

TOWN OF HAYMARKET, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023



TOWN OF HAYMARKET, VIRGINIA

TOWN COUNCIL

TracyLynn Pater, Mayor
Matthew Gallagher, Vice Mayor

Mary Ramirez

Justin Baker

Joseph Pasanello

Alexander Beyene

Joe Pasanello

OFFICIALS

Emily Kyriazi, Business Manager

Roberto Gonzalez, Town Treasurer

Kim Henry, Clerk of Council

TOWN OF HAYMARKET, VIRGINIA

Financial Report
For the Year Ended June 30, 2023

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Town of Haymarket, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Town of Haymarket, Virginia, as of and for the year ended June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Town of Haymarket, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 15 to the financial statements, in 2023, the Town adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2025, 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, Farmer, Cox Associates

Charlottesville, Virginia

February 21, 2025

TOWN OF HAYMARKET, VIRGINIA

Management's Discussion and Analysis Year Ended June 30, 2023

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, 2023.

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 \$9,436,403 (net position). Of this amount, \$3,270,072 (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 \$3,594,556 an increase of \$755,176 in comparison with the prior year. Approximately 99% of this total amount, \$3,560,550 is available for spending at the Town's discretion (unassigned fund balance).
- The Town's debt decreased \$167,480 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 and OPEB 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 \$9,436,403 at the close of the most recent fiscal year.

Town of Haymarket, Virginia's, Net Position		
	Governmental Activities	
	2023	2022
Current and other assets	\$ 7,115,702	\$ 4,683,480
Capital assets	5,937,500	5,950,520
Net Pension Asset	525,207	172,687
Total assets	<u>\$ 13,578,409</u>	<u>\$ 10,806,687</u>
Deferred outflow of resources	<u>\$ 148,017</u>	<u>\$ 230,025</u>
Current liabilities	\$ 3,327,107	\$ 1,654,597
Long-term liabilities outstanding	<u>230,905</u>	<u>345,527</u>
Total liabilities	<u>\$ 3,558,012</u>	<u>\$ 2,000,124</u>
Deferred inflow of resources	<u>\$ 732,011</u>	<u>\$ 626,732</u>
Net position:		
Net investment in capital assets	\$ 5,635,124	\$ 5,512,520
Restricted	531,207	172,687
Unrestricted	<u>3,270,072</u>	<u>2,724,649</u>
Total net position	<u>\$ 9,436,403</u>	<u>\$ 8,409,856</u>

A large part of the Town's net position, \$5,635,124 or (56%) reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, machinery, equipment, leases and subscriptions), 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 \$1,026,547. Key elements of these changes are as follows:

Town of Haymarket, Virginia's Changes in Net Position		
	Governmental Activities	
	2023	2022
Revenues		
Program revenues:		
Charges for services	\$ 302,400	\$ 273,373
Operating grants and contributions	140,864	169,527
General revenues:		
General property taxes	397,142	390,108
Other local taxes	2,355,700	1,863,799
Grants and contributions not restricted to specific programs	107,390	110,015
Other general revenues	89,881	88,030
Total revenues	\$ 3,393,377	\$ 2,894,852
Expenses		
General government administration	\$ 801,746	\$ 691,221
Public safety	839,818	1,006,828
Public works	419,780	402,721
Economic development	154,409	12,890
Cultural	96,395	80,863
Community development	47,310	48,484
Capital Projects	-	7,903
Interest and other fiscal charges	7,372	11,116
Total expenses	\$ 2,366,830	\$ 2,262,026
Change in net position	\$ 1,026,547	\$ 632,826
Net position, beginning	8,409,856	7,777,030
Net position, ending	\$ 9,436,403	\$ 8,409,856

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 \$3,594,556, an increase of \$755,176 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 \$3,560,550 at year end.

General Fund Budgetary Highlights

The Town's General Fund had \$3,393,377 in revenues during the year, which was \$534,438 more than budgeted (reference Exhibit 7). The Town's General Fund expended \$2,638,201 during the year. Overall the general fund had an increase in fund balance of \$755,176, (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, 2023 totals \$5,937,500 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, equipment, leases and subscriptions.

Additional information on the Town's capital assets can be found in Note 5 to the financial statements.

Debt

During the year, the Town's debt decreased \$167,480 as it repaid principal on general obligation debt and lease and subscription 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 Note 7 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, 2023

	Governmental Activities
Cash and cash equivalents	\$ 6,185,742
Investments	332,171
Receivables (net of allowance for uncollectibles):	
Taxes including penalties	19,453
Accounts receivable	162,892
Accrued interest receivable - leases	893
Due from other governments	42,127
Prepaid expenses	11,991
Net pension asset	525,207
Leases receivable	360,433
Capital assets (net of depreciation):	
Land	1,781,511
Construction in progress	529,548
Buildings and improvements	1,026,386
Infrastructure assets	2,199,387
Historic museum	139,682
Police vehicles	48,550
Equipment	187,584
Lease assets	8,999
Subscription assets	15,853
Total assets	<u>\$ 13,578,409</u>
Deferred Outflows of Resources:	
Pension related items	\$ 135,461
OPEB related items	12,556
Total deferred outflows of resources	<u>\$ 148,017</u>
Total assets and deferred outflows of resources	<u>\$ 13,726,426</u>
Liabilities:	
Accounts payable	\$ 119,793
Accrued payroll	20,873
Unearned revenue	2,566,752
Deposits payable	469,310
Interest payable	3,073
Long-term liabilities:	
Due within one year	147,306
Due in more than one year	230,905
Total liabilities	<u>\$ 3,558,012</u>
Deferred Inflows of Resources:	
Pension related items	\$ 378,349
OPEB related items	9,244
Lease related	344,418
Total deferred inflows of resources	<u>\$ 732,011</u>
Net Position:	
Net investment in capital assets	\$ 5,635,124
Restricted: proffers - Alexandras Keep - for historic resources	6,000
Restricted: Net pension asset	525,207
Unrestricted	3,270,072
Total net position	<u>\$ 9,436,403</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 13,726,426</u>

