

TOWN OF STRASBURG, VIRGINIA



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

TOWN OF STRASBURG, VIRGINIA

Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2022

Prepared by

Angela Fletcher, Director of Finance

Strasburg, Virginia

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

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INTRODUCTORY SECTION



December 7, 2022

The Honorable Mayor,
Members of Town Council, and
Citizens of the Town of Strasburg

RE: FY 2021-2022 Annual Comprehensive Financial Report (ACFR)
Letter of Transmittal

Please find enclosed the Fiscal Year 2021-2022 (FY 21/22) Comprehensive Annual Financial Report (CAFR) for the Town of Strasburg (Town). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Town. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Town. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

The accounting firm of Robinson, Farmer, Cox Associates, Certified Public Accountants, has audited the Town's financial statements. The goal of the independent audit is to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and evaluating the overall financial statement presentation. This examination was conducted using guidelines set forth by Government Auditing Standards Board and the Specification for Audits of Counties, Cities and Towns, issued by the Auditor of Public Accounts. Based upon this audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the Town's financial statements for the fiscal year ended June 30, 2022 are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basis financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Strasburg's MD&A can be found immediately following the report of the independent auditors.



Profile of the Town

Strasburg is located in north-central Shenandoah County approximately ten (10) miles west of the Town of Front Royal, seventy-eight (78) miles west of Washington, D.C., eighteen (18) miles south of the City of Winchester, and fifteen (15) miles east of the Virginia/West Virginia border. The Town has two interstate exits along I-81 (exits 296 and 298) and is located about four (4) miles from the I-66 and I-81 interchange. US Route 11 and State Route 55/US Route 48 intersect in the center of Town. The Town covers 2,274 acres, or roughly three and half (3.5) square miles, and has a population estimated at six thousand seven hundred sixteen (6,716).

In 1921, the Town annexed an area of the County, bringing its land area to a total of 448 acres, where it remained until the annexation effective Tuesday, January 1st, 1985 that added an additional 578 acres, for a total of 1,026 acres. As of Saturday, January 1st, 2000, Strasburg annexed the land surrounding Route 11 to Interstate 81. On Wednesday, January 1st, 2014, the Town annexed its 366-acre industrial park, in addition to more acreage to the east of the properties fronting on the east side of Route 11. Strasburg continues to grow and flourish with its rich history and community pride. The Town of Strasburg will continue to promote itself as one of the growth centers for Shenandoah County, while simultaneously retaining its small-town charm and character.

Overview of the Town Government

The Town of Strasburg was chartered in 1761 and incorporated in 1922. It is well known for its pottery, antiques, American Civil War history, and breathtaking views of the surrounding natural environment. The Town is currently governed under a Council/Manager form of government. The Town Council, in its role as a legislative body, adopts all ordinances and resolutions, formulates, and adopts general policies, adopts the budget, and sets tax rates.

The Town Council is comprised of eight (8) members, who are elected at large to serve four-year terms. Elections for four (4) Council seats are held every two (2) years. The mayor, who serves a four (4) year term, presides over the Town Council, but votes only to break a tie. Elections for the Mayor and Town Council seats are conducted in November with the elected officials being seated on January 1st.

The Town Manager is appointed by the Town Council as the chief executive officer of the Town and is responsible to the Town Council and citizens for the proper administration of the Town government. Council also appoints the Treasurer, Clerk of Council, Town Attorney, and Chief of Police. Department head positions are hired and supervised by the Town Manager.



Budgetary Controls

The Town government exercises budgetary control over all spending, in order to ensure compliance with all legal provisions inherent in the appropriated budget approved by the Town Council. Additionally, Council and staff have collaboratively developed various fiscal policies which ensure compliance with the Virginia Public Procurement Act, safeguard fund balance amounts, limit the quantity of capital projects, etc. As demonstrated by the statements and schedules included in the financial section of the report, the Town government continues to meet its responsibilities for sound fiscal management.

The Council is required to adopt an initial budget for the fiscal year no later than June 30 preceding the beginning of the fiscal year on July 1. This annual budget serves as the foundation for the Town of Strasburg's financial planning and control. The budget is prepared by funds, function (e.g., general government administration, public safety, public works, health and welfare), and department. The legal level of budgetary control (i.e, the level at which expenditures may not legally exceed appropriations) is at the function level. Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the Council.

Economic Outlook

The Town's economy saw a noticeable impact from the COVID-19 pandemic, but revenues largely remained stable. Fortunately, the Town's portion of revenues that were impacted heavily by COVID-19 (Meals & Lodging) do not account for as large a share of our total revenue as other communities. Continued public investments in infrastructure downtown and in the Northern Shenandoah Business Park have in turn provided interest and investment.

The Town's General Fund revenues continue to remain stable due to proper fiscal management in years past. Barring the continued depressing influences of COVID-19 on the economy, the General Fund is well positioned to handle future growth in the Town. The Town's Enterprise Funds have been steadily climbing towards fiscal sustainability with preprogrammed increases coming to an end. With the conclusion of the water and sewer rate study, it is clear the inflationary increases paired with a shift in covering fixed costs with fixed fees, rather than larger consumption amounts, will allow for the continued sustainability of the Enterprise Funds.



Major Initiatives in FY 21/22

The Town continued implementation of Strategic Planning activities and the completion of existing grant programs in FY 21/22, while dealing with supply chain issues.

- Northern Shenandoah Business Park Phase 1 Improvements – Project design is at 100% and remains in the ROW acquisition phase. Ongoing right of way negotiations, which should be complete in early mid-2023. Bidding would follow and construction could extend into 2024.
- Streetscape Improvements Phase III – Phase III, the final phase, is complete.
- AMI/AMR Water Meter Replacement - Approved by Council for FY21/22, contract executed in July 2022; with implementation slated for Spring 2023. Town Council approved a budget amendment to utilize American Rescue Plan Act (ARPA) funds for this project.
- USDA Sanitary Sewer Upgrade - Engineering design underway.

Awards and Acknowledgements

The Town of Strasburg continues to operate with the intent and achievement of a stable financial position through effective management of financial controls and operations paired with sound accounting and reporting practices. Gratitude is expressed to the Mayor and Town Council, who continue to show support for programs and practices as well as the management of Town finances, and their exceptional financial stewardship.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Strasburg for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2021. This was the 3rd consecutive year that the Town of Strasburg has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Town of Strasburg had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements. A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate



The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Department. We want to thank all Town of Strasburg departments for their assistance in providing the data necessary to prepare this report. Credit is also due to the Mayor and the Council for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Strasburg's finances.

Respectfully submitted,

A handwritten signature in blue ink that reads "Waverly Coggsdale".

Waverly Coggsdale, Town Manager

A handwritten signature in blue ink that reads "Angela Fletcher".

