fringe benefits - general	133,975	131,572	108,305	23,267
Payroll taxes	36,397	45,011	42,682	2,329
Legal services	24,000	24,800	24,780	20
Computer, internet and website	14,000	16,000	14,700	1,300
Postage	500	500	57	443
Telecommunications	10,000	10,000	10,543	(543)
Insurance - vehicles	3,800	3,800	3,609	191
Convention and education	5,000	5,000	2,443	2,557
Miscellaneous	1,500	-	-	-
Community events	2,000	-	-	-
Books dues and subscriptions	13,000	13,000	12,909	91
Office supplies	5,000	5,000	4,276	724
Vehicle fuel	19,000	16,000	13,868	2,132
Vehicle maintenance supplies	11,000	11,000	10,369	631
Uniforms and police supplies	32,000	25,000	11,874	13,126
CARES expenditures	-	295,452	226,994	68,458
Erosion & sedimentation inspections	15,000	15,000	-	15,000
Total public safety	\$ 816,577	\$ 1,243,523	\$ 1,066,154	\$ 177,369

Governmental Fund

Schedule of Expenditures - Budget and Actual
For the Year Ended June 30, 2021 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget as Amended	Actual	Variance from Final Budget Positive (Negative)
General Fund: (Continued)				
Public works:				
Trash removal	\$ 86,625	\$ 86,625	\$ 79,235	\$ 7,390
Repair and maintenance	117,213	121,996	80,707	41,289
Pest Control	3,000	3,000	1,290	1,710
Landscaping	35,000	35,000	26,612	8,388
Snow removal	7,000	7,000	5,205	1,795
Street cleaning	6,500	6,500	6,630	(130)
Electrical services	22,000	22,000	19,535	2,465
Water and sewer	3,000	3,000	2,644	356
Real estate taxes	4,000	2,500	2,097	403
Janitorial supplies	2,000	2,000	167	1,833
Total public works	<u>\$ 286,338</u>	<u>\$ 289,621</u>	<u>\$ 224,122</u>	<u>\$ 65,499</u>
Parks, recreation and cultural:				
Museum	\$ 5,150	\$ 5,150	\$ 2,183	\$ 2,967
Special events	80,000	20,000	12,778	7,222
Haymarket Community Park	58,000	20,000	18,654	1,346
Total parks, recreation and cultural	<u>\$ 143,150</u>	<u>\$ 45,150</u>	<u>\$ 33,615</u>	<u>\$ 11,535</u>
Community development:				
Planning commission	\$ 98,620	\$ 53,620	\$ 53,398	\$ 222
Architectural review board	10,680	8,680	2,869	5,811
Board of zoning appeals	1,923	1,923	65	1,858
Total community development	<u>\$ 111,223</u>	<u>\$ 64,223</u>	<u>\$ 56,332</u>	<u>\$ 7,891</u>
Capital Projects:				
Haymarket Community Park	\$ -	\$ -	\$ 27,617	\$ (27,617)
Pedestrian improvement project	339,571	259,525	236,615	22,910
Blight Mitigation	20,000	40,000	171	39,829
Construction in progress	95,961	140,558	-	140,558
Total capital projects	<u>\$ 455,532</u>	<u>\$ 440,083</u>	<u>\$ 264,403</u>	<u>\$ 175,680</u>
Debt service:				
Principal retirement	\$ 197,736	\$ 197,736	\$ 188,827	\$ 8,909
Interest and fiscal charges	16,500	16,500	17,299	(799)
Total debt service	<u>\$ 214,236</u>	<u>\$ 214,236</u>	<u>\$ 206,126</u>	<u>\$ 8,110</u>
Total General Fund	<u>\$ 2,737,466</u>	<u>\$ 3,048,157</u>	<u>\$ 2,535,789</u>	<u>\$ 512,368</u>

- Compliance -



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

**To the Honorable Members of the Town Council
Town of Haymarket
Haymarket, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Town of Haymarket, Virginia as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated March 9, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Haymarket, 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 on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Haymarket, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Haymarket, 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Haymarket, Virginia's financial statements are free of 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, Farmer, Cox Associates

Charlottesville, Virginia

March 9, 2022