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

Statement of Activities
For the Year Ended June 30, 2023

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	\$ 801,746	\$ 135,936	\$ 86,631	\$ -	\$ (579,179)
Public safety	839,820	26,937	54,233	-	(758,650)
Public works	419,780	56,866	-	-	(362,914)
Economic development	154,409	-	-	-	(154,409)
Cultural	96,395	82,661	-	-	(13,734)
Community development	47,310	-	-	-	(47,310)
Interest on long-term debt	7,370	-	-	-	(7,370)
Total primary government	\$ 2,366,830	\$ 302,400	\$ 140,864	\$ -	\$ (1,923,566)
General Revenues:					
General property taxes				\$ 397,142	
Meals tax				1,268,130	
Cigarette tax				156,776	
Business license tax				363,402	
Consumer utility tax - electric				148,707	
Local sales and use tax				161,886	
Transient occupancy tax				225,475	
Other local taxes				31,324	
Unrestricted revenues from the use of money				77,642	
Grants and contributions not restricted to specific programs				107,390	
Miscellaneous				12,239	
Total general revenues				\$ 2,950,113	
Change in net position				\$ 1,026,547	
Net position, beginning of year					8,409,856
Net position, end of year				\$	9,436,403

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, 2023

	<u>General</u>
Assets:	
Cash and cash equivalents	\$ 6,185,742
Investments	332,171
Receivables (net of allowance for uncollectibles):	
Taxes including penalties	19,453
Accounts receivable	162,892
Accrued interest receivable - leases	893
Due from other governments	42,127
Prepaid expenses	11,991
Leases receivable	<u>360,433</u>
Total assets	<u>\$ 7,115,702</u>
Liabilities:	
Accounts payable	\$ 119,793
Accrued payroll	20,873
Deposits payable	469,310
Unearned revenue	<u>2,566,752</u>
Total liabilities	<u>\$ 3,176,728</u>
Deferred Inflows of Resources:	
Lease related	<u>\$ 344,418</u>
Fund Balance:	
Nonspendable:	
Prepaid expenses	\$ 11,991
Leases	16,015
Restricted:	
Proffers - Alexandras Keep - for historic resources	6,000
Unassigned	<u>3,560,550</u>
Total fund balance	<u>\$ 3,594,556</u>
Total liabilities and fund balance	<u>\$ 7,115,702</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, 2023

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

Total fund balances per Exhibit 3 - Balance Sheet	\$	3,594,556	
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		529,548	
Depreciable capital assets, net of accumulated depreciation		<u>3,626,441</u>	5,937,500
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Net pension asset			525,207
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	135,461	
OPEB related items		<u>12,556</u>	148,017
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
General obligation bonds	\$	(277,900)	
Compensated absences		(36,581)	
Interest payable		(3,073)	
Leases		(9,095)	
Subscriptions		(15,381)	
Net OPEB liability		<u>(39,254)</u>	(381,284)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(378,349)	
OPEB related items		<u>(9,244)</u>	<u>(387,593)</u>
Total net position of governmental activities	\$		<u><u>9,436,403</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, 2023

	<u>General</u>
Revenues:	
General property taxes	\$ 397,142
Other local taxes	2,355,700
Permits, privilege fees and regulatory licenses	56,866
Revenue from use of money and property	224,075
Charges for services	99,101
Miscellaneous	12,239
Intergovernmental:	
Commonwealth	157,257
Federal	90,997
Total revenues	<u>\$ 3,393,377</u>
Expenditures:	
General government administration	\$ 870,495
Public safety	958,858
Public works	249,108
Economic Development	154,409
Cultural	89,100
Community development	47,310
Capital projects	92,884
Debt service:	
Principal retirement	167,032
Interest and fiscal charges	9,005
Total expenditures	<u>\$ 2,638,201</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 755,176
Fund balance at beginning of year	<u>2,839,380</u>
Fund balance at end of year	<u><u>\$ 3,594,556</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, 2023

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

Net change in fund balances - total governmental funds (Exhibit 5) \$ 755,176

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 depreciation exceeded capital outlays in the current period.

Capital outlay	\$ 212,686	
Depreciation expense	<u>(225,706)</u>	(13,020)

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	\$ 167,032	
Issuance of leases	(10,800)	
Issuance of subscriptions	<u>(20,609)</u>	135,623

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	\$ (897)	
Pension expense	144,331	
OPEB expense	4,024	
Change in interest payable	<u>1,310</u>	<u>148,768</u>

Change in net position of governmental activities \$ 1,026,547

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, 2023

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 general fund.

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.

Notes to Financial Statements
As of June 30, 2023 (Continued)

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 2023.

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.

Notes to Financial Statements
As of June 30, 2023 (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 and 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. At June 30, 2023, the allowance for doubtful accounts was \$63,285.

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 (except for intangible right-to-use lease assets (lease assets) and subscriptions, the measurement of which is discussed in more detail below.). Donated property is recorded at acquisition value prevailing at date of donation. Depreciation is recorded on capital assets on a government-wide basis 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
Lease assets	3-5 years
Subscription assets	3-5 years

H. Leases and Subscription-Based IT Arrangements

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

Lessor

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

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

H. Leases and Subscription-Based IT Arrangements: (Continued)

Lessee

The Town recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of \$1,500, individually or in the aggregate, in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Subscriptions

The Town recognizes intangible right-to-use subscription assets (subscription assets) and corresponding subscription liabilities with an initial value of \$1,500, in individually or in the aggregate, in the government-wide financial statements. At the commencement of the subscription, the subscription liability is measured at the present value of payments expected to be made during the subscription liability term (less any contract incentives). The subscription liability is reduced by the principal portion of payments made. The subscription asset is measured at the initial amount of the subscription liability payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

Key Estimates and Judgments

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

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

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

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

I. 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.

J. 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.

K. 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 either not in spendable form (such as inventory and prepaids) or are legally or contractually 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, which does not lapse at year end is further indicated in the budget document as a designation or commitment of the fund (such as 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).