Angela Fletcher, Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

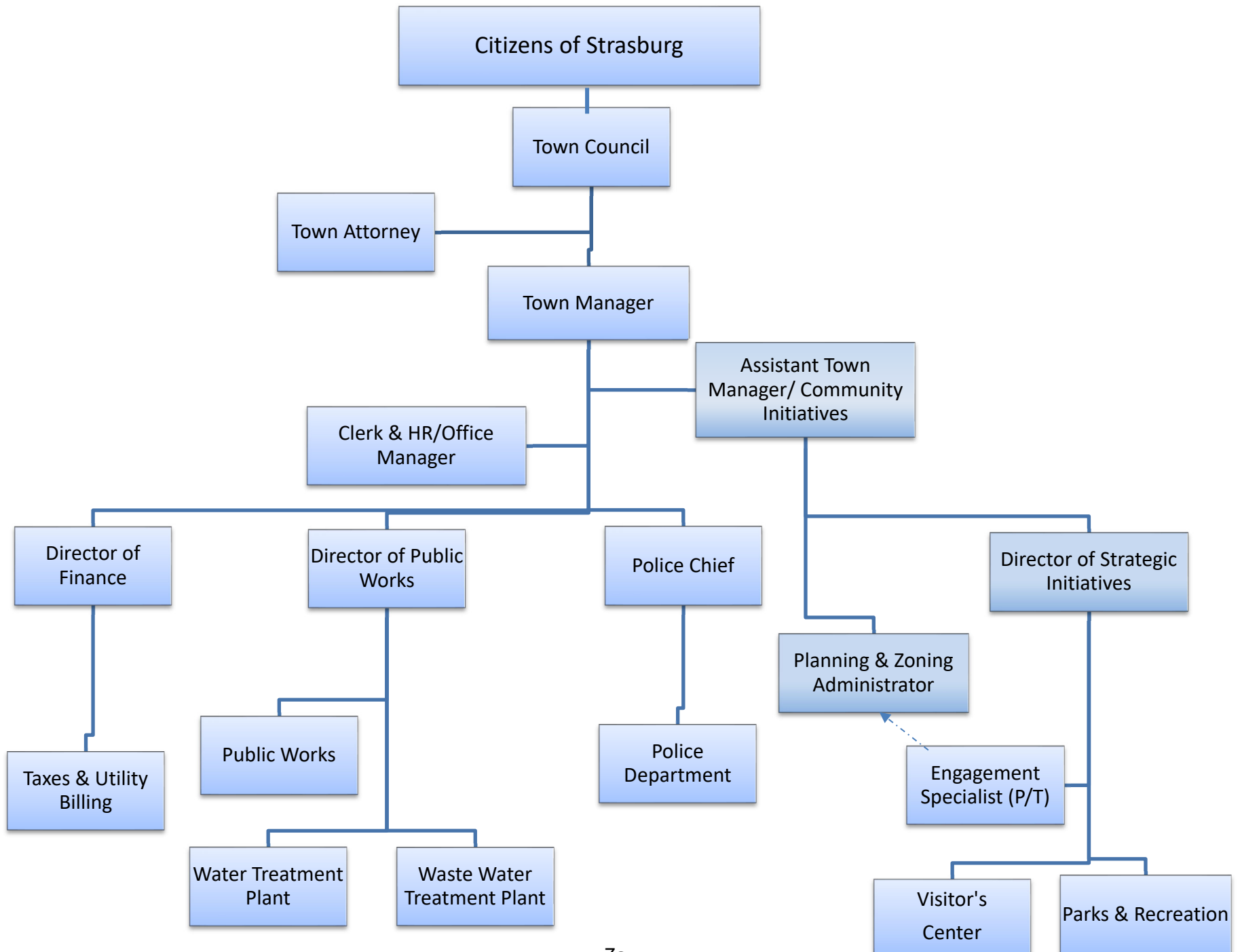
**Town of Strasburg
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO



TOWN OF STRASBURG, VIRGINIA

OFFICIALS

Brandy Boies, Mayor
J. Waverly Coggsdale, III, Town Manager
Angela Fletcher, Director of Finance

TOWN COUNCIL

S. John Massoud
Taralyn Nicholson
Dane Hooser
Christie Monahan

Emily Reynolds
Doreen Ricard
Ashleigh Kimmons
Ken Cherrix, Vice Mayor

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Strasburg, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business type activities, and each major fund of the Town of Strasburg, Virginia, as of and for the year ended June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 the Town of Strasburg, 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 1 to the financial statements, in 2022, the Town adopted new accounting guidance, GASB Statement No. 87, *Leases*. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Strasburg, 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, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns* 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, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2022, on our consideration of the Town of Strasburg, 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 the Town of Strasburg, 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 the Town of Strasburg, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 23, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) offers an overview and analysis of the financial activities of the Town of Strasburg for the fiscal year ended June 30, 2022. The information presented here should be considered in conjunction with additional information provided in the Comprehensive Annual Financial Report.

FINANCIAL HIGHLIGHTS

Government-wide Financial Statements

The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at June 30, 2022 by \$38,810,324 which equals the total net position of the Town. Of this amount, \$9,033,165 is unrestricted and may be used to meet the Town's future obligations. Of the \$9,033,165 unrestricted net position, approximately \$3,637,267 is related to governmental activities and is undesignated and available for future General Fund expenditures. The \$5,395,898 remaining balance of unrestricted net position is related to business-type activities, which includes the Town's enterprise fund.

The Town's total long-term debt increased by \$207,339 from \$27,834,389 as of June 30, 2021 to \$28,041,728 as of June 30, 2022. The increase was due to the issuance of Series 2021C General Obligation Bonds.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant funds.

The Town's governmental funds reported revenues and other financing sources a surplus in the amount of \$2,868,204 for the fiscal year; with an ending fund balance of \$6,687,291 of that amount \$78,396 is restricted for proffers, \$96,732 is restricted for asset forfeiture for the Police Department, \$166,372 is restricted for debt service, and \$2,326,810 is restricted for unspent bond proceeds.

The Town's proprietary funds reported an increase in the net position of \$518,600. This is primarily due to capital grants and contributions (availability fees).

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management Discussion and Analysis serves as an introduction to the Town's basic financial statements which are the government-wide financial statements, fund financial statements, and notes to the financial statements.

The Town's financial statements present two kinds of statements, each with a different view of the Town's finances. The government-wide financial statements provide both long and short-term information about the Town's overall financial status. The fund financial statements focus on individual parts of the Town's government, reporting the Town's operations in more detail than the government-wide statements. The basic financial statements also include notes to explain information in the financial statements and provide more detailed data. The statements and notes are followed by required supplementary information that contains more detailed data.

Government-wide Financial Statements

The government-wide financial statements report information about the Town uses accounting methods similar to those used by private-sector businesses. In addition, they report the Town's net position and how they have changed during the fiscal year.

The Statement of Net Position and the Statement of Activities report the Town's net position and changes in assets. One can think of the Town's net position – the difference between assets and liabilities – as one way to measure the Town's financial position.

Governmental activities – Most of the Town's basic services are reported here; general government, police, public works, and recreation. Property taxes, and other taxes, finance most of these activities.

Business-type activities – The financial activity of the water, sewer and trash are reported here. The Town charges a fee to customers to help cover all or most of the cost of services provided by these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Town's most significant funds. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for purposes. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town's funds can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to report most of the Town's basic services. The funds focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances remaining at year-end that is available for spending. The governmental funds financial statements provide a detailed short-term view that shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided with the fund financial statements to explain the relationship (or differences). The General Fund is the main operating account of the Town and consequently, the largest of the governmental funds. All other governmental funds, which include special revenue funds, debt service funds, and capital project funds, are collectively referred to as non-major governmental funds.

Proprietary Funds

Proprietary funds, which consist of enterprise funds and internal service funds, are used to account for operations that are financed and operated in a manner similar to private business enterprises in which costs are recovered primarily through user charges. Proprietary fund financial statements, like the government-wide financial statements, provide both long and short-term financial information. The Town maintains three proprietary funds. The Town uses enterprise funds to account for its water, sewer and trash.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's total assets, liabilities and net position on a government-wide basis are summarized below:

**Summary of Statement of Net Position
as of June 30, 2022
(in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 12,858	\$ 9,987	\$ 6,628	\$ 6,036	\$ 19,486	\$ 16,023
Capital assets	10,159	10,180	44,027	45,207	54,186	55,387
Total Assets	<u>\$ 23,017</u>	<u>\$ 20,167</u>	<u>\$ 50,655</u>	<u>\$ 51,243</u>	<u>\$ 73,672</u>	<u>\$ 71,410</u>
Deferred outflows of resources	\$ 523	\$ 540	\$ 463	\$ 498	\$ 986	\$ 1,038
Long-term debt outstanding	\$ 3,572	\$ 1,592	\$ 24,470	\$ 26,242	\$ 28,042	\$ 27,834
Other liabilities	4,733	5,055	296	461	5,029	5,516
Total Liabilities	<u>\$ 8,305</u>	<u>\$ 6,647</u>	<u>\$ 24,766</u>	<u>\$ 26,703</u>	<u>\$ 33,071</u>	<u>\$ 33,350</u>
Deferred inflows of resources	\$ 1,967	\$ 943	\$ 810	\$ 15	\$ 2,777	\$ 958
Net Position						
Net investment in capital assets	\$ 9,146	\$ 9,528	\$ 19,770	\$ 19,828	\$ 28,916	\$ 29,356
Restricted asset forfeitures	97	90	-	-	97	90
Restricted for other purposes	388	915	377	248	765	1,163
Unrestricted	3,637	2,584	5,395	4,947	9,032	7,531
Total net position	<u>\$ 13,268</u>	<u>\$ 13,117</u>	<u>\$ 25,542</u>	<u>\$ 25,023</u>	<u>\$ 38,810</u>	<u>\$ 38,140</u>

The Town's combined net position increased from \$38,140,853 at June 30, 2021 to \$38,810,324 at June 30, 2022 primarily due to an increase in capital assets in business type activities. The majority (75 percent) of the Town's net position of governmental activities is invested in capital assets (streets, drainage, constructions in progress, buildings, equipment, etc.) The capital assets are not available for future expenditures since they will not be sold. The Town has a strong financial position with 23 percent of net position in governmental activities unrestricted and available for providing services to the citizens of the Town of Strasburg.

The net position of the Town's business-type activities is \$25,542,278. The majority (77 percent) of the net position in the business-type activities is invested in capital assets. The Town uses the unrestricted net position to upgrade water and sewer lines, maintain the water treatment plant and wastewater treatment plant.