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

L. Deferred Outflows/Inflows of Resources

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

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

M. Net Position

For government-wide reporting, 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.

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

N. 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.

O. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liability, 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 Plan's 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.

P. Upcoming Pronouncements

Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to reporting periods beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

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

Implementation Guide No. 2021-1, *Implementation Guidance Update-2021*, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.

Implementation Guide No. 2023-1, *Implementation Guidance Update-2023*, effective for fiscal years beginning after June 15, 2023.

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

TOWN OF HAYMARKET, VIRGINIA

**Notes to Financial Statements
As of June 30, 2023 (Continued)**

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 & 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).

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, 2023 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, 2023 were rated by Standard & Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor’s rating scale.

Town's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings AAAm
VML/VACO Virginia Investment Pool Bond Fund	\$ <u>332,171</u>

TOWN OF HAYMARKET, VIRGINIA

**Notes to Financial Statements
As of June 30, 2023 (Continued)**

NOTE 3 – DEPOSITS AND INVESTMENTS: (CONTINUED)

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. The Town has measured fair value of the VML/VACO Investment Pool investment at the net asset value (NAV).

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>Less than 1 year</u>
VML/VACO Virginia Investment Pool Bond Fund	\$ <u>332,171</u>	\$ <u>332,171</u>
Total	\$ <u><u>332,171</u></u>	\$ <u><u>332,171</u></u>

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2023, the Town has receivables from other governments as follows:

Prince William County:		
Sales tax	\$	1,379
Commonwealth of Virginia:		
Sales tax		26,890
Communication tax		<u>13,858</u>
Total	\$	<u><u>42,127</u></u>

TOWN OF HAYMARKET, VIRGINIA

**Notes to Financial Statements
As of June 30, 2023 (Continued)**

NOTE 5 - CAPITAL ASSETS:

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

Governmental Activities:

	<u>Balance July 1, 2022</u>	<u>GASB 96 Adjustment</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfer</u>	<u>Balance June 30, 2023</u>
Capital assets not being depreciated:						
Land	\$ 1,781,511	\$ -	\$ -	\$ -	\$ -	\$ 1,781,511
Construction in progress	436,663	-	92,885	-	-	529,548
Total capital assets not being depreciated	<u>\$ 2,218,174</u>	<u>\$ -</u>	<u>\$ 92,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,311,059</u>
Capital assets being depreciated:						
Buildings and improvements	\$ 2,213,811	\$ -	\$ 14,331	\$ -	\$ (12,000)	\$ 2,216,142
Infrastructure assets	3,350,260	-	-	-	-	3,350,260
Historic museum	302,807	-	-	-	-	302,807
Equipment	376,010	-	28,544	-	6,206	410,760
Police vehicles	255,550	-	45,518	-	5,794	306,862
Lease assets	-	-	10,799	-	-	10,799
Subscription assets	-	20,609	-	-	-	20,609
Total capital assets being depreciated	<u>\$ 6,498,438</u>	<u>\$ 20,609</u>	<u>\$ 99,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,618,239</u>
Accumulated depreciation:						
Buildings and improvements	\$ 1,128,314	\$ -	\$ 61,442	\$ -	\$ -	\$ 1,189,756
Infrastructure assets	1,037,758	-	113,115	-	-	1,150,873
Historic museum	155,830	-	7,295	-	-	163,125
Equipment	188,640	-	34,536	-	-	223,176
Police vehicles	255,550	-	2,762	-	-	258,312
Lease assets	-	-	1,800	-	-	1,800
Subscription assets	-	-	4,756	-	-	4,756
Total accumulated depreciation	<u>\$ 2,766,092</u>	<u>\$ -</u>	<u>\$ 225,706</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,991,798</u>
Capital assets being depreciated, net	<u>\$ 3,732,346</u>	<u>\$ 20,609</u>	<u>\$ (126,514)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,626,441</u>
Net capital assets	<u>\$ 5,950,520</u>	<u>\$ 20,609</u>	<u>\$ (33,629)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,937,500</u>

Depreciation expense has been allocated as follows:

General government administration	\$ 30,738
Public safety	10,445
Public works	177,228
Cultural	7,295
Total depreciation expense	<u>\$ 225,706</u>

TOWN OF HAYMARKET, VIRGINIA

**Notes to Financial Statements
As of June 30, 2023 (Continued)**

NOTE 6 – LEASES RECEIVABLE:

Details of the Town’s leases receivable at June 30, 2023 are as follows:

	<u>Amount Receivable</u>
Leases receivable:	
On 7/1/19, the Town of Haymarket,VA entered into a 60 month lease as Lessor for the use of 15000 Washington Street, Suite 206. An initial lease receivable was recorded in the amount of \$102,339. The lessee is required to make monthly fixed payments of \$2,716, increasing by 3% annually. The lease has an interest rate of 2.959%.	\$ 36,101
On 7/1/21, the Town of Haymarket,VA entered into a 60 month lease as Lessor for the use of 15020 Washington Street. An initial lease receivable was recorded in the amount of \$257,364. The lessee is required to make monthly fixed payments of \$3,920, increasing by 3% annually. The lease has an interest rate of 2.959%.	167,257
On 11/1/19, the Town of Haymarket,VA entered into a 60 month lease as Lessor for the use of 6630 Jefferson Street. An initial lease receivable was recorded in the amount of \$110,973. The lessee is required to make monthly fixed payments of \$2,680, increasing by 3% annually. The lease has an interest rate of 2.959%.	46,907
On 6/1/23, the Town of Haymarket,VA entered into a 36 month lease as Lessor for the use of 480 Olde Worthington Road. An initial lease receivable was recorded in the amount of \$22,907. The lessee is required to make monthly fixed payments of \$645, increasing by 3% annually. The lease has an interest rate of 3.000%.	19,035
On 7/1/22, the Town of Haymarket,VA entered into a 48 month lease as Lessor for the use of 15026 Washington Street. An initial lease receivable was recorded in the amount of \$93,177. The lessee is required to make monthly fixed payments of \$1,969, increasing by 3% annually. The lease has an interest rate of 3.000%.	71,815
On 5/1/23, the Town of Haymarket,VA entered into a 36 month lease as Lessor for the use of 15000 Washington Street. An initial lease receivable was recorded in the amount of \$19,878. The lessee is required to make monthly fixed payments of \$560, increasing by 3% annually. The lease has an interest rate of 3.000%.	<u>19,318</u>
Total leases receivable	<u>\$ 360,433</u>

Expected future payments at June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 155,820	\$ 8,419	\$ 164,239
2025	105,662	4,700	110,362
2026	98,951	1,594	100,545
Total	<u>\$ 360,433</u>	<u>\$ 14,713</u>	<u>\$ 375,146</u>

The Town recognized \$149,095 of lease revenue and \$11,602 of interest revenue during the fiscal year ended June 30, 2023. Also, the Town has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of June 30, 2023, the balance of the deferred inflow of resources was \$344,418.

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 7 - LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligations for the fiscal year ended June 30, 2023:

	<u>Balance</u> <u>July 1, 2022</u>	<u>GASB 96</u> <u>Adjustment</u>	<u>Issuances/</u> <u>Increases</u>	<u>Retirements/</u> <u>Decreases</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Obligations:						
Direct borrowings and placements						
General obligation bonds	\$ 438,000	\$ -	\$ -	\$ 160,100	\$ 277,900	\$ 136,600
Compensated absences	35,684	-	10,974	10,077	36,581	3,657
Leases	-	-	10,799	1,704	9,095	2,070
Subscriptions	-	20,609	-	5,228	15,381	4,979
Net OPEB liability	<u>35,510</u>	<u>-</u>	<u>25,664</u>	<u>21,920</u>	<u>39,254</u>	<u>-</u>
Total Governmental Obligations	<u>\$ 509,194</u>	<u>\$ 20,609</u>	<u>\$ 47,437</u>	<u>\$ 199,029</u>	<u>\$ 378,211</u>	<u>\$ 147,306</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>Leases</u>		<u>Subscriptions</u>	
	<u>Obligation Bonds</u>		<u>Leases</u>		<u>Subscriptions</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 136,600	\$ 4,945	\$ 2,070	\$ 270	\$ 4,979	\$ 451
2025	70,700	2,462	2,140	200	5,125	305
2026	70,600	815	2,212	128	5,277	155
2027	-	-	2,286	54	-	-
2028	<u>-</u>	<u>-</u>	<u>387</u>	<u>2</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 277,900</u>	<u>\$ 8,222</u>	<u>\$ 9,095</u>	<u>\$ 654</u>	<u>\$ 15,381</u>	<u>\$ 911</u>

TOWN OF HAYMARKET, VIRGINIA

**Notes to Financial Statements
As of June 30, 2023 (Continued)**

NOTE 7 - 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% \$ 257,500

\$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% 20,400

Total direct borrowings and placements \$ 277,900

Compensated absences 36,581

Leases:

\$10,799 lease liability, payable in monthly installments ranging from \$195 to \$166 beginning September 1, 2022 through August 31, 2027, interest payable at 3.31% 9,095

Subscriptions:

\$20,609 subscription liability, payable in annual installments ranging from \$5,230 to \$4,979 beginning November 1, 2021 through November 1, 2025, interest payable at 2.90% 15,381

Net OPEB liability 39,254

Total long-term obligations \$ 378,211

NOTE 8 - 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, 2023, the Town had outstanding accrued vacation pay totaling \$36,581.

NOTE 9 - 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 9 - 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, 2023 (Continued)

NOTE 9 - 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, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	2
Inactive members:	
Vested inactive members	3
Non-vested inactive members	5
Inactive members active elsewhere in VRS	7
Total inactive members	15
Active members	9
Total covered employees	26

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, 2023 was 6.12% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$41,583 and \$70,553 for the years ended June 30, 2023 and June 30, 2022, respectively.

TOWN OF HAYMARKET, VIRGINIA

**Notes to Financial Statements
As of June 30, 2023 (Continued)**

NOTE 9 - 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, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022.

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, 2021, 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, 2022.