In summary, the Town of Strasburg's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$38,810,324 at the close of the most recent fiscal year.

Statement of Activities

The Town's total revenues and expenses for governmental and business-type activities are reflected in the following chart:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program revenues						
Charges for services	\$ 177,435	\$ 143,806	\$ 5,046,785	\$ 4,922,855	\$ 5,224,220	\$ 5,066,661
Operating grants and contributions	370,485	1,231,411	-	-	370,485	1,231,411
Capital grants and contributions	88,599	1,027,437	762,785	1,054,755	851,384	2,082,192
General revenues						
Property taxes	2,114,163	1,948,070	-	-	2,114,163	1,948,070
Other taxes and fees	2,345,064	2,224,740	-	-	2,345,064	2,224,740
Grants and contributions not restricted to specific programs	161,703	185,841	-	14,714	161,703	200,555
Revenue from use of money	12,412	2,718	21,504	13,096	33,916	15,814
Other	140,893	181,516	24,945	61,609	165,838	243,125
Total revenues	\$ 5,410,754	\$ 6,945,539	\$ 5,856,019	\$ 6,067,029	\$ 11,266,773	\$ 13,012,568
EXPENSES						
General government administration	\$ 1,378,054	\$ 1,410,192	\$ -	\$ -	\$ 1,378,054	\$ 1,410,192
Public safety	2,039,404	2,166,334	-	-	2,039,404	2,166,334
Public works	1,037,799	1,631,656	-	-	1,037,799	1,631,656
Health and welfare	18,231	13,573	-	-	18,231	13,573
Community development	222,212	192,280	-	-	222,212	192,280
Parks and recreation	304,078	305,861	-	-	304,078	305,861
Interest on long-term debt	139,866	20,408	-	-	139,866	20,408
Public utilities	-	-	5,457,658	6,028,841	5,457,658	6,028,841
Total expenses	\$ 5,139,644	\$ 5,740,304	\$ 5,457,658	\$ 6,028,841	\$ 10,597,302	\$ 11,769,145
Change in net position before transfers	\$ 271,110	\$ 1,205,235	\$ 398,361	\$ 38,188	\$ 669,471	\$ 1,243,423
Transfers	(120,239)	(86,315)	120,239	86,315	-	-
Change in net position	\$ 150,871	\$ 1,118,920	\$ 518,600	\$ 124,503	\$ 669,471	\$ 1,243,423
Net position, beginning	13,117,175	11,998,255	25,023,678	24,899,175	38,140,853	36,897,430
Net position, ending	\$ 13,268,046	\$ 13,117,175	\$ 25,542,278	\$ 25,023,678	\$ 38,810,324	\$ 38,140,853

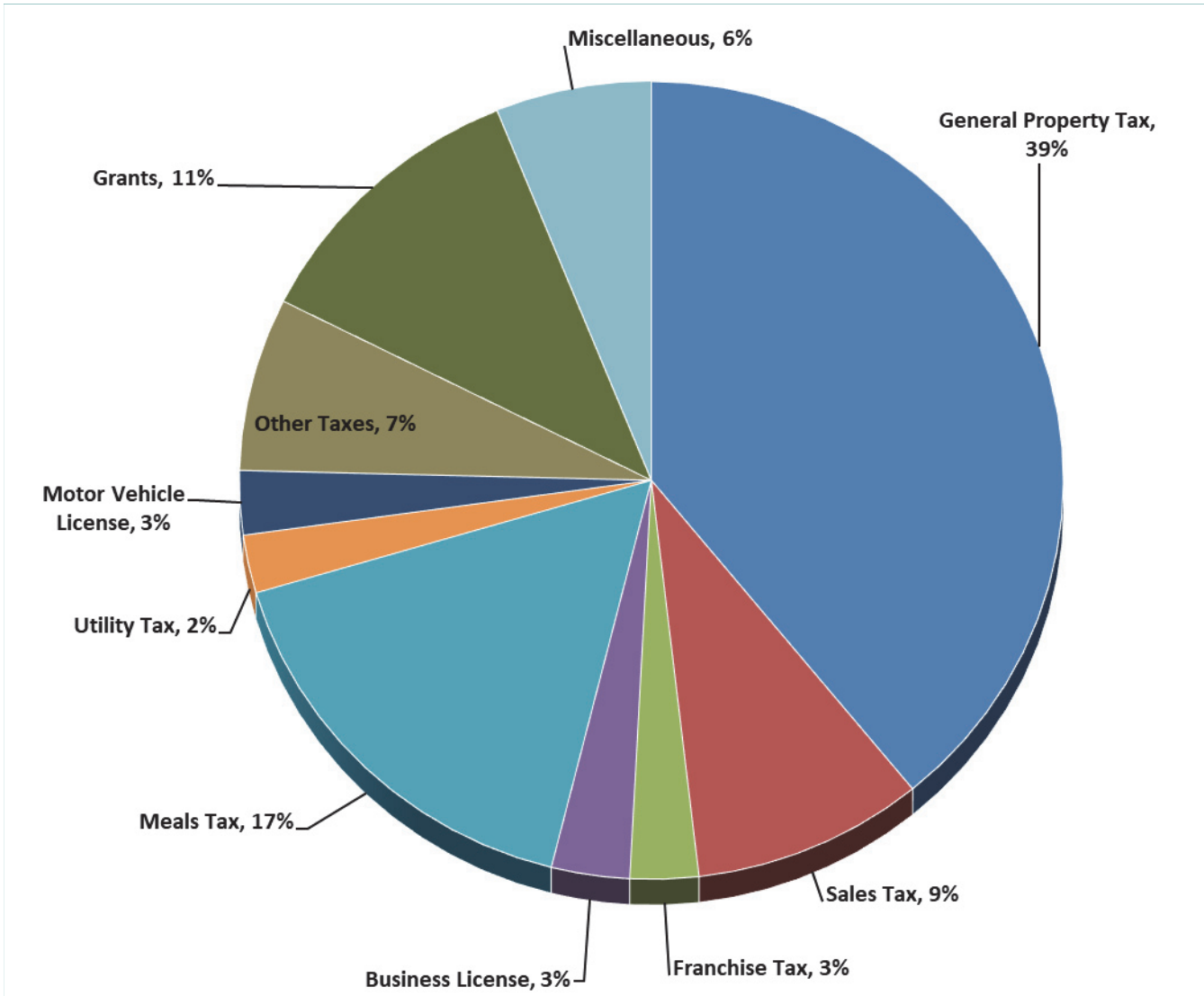
Governmental Activities

Revenues

Revenues from governmental activities totaled \$5,410,754. General property taxes and other taxes are the largest component of revenue (82 percent). General property tax revenues were \$2,114,163, an increase of 8.52 percent from June 30, 2021. The Town received reimbursement of \$138,898 from the Commonwealth of Virginia for taxes on individual automobiles.

Other local taxes and fees including revenue from local sales, franchise tax, business licenses, and meals taxes were \$2,345,064 an increase of 5.41 percent from June 30, 2021.