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

TOWN OF HAYMARKET, VIRGINIA

**Notes to Financial Statements
As of June 30, 2023 (Continued)**

NOTE 9 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

TOWN OF HAYMARKET, VIRGINIA

**Notes to Financial Statements
As of June 30, 2023 (Continued)**

NOTE 9 - PENSION PLAN: (CONTINUED)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

TOWN OF HAYMARKET, VIRGINIA

**Notes to Financial Statements
As of June 30, 2023 (Continued)**

NOTE 9 - PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		**Expected arithmetic nominal return	7.83%

* The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy and at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. From July 1, 2022 on, participating

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

Discount Rate: (Continued)

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, 2021	\$ 957,829	\$ 1,130,516	\$ (172,687)
Changes for the year:			
Service cost	\$ 82,240	\$ -	\$ 82,240
Interest	69,827	-	69,827
Differences between expected and actual experience	(405,755)	-	(405,755)
Contributions - employer	-	70,554	(70,554)
Contributions - employee	-	32,970	(32,970)
Net investment income	-	(4,065)	4,065
Benefit payments, including refunds	(11,199)	(11,199)	-
Administrative expenses	-	(656)	656
Other changes	-	29	(29)
Net changes	\$ (264,887)	\$ 87,633	\$ (352,520)
Balances at June 30, 2022	\$ 692,942	\$ 1,218,149	\$ (525,207)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town's Net Pension Liability (Asset)	\$ (392,138)	\$ (525,207)	\$ (628,356)

TOWN OF HAYMARKET, VIRGINIA

Notes to Financial Statements
As of June 30, 2023 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2023, the Town recognized pension income of \$102,751. At June 30, 2023, 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	\$ 55,487	\$ 348,347
Change in assumptions	38,395	5,264
Net difference between projected and actual earnings on pension plan investments	-	24,738
Employer contributions subsequent to the measurement date	<u>41,579</u>	<u>-</u>
Total	<u>\$ 135,461</u>	<u>\$ 378,349</u>

\$41,583 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, 2024. 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>	
2024	\$ (135,961)
2025	(119,342)
2026	(44,107)
2027	14,941
2028	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 10 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined

TOWN OF HAYMARKET, VIRGINIA

**Notes to Financial Statements
As of June 30, 2023 (Continued)**

NOTE 10 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Contributions (Continued)

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 \$4,161 and \$3,830 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

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, 2023, the entity reported a liability of \$39,254 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 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, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was 0.00330% as compared to 0.00310% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$786. 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, 2023, 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	\$ 3,108	\$ 1,575
Net difference between projected and actual earnings on GLI OPEB plan investments	-	2,453
Change in assumptions	1,464	3,823
Changes in proportion	3,823	1,393
Employer contributions subsequent to the measurement date	4,161	-
Total	<u>\$ 12,556</u>	<u>\$ 9,244</u>

TOWN OF HAYMARKET, VIRGINIA

**Notes to Financial Statements
As of June 30, 2023 (Continued)**

NOTE 10 - 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)

\$4,161 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30

	2024	\$	(318)
	2025		105
	2026		(1,416)
	2027		586
	2028		194
	Thereafter		-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

TOWN OF HAYMARKET, VIRGINIA

**Notes to Financial Statements
As of June 30, 2023 (Continued)**

NOTE 10 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

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

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

TOWN OF HAYMARKET, VIRGINIA

**Notes to Financial Statements
As of June 30, 2023 (Continued)**

NOTE 10 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		<u>GLI OPEB Plan</u>
Total GLI OPEB Liability	\$	3,672,085
Plan Fiduciary Net Position		2,467,989
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,204,096</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.21%

TOWN OF HAYMARKET, VIRGINIA

**Notes to Financial Statements
As of June 30, 2023 (Continued)**

NOTE 10 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

NET GLI OPEB Liability: (Continued)

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.

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	<u>2.50%</u>
	**Expected arithmetic nominal return		<u>7.83%</u>

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

TOWN OF HAYMARKET, VIRGINIA

**Notes to Financial Statements
As of June 30, 2023 (Continued)**

NOTE 10 - 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 and 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, 2022, 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, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town's proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 57,119	\$ 39,254	\$ 24,816

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 11 - LITIGATION:

At June 30, 2023, 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, 2023 (Continued)**

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.

NOTE 14 – UNEARNED REVENUE:

The following is a summary of unearned revenue for the year ended June 30, 2023:

	<u>Government-wide Statements Governmental Activities</u>	<u>Balance Sheet Governmental Funds</u>
Unearned revenue:		
American Rescue Plan Act grant	\$ 1,652,245	\$ 1,652,245
Prepaid rent, events and other items	<u>914,507</u>	<u>914,507</u>
Total	<u>\$ 2,566,752</u>	<u>\$ 2,566,752</u>

NOTE 15 – ADOPTION OF ACCOUNT PRINCIPLES

The Town implemented provisions of Government Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* during the fiscal year ended June 30, 2023. Statement No. 96, SBITAs requires recognition of certain subscription assets and liabilities for certain contracts that convey control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. No restatement of beginning net position was required as a result of this implementation. Using facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2022 related to the subscriptions:

	<u>Government-wide</u>	<u>Governmental Fund</u>
Lessor activity:		
Subscription asset	\$ <u>20,609</u>	\$ <u>-</u>
Subscription liability	\$ <u>20,609</u>	\$ <u>-</u>

- Required Supplementary Information –

Note to Required Supplementary Information:

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

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Positive (Negative)</u>
Revenues				
General property taxes	\$ 413,165	\$ 413,165	\$ 397,142	\$ (16,023)
Other local taxes	1,885,000	1,995,000	2,355,700	360,700
Permits, privilege fees and regulatory licenses	20,500	20,500	56,866	36,366
Revenue from use of money and property	178,556	178,556	224,075	45,519
Charges for services	95,850	105,850	99,101	(6,749)
Miscellaneous	-	-	12,239	12,239
Intergovernmental:				
Commonwealth	205,069	145,868	157,257	11,389
Federal	-	-	90,997	90,997
Total revenues	<u>\$ 2,798,140</u>	<u>\$ 2,858,939</u>	<u>\$ 3,393,377</u>	<u>\$ 534,438</u>
Expenditures				
General government administration	\$ 1,114,008	\$ 1,066,762	\$ 870,495	\$ 196,267
Public safety	936,313	959,452	958,858	594
Public works	295,705	295,705	249,108	46,597
Economic development	142,000	165,850	154,409	11,441
Cultural	99,500	111,000	89,100	21,900
Community development	33,823	33,823	47,310	(13,487)
Capital projects	467,646	541,052	92,884	448,168
Debt service:				
Principal retirement	160,200	160,200	167,032	(6,832)
Interest and fiscal charges	8,545	8,545	9,005	(460)
Total expenditures	<u>\$ 3,257,740</u>	<u>\$ 3,342,389</u>	<u>\$ 2,638,201</u>	<u>\$ 704,188</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (459,600)	\$ (483,450)	\$ 755,176	\$ 1,238,626
Fund balance at beginning of year	<u>459,600</u>	<u>483,450</u>	<u>2,839,380</u>	<u>2,355,930</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,594,556</u>	<u>\$ 3,594,556</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, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability					
Service cost	\$ 82,240	\$ 100,386	\$ 93,783	\$ 78,990	\$ 89,804
Interest	69,827	53,720	36,908	40,065	35,624
Changes in benefit terms	-	-	-	-	-
Changes in assumptions	-	66,111	-	23,460	-
Benefit payments, including refunds of employee contributions	(11,199)	(25,277)	(9,405)	(9,311)	(24,677)
Differences between expected and actual experience	(405,755)	(45,596)	135,709	(158,731)	(44,982)
Net change in total pension liability	<u>\$ (264,887)</u>	<u>\$ 149,344</u>	<u>\$ 256,995</u>	<u>\$ (25,527)</u>	<u>\$ 55,769</u>
Total pension liability - beginning	957,829	808,485	551,490	577,017	521,248
Total pension liability - ending (a)	<u>\$ 692,942</u>	<u>\$ 957,829</u>	<u>\$ 808,485</u>	<u>\$ 551,490</u>	<u>\$ 577,017</u>
Plan fiduciary net position					
Contributions - employer	\$ 70,554	\$ 61,649	\$ 59,050	\$ 56,131	\$ 59,155
Contributions - employee	32,970	29,142	30,329	27,780	26,520
Net investment income	(4,065)	236,005	14,653	45,143	39,169
Benefit payments, including refunds of employee contributions	(11,199)	(25,277)	(9,405)	(9,311)	(24,677)
Administrative expense	(656)	(506)	(414)	(345)	(280)
Other	29	23	(19)	(29)	(38)
Net change in plan fiduciary net position	<u>\$ 87,633</u>	<u>\$ 301,036</u>	<u>\$ 94,194</u>	<u>\$ 119,369</u>	<u>\$ 99,849</u>
Plan fiduciary net position - beginning	1,130,516	829,480	735,286	615,917	516,068
Plan fiduciary net position - ending (b)	<u>\$ 1,218,149</u>	<u>\$ 1,130,516</u>	<u>\$ 829,480</u>	<u>\$ 735,286</u>	<u>\$ 615,917</u>
Town's net pension liability (asset) - ending (a) - (b)	\$ (525,207)	\$ (172,687)	\$ (20,995)	\$ (183,796)	\$ (38,900)
Plan fiduciary net position as a percentage of the total pension liability	175.79%	118.03%	102.60%	133.33%	106.74%
Covered payroll	\$ 709,337	\$ 628,801	\$ 649,092	\$ 599,609	\$ 561,699
Town's net pension liability (asset) as a percentage of covered payroll	-74.04%	-27.46%	-3.23%	-30.65%	-6.93%

Schedule is intended to show information for 10 years. 2014 was the first year that Town employees participated in this plan. 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, 2022

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 103,530	\$ 60,061	\$ 65,618	\$ 60,633
Interest	19,052	15,462	12,655	8,407
Changes in benefit terms	114,107	-	-	-
Changes in assumptions	(15,830)	-	-	-
Benefit payments, including refunds of employee contributions	(1,607)	-	(16,721)	-
Differences between expected and actual experience	29,014	(23,423)	(29,814)	-
Net change in total pension liability	<u>\$ 248,266</u>	<u>\$ 52,100</u>	<u>\$ 31,738</u>	<u>\$ 69,040</u>
Total pension liability - beginning	<u>272,982</u>	<u>220,882</u>	<u>189,144</u>	<u>120,104</u>
Total pension liability - ending (a)	<u><u>\$ 521,248</u></u>	<u><u>\$ 272,982</u></u>	<u><u>\$ 220,882</u></u>	<u><u>\$ 189,144</u></u>
Plan fiduciary net position				
Contributions - employer	\$ 61,313	\$ 36,959	\$ 29,383	\$ 42,203
Contributions - employee	28,041	30,431	24,216	24,622
Net investment income	51,579	7,311	12,395	29,876
Benefit payments, including refunds of employee contributions	(1,607)	-	(16,721)	-
Administrative expense	(205)	(146)	(130)	(103)
Other	(50)	(3)	(3)	2
Net change in plan fiduciary net position	<u>\$ 139,071</u>	<u>\$ 74,552</u>	<u>\$ 49,140</u>	<u>\$ 96,600</u>
Plan fiduciary net position - beginning	<u>376,997</u>	<u>302,445</u>	<u>253,305</u>	<u>156,705</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 516,068</u></u>	<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)	\$ 5,180	\$ (104,015)	\$ (81,563)	\$ (64,161)
Plan fiduciary net position as a percentage of the total pension liability	99.01%	138.10%	136.93%	133.92%
Covered payroll	\$ 573,262	\$ 615,832	\$ 487,282	\$ 492,446
Town's net pension liability (asset) as a percentage of covered payroll	0.90%	-16.89%	-16.74%	-13.03%

Schedule of Employer Contributions - Pension Plan
 For the Years Ended June 30, 2014 through June 30, 2023

Date	Contractually Required (1)	Contributions in Relation to Contractually Required (2)	Contribution Deficiency (3)	Employer's Covered (4)	Contributions as a % of Covered (5)
2023	\$ 41,583	\$ 41,583	- \$	770,532	5.40%
2022	70,553	70,553	-	709,337	9.95%
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%

Notes to Required Supplementary Information - Pension Plan
 For the Year Ended June 30, 2023

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, 2021 valuation were based on the result of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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 healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) – Hazardous Duty:

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

Schedule of Town's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Years Ended June 30, 2017 through June 30, 2022

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)
2022	0.00330% \$	39,254 \$	709,337	5.53%	67.21%
2021	0.00310%	35,510	628,801	5.65%	67.45%
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. 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, 2023

<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>
2023	\$ 4,161	\$ 4,161	-	\$ 770,532	0.54%
2022	3,830	3,830	-	709,337	0.54%
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. 2015 was the first year that Town employees participated in this plan. 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, 2023

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, 2021 valuation were based on the result of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

- Other Supplementary Information –

Supporting Schedules

Governmental Fund

Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2023

Fund, Major and Minor Revenue Source	Original Budget	as Amended	Actual	Variance from Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 400,143	\$ 400,143	\$ 371,143	\$ (29,000)
Public service corporation taxes:				
Real property	12,022	12,022	10,941	(1,081)
Penalties and interest	1,000	1,000	15,058	14,058
Total general property taxes	<u>\$ 413,165</u>	<u>\$ 413,165</u>	<u>\$ 397,142</u>	<u>\$ (16,023)</u>
Other local taxes:				
Local sales and use taxes	\$ 160,000	\$ 160,000	\$ 161,886	\$ 1,886
Cigarette tax	130,000	140,000	156,776	16,776
Business license tax	240,000	240,000	363,402	123,402
Bank franchise taxes	24,000	24,000	31,324	7,324
Consumer utility tax - electric	158,000	158,000	148,707	(9,293)
Meals tax	1,000,000	1,100,000	1,268,130	168,130
Transient Occupancy tax	168,000	168,000	225,475	57,475
Penalties and interest	5,000	5,000	-	(5,000)
Total other local taxes	<u>\$ 1,885,000</u>	<u>\$ 1,995,000</u>	<u>\$ 2,355,700</u>	<u>\$ 360,700</u>
Permits, privilege fees and regulatory licenses:				
Application fees	\$ 4,500	\$ 4,500	\$ 3,850	\$ (650)
Motor vehicle licenses	1,000	1,000	377	(623)
Pass through fees	-	-	28,664	28,664
Other planning and permits	15,000	15,000	23,975	8,975
Total permits, privilege fees and regulatory licenses	<u>\$ 20,500</u>	<u>\$ 20,500</u>	<u>\$ 56,866</u>	<u>\$ 36,366</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 7,500	\$ 7,500	\$ 77,642	\$ 70,142
Revenue from use of property	171,056	171,056	146,433	(24,623)
Total revenue from use of money and property	<u>\$ 178,556</u>	<u>\$ 178,556</u>	<u>\$ 224,075</u>	<u>\$ 45,519</u>
Charges for services:				
Recovered costs - events	\$ 75,850	\$ 85,850	\$ 82,661	\$ (3,189)
Public safety fees	20,000	20,000	16,440	(3,560)
Total charges for services	<u>\$ 95,850</u>	<u>\$ 105,850</u>	<u>\$ 99,101</u>	<u>\$ (6,749)</u>

Governmental Fund

Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2023 (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	\$ -	\$ -	\$ 12,239	\$ 12,239
Total revenue from local sources	<u>\$ 2,593,071</u>	<u>\$ 2,713,071</u>	<u>\$ 3,145,123</u>	<u>\$ 432,052</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
PPTRA	\$ 18,627	\$ 18,627	\$ 18,627	\$ -
Communications tax	80,000	80,000	87,275	7,275
Car rental tax	-	-	202	202
Rolling stock tax	1,300	1,300	1,286	(14)
Total non-categorical aid	<u>\$ 99,927</u>	<u>\$ 99,927</u>	<u>\$ 107,390</u>	<u>\$ 7,463</u>
Categorical aid:				
Law enforcement grants	\$ 31,548	\$ 31,548	\$ 34,687	\$ 3,139
Fire funds	10,000	10,000	15,000	5,000
DMV grant	60,500	-	180	180
Other	3,094	4,393	-	(4,393)
Total categorical aid	<u>\$ 105,142</u>	<u>\$ 45,941</u>	<u>\$ 49,867</u>	<u>\$ 3,926</u>
Total revenue from the Commonwealth	<u>\$ 205,069</u>	<u>\$ 145,868</u>	<u>\$ 157,257</u>	<u>\$ 11,389</u>
Revenue from the federal government:				
Categorical aid:				
American Rescue Plan Act (ARPA) grant	\$ -	\$ -	\$ 86,631	\$ 86,631
Edward Byrne memorial justice assistance grant	-	-	4,366	4,366
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,997</u>	<u>\$ 90,997</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,997</u>	<u>\$ 90,997</u>
Total General Fund	<u><u>\$ 2,798,140</u></u>	<u><u>\$ 2,858,939</u></u>	<u><u>\$ 3,393,377</u></u>	<u><u>\$ 534,438</u></u>