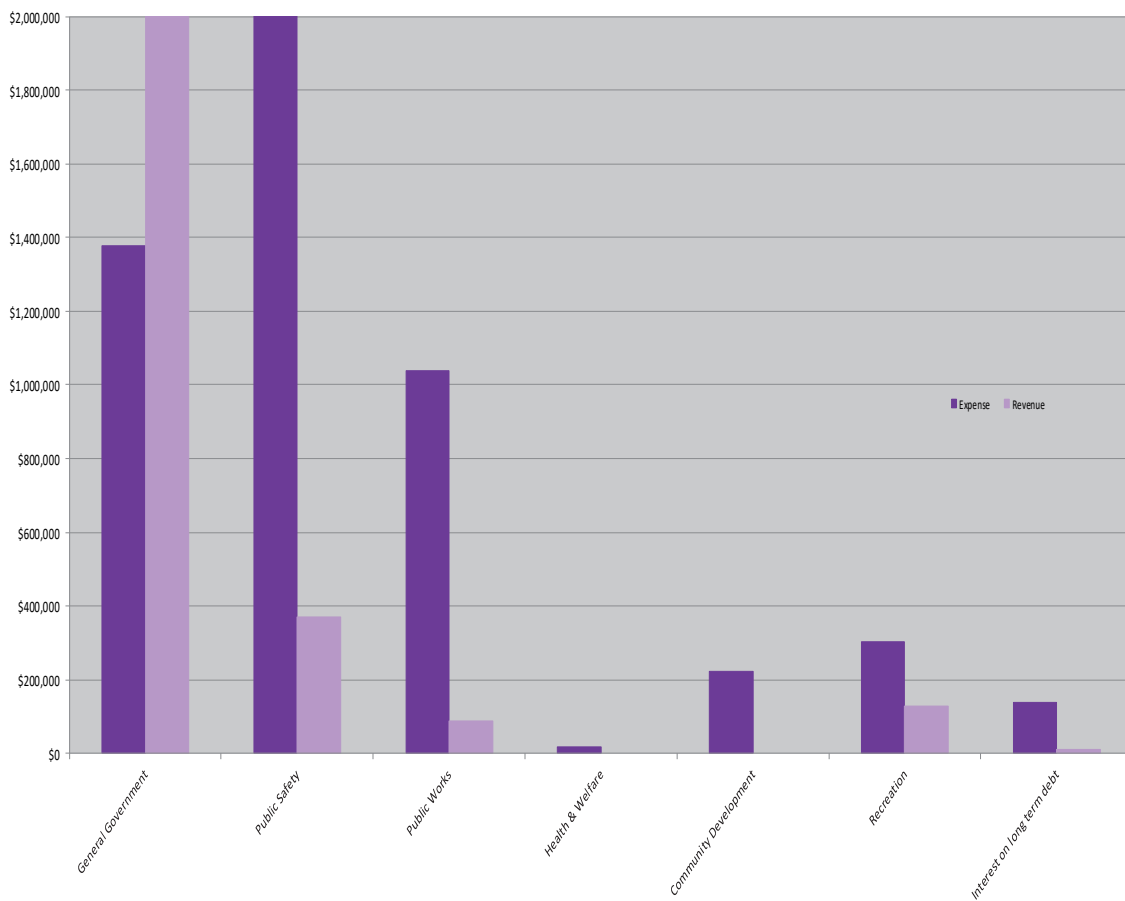
Revenue by Source-Governmental Activities



Expenses

Expenses for governmental activities totaled \$5,139,644, which was an decrease of \$600,660 from the prior fiscal year. This decrease is due to street paving that occurred late in FY21. The Public Safety and Public Works departments account for 60 percent of the total expenses for governmental activities.

Program Expenses and Program Revenues – Governmental Activities



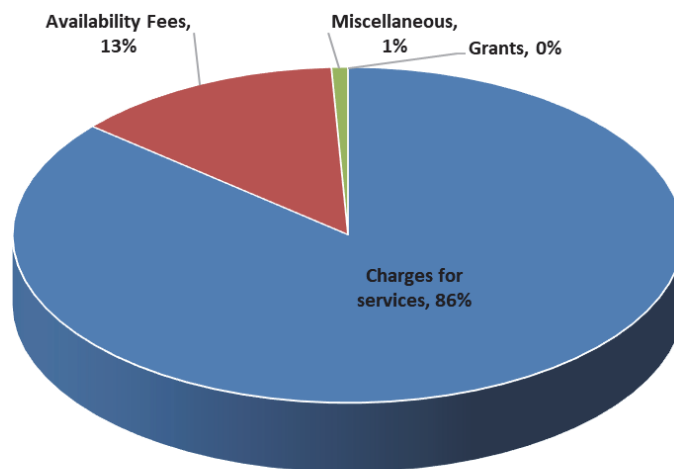
Business-type Activities

The Town's business-type activities are comprised of enterprise funds for water, sewer, and trash. For the Town of Strasburg's business-type activities, the results for the current fiscal year were a net position increase to reach an ending balance of \$25,542,278. The total increase in net position for business-type activities (water, sewer & trash funds) was \$518,600 from the prior fiscal year. The increase, in large part, is attributable to grants and tap/availability fees in utility revenues.

Revenues

Revenue for all business-type activities totaled \$5,856,019 which is a 3.48 percent decrease over 2021.

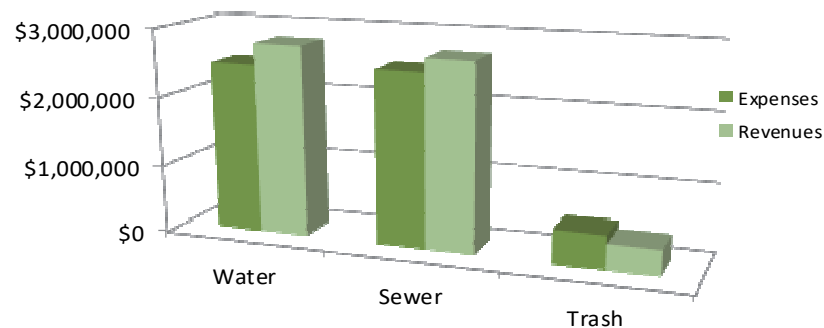
Revenues by Source - Business-type Activities



Expenses

Expenses totaled \$5,457,658 which was a decrease of \$571,183 over 2021. The decrease is attributable to repairs and maintenance for water infrastructure being completed in the prior year.

Expenses and Program Revenues – Business-type Activities



The Town's Proprietary Funds provide the same type of information found in the government-wide financial statements for business-type activities but in more detail.

FUND FINANCIAL ANALYSIS

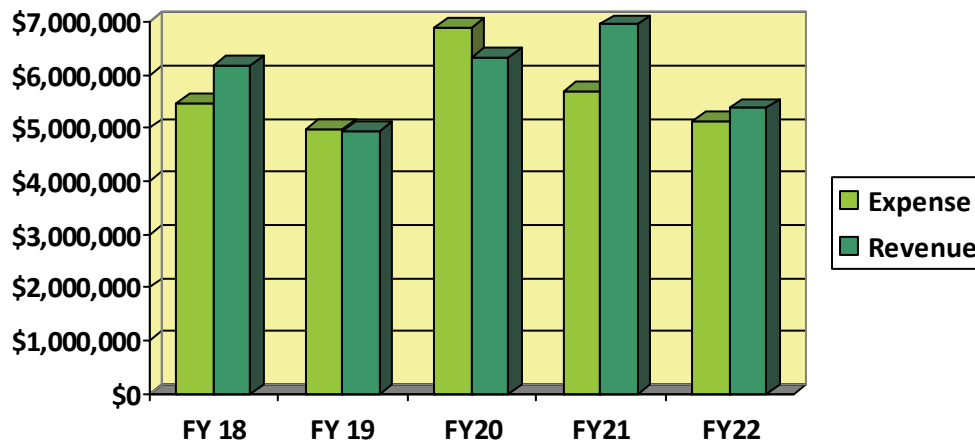
Governmental Funds

Governmental Funds include the General Fund of which the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund

The chief operating fund of the Town is the General Fund. At the end of 2022, the unassigned fund balance was \$3,973,119 which reflects an increase of \$1,606,325 over 2021. The graph below shows General Fund summary financial information for the past five years.

Five Year General Fund Financial Summary



General Fund Budgetary Highlights

Actual revenue exceeded expenditures by \$245,889 in the General Fund, 2022 actual revenues were \$1,566,733 less than fiscal year 2021 revenues. The increase was largely due to receiving grant monies and a reduction in capital outlay expenditures in the prior fiscal year.

Proprietary Funds

The Town's proprietary funds are comprised of water, sewer and trash. The Town accounts for these three proprietary accounts as enterprise funds.

Water Fund

The Water Fund ended 2022 with unrestricted net position of \$4,022,160 which can be used for future fund expenses.

Sewer Fund

The Sewer Fund ended 2022 with unrestricted net position of \$1,366,942 which can be used for future fund expenses.

Trash Fund The Trash Fund ended 2022 with unrestricted net position of \$6,796 which can be used for future fund expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

2022 primary government investment in capital assets for its governmental and business-type activities was \$54,186,168 net of depreciation/amortization (see chart below).

Capital Assets (net of depreciation/amortization in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Land and improvements	\$ 639	\$ 639	\$ 405	\$ 405	\$ 1,044	\$ 1,044
Buildings and improvements	2,526	2,635	8	13	2,534	2,648
Infrastructure	5,812	6,012	43,049	44,152	48,861	50,164
Furniture, equipment & vehicles	639	549	551	623	1,190	1,172
Lease assets	29	-	-	-	29	-
Construction in Progress	514	345	14	14	528	359
Total	<u>\$ 10,159</u>	<u>\$ 10,180</u>	<u>\$ 44,027</u>	<u>\$ 45,207</u>	<u>\$ 54,186</u>	<u>\$ 55,387</u>

Total Capital Assets at June 30, 2022 were \$54,186,168 compared to \$55,387,023 at June 30, 2021, resulting in a decrease of \$1,200,855 in the total Capital Assets. Much of this decrease is due to depreciation.