Governmental Fund

Schedule of Expenditures - Budget and Actual
For the Year Ended June 30, 2023

Fund, Function, Activity and Elements	Budget	Budget Amended	Actual	Variance from Final Budget (Negative)
General Fund:				
General government administration:				
Mayor and Town Council	\$ 30,750	\$ 30,750	\$ 19,600	\$ 11,150
Salary - general	462,606	410,460	369,690	40,770
Fringe benefits - general	117,095	117,095	61,615	55,480
Payroll taxes	35,389	35,389	27,606	7,783
Insurance	18,025	18,025	17,802	223
Auditing	17,120	17,120	-	17,120
Accounting	8,000	8,000	8,611	(611)
Printing and binding	8,298	8,298	6,797	1,501
Advertising	9,000	9,000	7,773	1,227
Computer, internet and website	23,650	28,550	21,925	6,625
Postage	4,000	4,000	2,266	1,734
Telecommunications	7,500	7,500	6,627	873
Mileage allowance	1,000	1,000	532	468
Meals and lodging	2,000	2,000	1,623	377
Convention and education	6,000	6,000	769	5,231
Miscellaneous	2,000	2,000	280	1,720
Books, dues and subscriptions	16,000	16,000	14,541	1,459
Office supplies	10,575	10,575	8,226	2,349
Legal services	80,000	80,000	37,337	42,663
Capital outlays	5,000	5,000	7,551	(2,551)
Refunding of tax overpayment	250,000	250,000	249,324	676
Total general government administration	<u>\$ 1,114,008</u>	<u>\$ 1,066,762</u>	<u>\$ 870,495</u>	<u>\$ 196,267</u>
Public safety:				
Salary - law enforcement	\$ 567,797	\$ 587,297	\$ 571,989	\$ 15,308
Fringe benefits - general	145,685	146,525	139,580	6,945
Payroll taxes	43,437	44,937	43,269	1,668
Legal services	27,300	27,300	26,678	622
Computer, internet and website	5,000	5,000	4,355	645
Postage	100	100	109	(9)
Telecommunications	12,000	12,000	12,609	(609)
Insurance - vehicles	3,700	3,700	3,891	(191)
Meals and lodging	5,000	5,000	10,965	(5,965)
Convention and education	10,000	10,000	3,926	6,074
Books dues and subscriptions	14,000	14,000	6,655	7,345
Office supplies	8,094	9,393	8,134	1,259
Vehicle fuel	43,200	43,200	29,202	13,998
Vehicle maintenance supplies	15,000	15,000	18,934	(3,934)
Uniforms and police supplies	26,000	26,000	28,069	(2,069)
Grant expenditures	-	-	4,974	(4,974)
Contributions to other governments	10,000	10,000	-	10,000
Capital outlays	-	-	45,519	(45,519)
Total public safety	<u>\$ 936,313</u>	<u>\$ 959,452</u>	<u>\$ 958,858</u>	<u>\$ 594</u>

Governmental Fund

Schedule of Expenditures - Budget and Actual
For the Year Ended June 30, 2023 (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	\$ 110,820	\$ 110,820	\$ 94,296	\$ 16,524
Repair and maintenance	108,385	108,385	100,463	7,922
Pest Control	3,000	3,000	855	2,145
Landscaping	35,000	35,000	26,110	8,890
Snow removal	7,000	7,000	-	7,000
Street cleaning	2,000	2,000	-	2,000
Electrical services	22,000	22,000	21,509	491
Water and sewer	3,000	3,000	4,187	(1,187)
Real estate taxes	2,500	2,500	1,430	1,070
Janitorial supplies	2,000	2,000	258	1,742
Total public works	<u>\$ 295,705</u>	<u>\$ 295,705</u>	<u>\$ 249,108</u>	<u>\$ 46,597</u>
Economic Development:				
Tourism/traveling marketing	\$ 120,000	\$ 143,850	\$ 154,409	\$ (10,559)
Advertising	22,000	22,000	-	22,000
Total economic development	<u>\$ 142,000</u>	<u>\$ 165,850</u>	<u>\$ 154,409</u>	<u>\$ 11,441</u>
Parks, recreation and cultural:				
Museum	\$ 5,150	\$ 5,150	\$ 2,080	\$ 3,070
Special events	74,350	85,850	73,806	12,044
Haymarket Community Park	20,000	20,000	13,214	6,786
Total parks, recreation and cultural	<u>\$ 99,500</u>	<u>\$ 111,000</u>	<u>\$ 89,100</u>	<u>\$ 21,900</u>
Community development:				
Planning commission	\$ 24,120	\$ 23,120	\$ 43,161	\$ (20,041)
Architectural review board	6,776	7,776	3,315	4,461
Board of zoning appeals	2,927	2,927	834	2,093
Total community development	<u>\$ 33,823</u>	<u>\$ 33,823</u>	<u>\$ 47,310</u>	<u>\$ (13,487)</u>
Capital Projects:				
Haymarket Community Park	\$ -	\$ -	\$ 6,253	\$ (6,253)
Town Center Master Plan	65,057	65,057	22,795	42,262
Street Scape - Park Sidewalk	144,318	144,318	63,836	80,482
Blight Mitigation	40,000	40,000	-	40,000
Construction in progress	218,271	291,677	-	291,677
Total capital projects	<u>\$ 467,646</u>	<u>\$ 541,052</u>	<u>\$ 92,884</u>	<u>\$ 448,168</u>
Debt service:				
Principal retirement	\$ 160,200	\$ 160,200	\$ 167,032	\$ (6,832)
Interest and fiscal charges	8,545	8,545	9,005	(460)
Total debt service	<u>\$ 168,745</u>	<u>\$ 168,745</u>	<u>\$ 176,037</u>	<u>\$ (7,292)</u>
Total General Fund	<u>\$ 3,257,740</u>	<u>\$ 3,342,389</u>	<u>\$ 2,638,201</u>	<u>\$ 704,188</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; and the financial statements of the governmental activities and the major fund of Town of Haymarket, Virginia as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Haymarket, Virginia's basic financial statements, and have issued our report thereon dated February 21, 2025.

Report on 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of 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
February 21, 2025