Water and sewer lines account for most of the capital assets in the Business-type activity, with streets and roadways in the Government-type activity.

Additional information on the Town's capital assets may be found in the notes to financial statements, Note 7 – Capital Assets.

Long-term Debt

The Town's total outstanding debt at the end of 2022 was \$28,041,728 with \$24,470,003 in business-type activities and \$3,571,725 in governmental activities. Notes payable, lease liabilities, vacation pay and net OPEB liabilities are included in outstanding debt.

**Town of Strasburg Outstanding Debt
General Obligation and Revenue Bonds
June 30, 2022
(In thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ 2,878	\$ 516	\$ 24,100	\$ 25,196	\$ 26,978	\$ 25,712
Unamortized bond premium	350	34	127	136	477	170
Notes payable	84	103	30	46	114	149
Lease liabilities	29	-	-	-	29	-
Compensated absences	139	135	129	128	268	263
Net pension liability	-	665	-	609	-	1,274
Net OPEB liability	92	139	84	127	176	266
Total	\$ 3,572	\$ 1,592	\$ 24,470	\$ 26,242	\$ 28,042	\$ 27,834

Additional information on the Town's long-term obligations can be found in the notes to the financial statements, Note 8-Long Term Obligations.

ECONOMIC FACTORS

With the completion of a large residential development in 2022; the town currently has several developments that are being phased in over the next few years. There continues to be interest in available land in the Northern Shenandoah Business Park, as well as properties in the downtown area.

The Town continues to work towards the extension of Borden Mowery Drive, which is scheduled to begin later this fiscal year or early next fiscal year.

CONTACT INFORMATION

This financial report is designed to provide a general overview of the Town's finances for those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance or Town Manager, Town of Strasburg, PO Box 351, Strasburg, VA 22657.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Strasburg, Virginia
Statement of Net Position
June 30, 2022

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,400,615	\$ 4,704,458	\$ 13,105,073
Receivables			
Taxes, net of allowance of \$30,855	1,292,694	-	1,292,694
Accounts, net of allowance of \$17,422	124,853	591,836	716,689
Due from other governmental units	108,325	-	108,325
Internal balances	73,959	(73,959)	-
Inventory	16,985	876,350	893,335
Prepaid items	28,877	22,430	51,307
Accrued interest receivable	-	51	51
Lease receivable	-	20,702	20,702
Restricted assets:			
Cash and cash equivalents	2,668,310	356,633	3,024,943
Net pension asset	141,902	128,073	269,975
Net OPEB assets	1,811	1,633	3,444
Capital assets:			
Nondepreciable:			
Land	\$ 639,469	\$ 404,837	\$ 1,044,306
Construction in progress	513,497	13,932	527,429
Depreciable, net of accumulated depreciation/amortization:			
Furniture, equipment, and vehicles	639,340	550,997	1,190,337
Buildings and improvements	2,526,354	8,330	2,534,684
Infrastructure	5,811,964	43,048,918	48,860,882
Lease assets	28,530	-	28,530
Total capital assets, net	\$ 10,159,154	\$ 44,027,014	\$ 54,186,168
Total assets	\$ 23,017,485	\$ 50,655,221	\$ 73,672,706
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 486,383	\$ 430,610	\$ 916,993
OPEB related items	37,069	32,791	69,860
Total deferred outflows of resources	\$ 523,452	\$ 463,401	\$ 986,853
LIABILITIES			
Accounts payable	\$ 73,104	\$ 110,964	\$ 184,068
Other liabilities	72,149	40,405	112,554
Customer deposits	-	108,297	108,297
Accrued interest payable	27,581	36,207	63,788
Unearned revenue-other	4,560,566	-	4,560,566
Noncurrent liabilities:			
Due within one year	252,624	1,160,905	1,413,529
Due in more than one year	3,319,101	23,309,098	26,628,199
Total liabilities	\$ 8,305,125	\$ 24,765,876	\$ 33,071,001
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue-property taxes	\$ 1,093,565	\$ -	\$ 1,093,565
Pension related items	823,328	744,383	1,567,711
OPEB related items	50,873	45,920	96,793
Lease related items	-	20,165	20,165
Total deferred inflows of resources	\$ 1,967,766	\$ 810,468	\$ 2,778,234
NET POSITION			
Net investment in capital assets	\$ 9,145,566	\$ 19,769,629	\$ 28,915,195
Restricted for debt service	166,372	247,045	413,417
Restricted for pension and OPEB benefits	143,713	129,706	273,419
Restricted asset forfeitures	96,732	-	96,732
Restricted for proffers	78,396	-	78,396
Unrestricted	3,637,267	5,395,898	9,033,165
Total net position	\$ 13,268,046	\$ 25,542,278	\$ 38,810,324

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Primary Government		Total
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,378,054	\$ 49,150	\$ -	\$ -	\$ (1,328,904)	\$ -	\$ (1,328,904)
Public safety	2,039,404	-	370,485	-	(1,668,919)	-	(1,668,919)
Public works	1,037,799	-	-	88,599	(949,200)	-	(949,200)
Health and welfare	18,231	-	-	-	(18,231)	-	(18,231)
Community development	222,212	-	-	-	(222,212)	-	(222,212)
Parks, recreation and cultural	304,078	128,285	-	-	(175,793)	-	(175,793)
Interest on long-term debt	139,866	-	-	-	(139,866)	-	(139,866)
Total governmental activities	\$ 5,139,644	\$ 177,435	\$ 370,485	\$ 88,599	\$ (4,503,125)	\$ -	\$ (4,503,125)
Business-type activities:							
Water Fund	\$ 2,460,596	\$ 2,366,474	\$ -	\$ 378,282	\$ -	\$ 284,160	\$ 284,160
Sewer Fund	2,508,221	2,313,262	-	384,503	-	189,544	189,544
Trash Fund	488,841	367,049	-	-	-	(121,792)	(121,792)
Total business-type activities	\$ 5,457,658	\$ 5,046,785	\$ -	\$ 762,785	\$ -	\$ 351,912	\$ 351,912
Total primary government	\$ 10,597,302	\$ 5,224,220	\$ 370,485	\$ 851,384	\$ (4,503,125)	\$ 351,912	\$ (4,151,213)
General revenues:							
General property taxes					\$ 2,114,163	\$ -	\$ 2,114,163
Other local taxes:							
Local sales tax					491,243	-	491,243
Franchise taxes					145,119	-	145,119
Business licenses					166,137	-	166,137
Meals tax					895,074	-	895,074
Utility tax					127,235	-	127,235
Motor vehicle licenses					140,481	-	140,481
Other taxes					379,775	-	379,775
Grants and contributions not restricted to specific programs					161,703	-	161,703
Revenue from the use of money					12,412	21,504	33,916
Miscellaneous					140,893	24,945	165,838
Transfers					(120,239)	120,239	-
Total general revenues and transfers					\$ 4,653,996	\$ 166,688	\$ 4,820,684
Change in net position					\$ 150,871	\$ 518,600	\$ 669,471
Net position - beginning					13,117,175	25,023,678	38,140,853
Net position - ending					\$ 13,268,046	\$ 25,542,278	\$ 38,810,324

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

FUND FINANCIAL STATEMENTS

Town of Strasburg, Virginia
Balance Sheet
Governmental Fund
June 30, 2022

Exhibit 3

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 8,400,615
Receivables:	
Taxes, net of allowance of \$30,855	1,292,694
Accounts	124,853
Due from other governmental units	108,325
Due from other funds	73,959
Inventory	16,985
Prepaid items	28,877
Restricted assets:	
Cash and cash equivalents	2,668,310
Total assets	<u>\$ 12,714,618</u>
LIABILITIES	
Accounts payable	\$ 73,104
Accrued liabilities	72,149
Unearned revenue - other	4,560,566
Total liabilities	<u>\$ 4,705,819</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	\$ 1,321,508
Total deferred inflows of resources	<u>\$ 1,321,508</u>
FUND BALANCES	
Nonspendable	
Inventory	\$ 16,985
Prepaid items	28,877
Restricted:	
Debt service	166,372
Proffers	78,396
Assets forfeitures	96,732
Unspent bond proceeds	2,326,810
Unassigned	3,973,119
Total fund balances	<u>\$ 6,687,291</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,714,618</u>

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

Town of Strasburg, Virginia
Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Position
June 30, 2022

Exhibit 4

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Fund \$ 6,687,291

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	639,469	
Construction in progress		513,497	
Buildings and improvements		2,526,354	
Furniture, equipment and vehicles		639,340	
Infrastructure		5,811,964	
Lease assets		<u>28,530</u>	10,159,154

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds.

Unavailable revenue - property taxes 227,943

The net pension and net OPEB assets are not an available resource and, therefore are not reported in the funds.

143,713

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$	486,383	
OPEB related items		<u>37,069</u>	523,452

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	\$	(138,739)	
General obligation bonds, net of original issue premium		(3,227,536)	
Accrued interest payable		(27,581)	
Note payable		(84,255)	
Lease liabilities		(28,607)	
Net OPEB liabilities		<u>(92,588)</u>	(3,599,306)

Deferred inflows of resources are not due and payable in the current-period and, therefore, are not reported in the funds.

Pension related items	\$	(823,328)	
OPEB related items		<u>(50,873)</u>	<u>(874,201)</u>

Net position of governmental activities \$ 13,268,046

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

Town of Strasburg, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2022

Exhibit 5

	<u>General</u>
REVENUES	
General property taxes	\$ 2,075,913
Other local taxes	2,345,064
Permits, privilege fees, and regulatory licenses	30,124
Fines and forfeitures	19,026
Miscellaneous	140,893
Revenue from the use of money and property	12,412
Charges for services	128,285
Intergovernmental:	
Commonwealth	390,016
Federal	230,771
Total revenues	<u>\$ 5,372,504</u>
EXPENDITURES	
Current:	
General government administration	\$ 495,424
Public safety	1,983,858
Public works	821,744
Health and welfare	18,231
Parks, recreation, and cultural	207,387
Community development	222,065
Capital outlay:	
Administrative	898,393
Public safety	243,548
Parks, recreation, and cultural	15,000
Community development	20,248
Debt service:	
Principal	81,139
Interest	63,046
Bond issuance costs	56,532
Total expenditures	<u>\$ 5,126,615</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 245,889</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	\$ 1,464
Transfers out	(121,703)
Issuance of note payable	34,683
Issuance of bonds	2,390,000
Premium on bonds issued	317,871
Total other financing sources (uses)	<u>\$ 2,622,315</u>
Net change in fund balance	\$ 2,868,204
Fund balance, beginning of year	3,819,087
Fund balance, end of year	<u>\$ 6,687,291</u>

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

Town of Strasburg, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Fund
to the Statement of Activities
For the Year Ended June 30, 2022

Exhibit 6

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

Net change in fund balances - total governmental funds	\$	2,868,204
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$	459,887	
Depreciation/amortization expense		<u>(481,080)</u>	(21,193)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable property taxes is reported as revenues in the governmental funds.

Property taxes			38,250
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of bond	\$	(2,390,000)	
Bond premium		(317,871)	
Issuance of note payable		(34,683)	
Issuance of leases		(30,744)	
Amortization of premium on bond issue		2,436	
Principal repayments		<u>83,276</u>	(2,687,586)

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 accrued interest	\$	(22,481)	
Change in compensated absences		(3,336)	
Change in pension related items		(26,419)	
Change in OPEB related items		<u>5,432</u>	<u>(46,804)</u>

Change in net position of governmental activities	\$	<u><u>150,871</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Strasburg, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2022

Exhibit 7

	Water Fund	Sewer Fund	Trash Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,784,326	\$ 920,132	\$ -	\$ 4,704,458
Receivables:				
Accounts, net of allowance for uncollectible accounts \$17,422	263,167	281,444	47,225	591,836
Inventory	388,517	487,833	-	876,350
Prepaid items	9,285	13,145	-	22,430
Accrued interest receivable	51	-	-	51
Lease receivable, current portion	3,014	-	-	3,014
Total current assets	<u>\$ 4,448,360</u>	<u>\$ 1,702,554</u>	<u>\$ 47,225</u>	<u>\$ 6,198,139</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	\$ 232,470	\$ 124,163	\$ -	\$ 356,633
Lease receivable, net of current portion	17,688	-	-	17,688
Net pension asset	66,374	61,699	-	128,073
Net OPEB assets	846	787	-	1,633
Capital assets, net of accumulated depreciation/amortization	16,045,892	27,981,122	-	44,027,014
Total noncurrent assets	<u>\$ 16,363,270</u>	<u>\$ 28,105,285</u>	<u>\$ -</u>	<u>\$ 44,401,335</u>
Total assets	<u>\$ 20,811,630</u>	<u>\$ 29,870,325</u>	<u>\$ 47,225</u>	<u>\$ 50,729,180</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 221,074	\$ 209,536	\$ -	\$ 430,610
OPEB related items	16,743	16,048	-	32,791
Total deferred outflows of resources	<u>\$ 237,817</u>	<u>\$ 225,584</u>	<u>\$ -</u>	<u>\$ 463,401</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 26,960	\$ 43,575	\$ 40,429	\$ 110,964
Accrued wages	20,017	20,388	-	40,405
Due to other funds	73,959	-	-	73,959
General obligation bonds payable current portion	302,153	764,943	-	1,067,096
Notes payable current portion	8,189	8,189	-	16,378
Compensated absences current portion	36,771	40,660	-	77,431
Customer deposits	108,297	-	-	108,297
Accrued interest payable	26,484	9,723	-	36,207
Total current liabilities	<u>\$ 602,830</u>	<u>\$ 887,478</u>	<u>\$ 40,429</u>	<u>\$ 1,530,737</u>
Noncurrent liabilities:				
Compensated absences, net of current portion	\$ 24,514	\$ 27,107	\$ -	\$ 51,621
General obligation bonds payable, net of current portion	10,059,200	13,100,645	-	23,159,845
Notes payable net of current portion	7,033	7,033	-	14,066
Net OPEB liabilities	43,308	40,258	-	83,566
Total noncurrent liabilities	<u>\$ 10,134,055</u>	<u>\$ 13,175,043</u>	<u>\$ -</u>	<u>\$ 23,309,098</u>
Total liabilities	<u>\$ 10,736,885</u>	<u>\$ 14,062,521</u>	<u>\$ 40,429</u>	<u>\$ 24,839,835</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	\$ 387,020	\$ 357,363	\$ -	\$ 744,383
OPEB related items	23,798	22,122	-	45,920
Lease related items	20,165	-	-	20,165
Total deferred inflows of resources	<u>\$ 430,983</u>	<u>\$ 379,485</u>	<u>\$ -</u>	<u>\$ 810,468</u>
NET POSITION				
Net investment in capital assets	\$ 5,669,317	\$ 14,100,312	\$ -	\$ 19,769,629
Restricted for debt service	122,882	124,163	-	247,045
Restricted for pension and OPEB benefits	67,220	62,486	-	129,706
Unrestricted	4,022,160	1,366,942	6,796	5,395,898
Total net position	<u>\$ 9,881,579</u>	<u>\$ 15,653,903</u>	<u>\$ 6,796</u>	<u>\$ 25,542,278</u>

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

Town of Strasburg, Virginia
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2022

Exhibit 8

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Trash Fund</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services:				
Sale of water	\$ 2,184,030	\$ -	\$ -	\$ 2,184,030
Sewer service charges	-	2,302,040	-	2,302,040
Trash collection fees	-	-	367,049	367,049
Late payment charges	86,823	11,222	-	98,045
Miscellaneous	22,963	1,982	-	24,945
Total operating revenues	<u>\$ 2,293,816</u>	<u>\$ 2,315,244</u>	<u>\$ 367,049</u>	<u>\$ 4,976,109</u>
OPERATING EXPENSES				
Water treatment facilities, transmission and distribution	\$ 653,523	\$ -	\$ -	\$ 653,523
Personnel	983,364	1,011,027	-	1,994,391
Operation and maintenance	-	722,688	-	722,688
Trash collection	-	-	488,841	488,841
Depreciation/amortization	540,848	739,267	-	1,280,115
Total operating expenses	<u>\$ 2,177,735</u>	<u>\$ 2,472,982</u>	<u>\$ 488,841</u>	<u>\$ 5,139,558</u>
Net operating income (loss)	<u>\$ 116,081</u>	<u>\$ (157,738)</u>	<u>\$ (121,792)</u>	<u>\$ (163,449)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	\$ 11,260	\$ 10,244	\$ -	\$ 21,504
Land management grant	1,300	1,300	-	2,600
Lease revenue	95,621	-	-	95,621
Interest expense	(282,861)	(35,239)	-	(318,100)
Total nonoperating revenues (expenses)	<u>\$ (174,680)</u>	<u>\$ (23,695)</u>	<u>\$ -</u>	<u>\$ (198,375)</u>
Income (loss) before contributions and grants and transfers	<u>\$ (58,599)</u>	<u>\$ (181,433)</u>	<u>\$ (121,792)</u>	<u>\$ (361,824)</u>
Capital contributions and construction grants	<u>\$ 376,982</u>	<u>\$ 383,203</u>	<u>\$ -</u>	<u>\$ 760,185</u>
Transfers in	\$ -	\$ -	\$ 121,703	\$ 121,703
Transfers out	<u>(732)</u>	<u>(732)</u>	<u>-</u>	<u>(1,464)</u>
Change in net position	\$ 317,651	\$ 201,038	\$ (89)	\$ 518,600
Net position - beginning	<u>9,563,928</u>	<u>15,452,865</u>	<u>6,885</u>	<u>25,023,678</u>
Net position - ending	<u>\$ 9,881,579</u>	<u>\$ 15,653,903</u>	<u>\$ 6,796</u>	<u>\$ 25,542,278</u>

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

Town of Strasburg, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

Exhibit 9

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Trash Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,301,928	\$ 2,344,353	\$ 365,368	\$ 5,011,649
Payments to suppliers for goods and services	(731,968)	(896,796)	(487,071)	(2,115,835)
Payments to employees for services	(961,896)	(1,001,416)	-	(1,963,312)
Net cash provided by (used for) operating activities	<u>\$ 608,064</u>	<u>\$ 446,141</u>	<u>\$ (121,703)</u>	<u>\$ 932,502</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	\$ (732)	\$ (732)	\$ -	\$ (1,464)
Transfers from other funds	-	-	121,703	121,703
Land management grant	1,300	1,300	-	2,600
Net cash provided by (used for) noncapital financing activities	<u>\$ 568</u>	<u>\$ 568</u>	<u>\$ 121,703</u>	<u>\$ 122,839</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset additions	\$ (82,164)	\$ (18,289)	\$ -	\$ (100,453)
Principal payments on bonds	(289,077)	(806,142)	-	(1,095,219)
Principal payments on capital financing	(7,923)	(7,923)	-	(15,846)
Lease payments	95,621	-	-	95,621
Interest payments	(288,628)	(40,589)	-	(329,217)
Capital contributions from others	376,982	383,203	-	760,185
Net cash provided by (used for) capital and related financing activities	<u>\$ (195,189)</u>	<u>\$ (489,740)</u>	<u>\$ -</u>	<u>\$ (684,929)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	\$ 11,209	\$ 10,244	\$ -	\$ 21,453
Net cash provided by (used for) investing activities	<u>\$ 11,209</u>	<u>\$ 10,244</u>	<u>\$ -</u>	<u>\$ 21,453</u>
Net increase (decrease) in cash and cash equivalents	\$ 424,652	\$ (32,787)	\$ -	\$ 391,865
Cash and cash equivalents (including restricted) - beginning	3,592,144	1,077,082	-	4,669,226
Cash and cash equivalents (including restricted) - ending	<u>\$ 4,016,796</u>	<u>\$ 1,044,295</u>	<u>\$ -</u>	<u>\$ 5,061,091</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 116,081	\$ (157,738)	\$ (121,792)	\$ (163,449)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization	540,848	739,267	-	1,280,115
(Increase) decrease in accounts receivable	29,048	27,038	(1,681)	54,405
(Increase) decrease in due from other governmental units	2,071	2,071	-	4,142
(Increase) decrease in inventory	(5,066)	(104,526)	-	(109,592)
(Increase) decrease in prepaid items	1,531	88	-	1,619
(Increase) decrease in lease receivable	(20,702)	-	-	(20,702)
(Increase) decrease in net pension asset	(66,374)	(61,699)	-	(128,073)
(Increase) decrease in net OPEB asset	(846)	(787)	-	(1,633)
(Increase) decrease in deferred outflows of resources	20,741	14,384	-	35,125
Increase (decrease) in customer deposits	(2,305)	-	-	(2,305)
Increase (decrease) in accounts payable	(74,910)	(69,670)	1,770	(142,810)
Increase (decrease) in accrued wages	(10,897)	(7,130)	-	(18,027)
Increase (decrease) in compensated absences	(3,792)	4,802	-	1,010
Increase (decrease) in net pension liability (asset)	(317,122)	(291,890)	-	(609,012)
Increase (decrease) in net OPEB liabilities (assets)	(22,887)	(20,670)	-	(43,557)
Increase (decrease) in deferred inflows of resources	422,645	372,601	-	795,246
Net cash provided by (used for) operating activities	<u>\$ 608,064</u>	<u>\$ 446,141</u>	<u>\$ (121,703)</u>	<u>\$ 932,502</u>

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

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements JUNE 30, 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Town of Strasburg, Virginia, (the “Town”) was chartered as a Town in 1761. The Town is governed by a mayor and an eight-member Town Council, who are elected at large for staggered four-year terms.

A. Financial Reporting Entity

The Town of Strasburg, Virginia (the Town) is a municipal corporation governed by an elected mayor and eight-member Council. The accompanying financial statements present the 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. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units – There were no blended component units for the Town for the year ended June 30, 2022.

Discretely Presented Component Units – There were no discretely presented component units for the Town for the year ended June 30, 2022.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (government and business-type activities). Governments will report all capital assets in the government-wide Statement of Net Position and will 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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable or deferred inflows. Sales, which are collected by the state 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. Utility taxes are collected by the utilities and remitted directly to the Town.

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

The government reports the following major governmental fund:

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

The government reports the following major proprietary funds:

The *water and sewer funds* provide maintenance to the water and sewer lines and pump stations and derive the majority of their revenues through user charges and fees.

The *trash fund* provides trash collection and landfill disposal to the Town and derives the majority of its revenue through user charges.

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

2. Receivables and Payables

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

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

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements JUNE 30, 2022 (CONTINUED)

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

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

3. *Property Taxes*

The Town collects real property taxes semi-annually and personal property taxes annually. Real property and personal property is assessed by the County of Shenandoah Commissioner of Revenue annually on property owned on January 1st and July 1st for real estate and January 1st for personal property. Town Council adopts tax rates in April of each year as a part of the budget process. Real and personal property taxes are levied as of January 1st and July 1st and are due on June 5th and December 5th of each year. Penalties accrue on the unpaid balances at this date. Interest is charged on unpaid balances beginning December 6th and June 6th. Unpaid real property taxes constitute a lien against the property. The Town bills and collects its own property taxes.

4. *Allowance for Uncollectible Accounts*

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes amounted to approximately \$30,855 at June 30, 2022 and the allowance for uncollectible water, sewer and trash billings amounted to approximately \$17,422 at June 30, 2022.

5. *Inventory*

Inventory is valued at cost, using the *first in, first out* method. The cost is recorded as an expense at the time the individual inventory items are consumed, rather than when purchased.

6. *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. *Capital Assets*

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. For infrastructure asset the same estimated minimum useful life is used (in excess of two years), but only those infrastructure projects that cost more than \$50,000 are reported as capital assets.

As the Town constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increases its estimated useful life.

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)

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

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

7. Capital Assets (continued)

Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, and infrastructure of the primary government, as well as the component unit, are depreciated/amortized using the straight-line method over the following estimated useful lives:

Water plant	50 years
Sewer plant	30-50 years
Reservoir and storage	10-20 years
Lines and meters	10-50 years
Buildings and improvements	20 years
Maintenance building and equipment	30 years
Furniture, equipment and vehicles	5-50 years
Lease equipment	5 years

8. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

9. 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.

10. Other Postemployment Benefits (OPEB)

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

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

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

11. Long-term Obligations

In the government-wide financial statements, long-term debt other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities columns in the statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued and premiums on issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

12. Fund Balance

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
 - Committed fund balance – amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Town Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Council adopts another ordinance to remove or revise the limitation;
- Assigned fund balance – amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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 OF STRASBURG, VIRGINIA

Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)

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

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

12. Fund Balance (continued)

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

In the general fund, the Town strives to maintain an unassigned fund balance to be used to fund unanticipated emergencies of \$1.5 million or 30% of the total general fund operating expenditures.

13. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

14. Net Position

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization 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 Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond and 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.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

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

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

15. *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 asset 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 multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, 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.

16. *Leases*

The Town leases various assets requiring recognition. A lease is a contract that conveys control for 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.

Lessee

The Town recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of \$5,000, 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.

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)

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

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

16. Leases (continued)

Lessor

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

Key Estimates and Judgments

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

- The Town uses the interest rate stated in lease 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.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease 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 incentives and certain other payments are included in the measurement of the lease liability (lessee) or lease receivable (lessor).

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

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)

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

E. Adoption of Accounting Principle

The Town implemented provisions of Governmental Accounting Standards Board Statement No. 87, *Leases* during the fiscal year ended June 30, 2022. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. No restatement of beginning net position was required as a result of this implementation. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2021 related to the leases:

	<u>Governmental Activities</u>	<u>Water Fund</u>
Lessor activity:		
Lease receivable	\$ -	\$ 37,449
Deferred inflows of resources - lease	\$ -	\$ 37,449

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TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 2 — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary Information

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

1. Prior to April 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 function level. The appropriation for each function can be revised only by the Town Council. The Town Council is authorized to transfer budgeted amounts within functions.
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, except for the capital expense budget.
8. All budgetary data presented in the accompanying financial statements is the amended budget as of June 30.

B. Excess of Expenditures over Appropriations

<u>Fund</u>	<u>Function</u>	<u>Excess of Expenditures Over Appropriations</u>
General	Public safety	\$ 268,576
General	Health and welfare	18,231
Total General Fund		<u>286,807</u>

C. Deficit Fund Equity

At June 30, 2022, none of the funds reported deficit fund equity.

NOTE 3 — DEPOSITS AND INVESTMENTS:

Deposits

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

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)

NOTE 3 — DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

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

Credit Risk of Debt Securities

The Town’s investment policy for credit risk is consistent with the investments allowed by statutes as detailed above. The Town does not have a formal policy for investment-related risk.

The Town rated debt investments as of June 30, 2022 were rated by Standard & Poor’s and the ratings are presented below using the Standard & Poor’s rating scale.

<u>Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Rating</u>
	<u>AAAm</u>
Virginia State Non-Arbitrage Pool	\$ 2,567,607
First American Government Obligation	166,418
Total	<u>\$ 2,734,025</u>

Interest Rate Risk

The Town invests funds in low risk investments backed by U.S. government agencies.

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Virginia State Non-Arbitrage Pool	\$ 2,567,607	\$ 2,567,607
First American Government Obligation	166,418	166,418
Total	<u>\$ 2,734,025</u>	<u>\$ 2,734,025</u>

External Investment Pool

The fair value of the positions in the external investment pool is the same as the value of the pool shares. As the State Non-Arbitrage Pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. The State Non-Arbitrage Pool is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 4 — RECEIVABLES:

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

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Trash</u>	<u>Total</u>
Receivables:					
Property taxes	\$ 1,323,549	\$ -	\$ -	\$ -	\$ 1,323,549
Accounts	124,853	272,476	288,002	48,780	734,111
Gross receivables	\$ 1,448,402	\$ 272,476	\$ 288,002	\$ 48,780	\$ 2,057,660
Less: allowance for uncollectibles	(30,855)	(9,309)	(6,558)	(1,555)	(48,277)
Net receivables	<u>\$ 1,417,547</u>	<u>\$ 263,167</u>	<u>\$ 281,444</u>	<u>\$ 47,225</u>	<u>\$ 2,009,383</u>

NOTE 5 — DUE FROM OTHER GOVERNMENTAL UNITS:

	<u>Primary Government Governmental Activities</u>
Commonwealth of Virginia:	
Communications tax	\$ 9,523
Auto rental tax	1,696
Asset forfeiture	2,000
Rolling stock	4,125
Sales tax	90,981
Total Commonwealth of Virginia	<u>\$ 108,325</u>
Total	<u>\$ 108,325</u>

NOTE 6 — RESTRICTED ASSETS:

Restricted cash and cash equivalents consist of the following for June 30, 2022:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>Governmental Funds</u>				
Restricted for proffers	\$ 78,396	\$ -	\$ -	\$ 78,396
Restricted asset forfeitures	96,732	-	-	96,732
Restricted for debt service	166,372	-	-	166,372
Unspent bond proceeds	2,326,810	-	-	2,326,810
Totals	<u>\$ 2,668,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,668,310</u>
<u>Enterprise Funds</u>				
Utility deposits	\$ -	\$ 108,297	\$ -	\$ 108,297
Restricted for debt service	-	124,173	124,163	248,336
Totals	<u>\$ -</u>	<u>\$ 232,470</u>	<u>\$ 124,163</u>	<u>\$ 356,633</u>

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 7 — CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2022.

Governmental Activities:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 639,469	\$ -	\$ -	\$ 639,469
Construction in progress	345,487	168,010	-	513,497
Total capital assets not being depreciated	<u>\$ 984,956</u>	<u>\$ 168,010</u>	<u>\$ -</u>	<u>\$ 1,152,966</u>
Capital assets, being depreciated				
Buildings and improvements	\$ 4,090,985	\$ -	\$ -	\$ 4,090,985
Furniture, equipment and vehicles	3,048,743	261,133	-	3,309,876
Infrastructure	8,210,938	-	-	8,210,938
Total capital assets being depreciated	<u>\$ 15,350,666</u>	<u>\$ 261,133</u>	<u>\$ -</u>	<u>\$ 15,611,799</u>
Accumulated depreciation:				
Buildings and improvements	\$ (1,455,757)	\$ (108,874)	\$ -	\$ (1,564,631)
Furniture, equipment and vehicles	(2,500,087)	(170,449)	-	(2,670,536)
Infrastructure	(2,199,431)	(199,543)	-	(2,398,974)
Total accumulated depreciation	<u>\$ (6,155,275)</u>	<u>\$ (478,866)</u>	<u>\$ -</u>	<u>\$ (6,634,141)</u>
Total capital assets being depreciated, net	<u>\$ 9,195,391</u>	<u>\$ (217,733)</u>	<u>\$ -</u>	<u>\$ 8,977,658</u>
Lease assets:				
Equipment	\$ -	30,744	-	30,744
Accumuated amortization				
Equipment	\$ -	\$ (2,214)	\$ -	\$ (2,214)
Net right-to-use lease assets	<u>\$ -</u>	<u>\$ 28,530</u>	<u>\$ -</u>	<u>\$ 28,530</u>
Net capital assets	<u>\$ 10,180,347</u>	<u>\$ (21,193)</u>	<u>\$ -</u>	<u>\$ 10,159,154</u>

Depreciation/amortization expense was allocated as follows:

General government administration	\$ 129,709
Public safety	56,740
Public works	214,733
Parks, recreation and cultural	79,898
Total depreciation/amortization expense	<u>\$ 481,080</u>

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 7 — CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 404,837	\$ -	\$ -	\$ 404,837
Construction in progress	13,932	-	-	13,932
Total capital assets not being depreciated	<u>\$ 418,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 418,769</u>
Other capital assets:				
Equipment and vehicles	\$ 2,052,503	\$ 57,808	\$ -	\$ 2,110,311
Buildings and improvements	229,647	-	-	229,647
Infrastructure	56,574,730	42,645	-	56,617,375
Total other capital assets	<u>\$ 58,856,880</u>	<u>\$ 100,453</u>	<u>\$ -</u>	<u>\$ 58,957,333</u>
Accumulated depreciation:				
Equipment and vehicles	\$ (1,429,483)	\$ (129,831)	\$ -	\$ (1,559,314)
Buildings and improvements	(216,647)	(4,670)	-	(221,317)
Infrastructure	(12,422,843)	(1,145,614)	-	(13,568,457)
Total accumulated depreciation	<u>\$ (14,068,973)</u>	<u>\$ (1,280,115)</u>	<u>\$ -</u>	<u>\$ (15,349,088)</u>
Other capital assets, net	<u>\$ 44,787,907</u>	<u>\$ (1,179,662)</u>	<u>\$ -</u>	<u>\$ 43,608,245</u>
Net capital assets	<u>\$ 45,206,676</u>	<u>\$ (1,179,662)</u>	<u>\$ -</u>	<u>\$ 44,027,014</u>
Depreciation/amortization expense was allocated as follows:				
Water fund				\$ 540,848
Sewer fund				739,267
Total depreciation/amortization expense				<u>\$ 1,280,115</u>

NOTE 8 — LONG-TERM OBLIGATIONS:

Primary Government – Governmental Activities:

The following is a summary of changes in long-term obligation transactions of the Town for the year ended June 30, 2022.

	Balance July 1, 2021	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2022
Direct Borrowings and Direct Placements:				
General obligation bonds	\$ 516,000	\$ 2,390,000	\$ 28,000	\$ 2,878,000
Unamortized bond premium	34,101	317,871	2,436	349,536
Total Direct Borrowings and Direct Placements	<u>\$ 550,101</u>	<u>\$ 2,707,871</u>	<u>\$ 30,436</u>	<u>\$ 3,227,536</u>
Other Long-Term Obligations:				
Notes payable	\$ 102,711	\$ 34,683	\$ 53,139	\$ 84,255
Lease liabilities	-	30,744	2,137	28,607
Compensated absences	135,403	86,579	83,243	138,739
Net pension liability	664,994	1,185,443	1,850,437	-
Net OPEB liabilities	138,810	43,062	89,284	92,588
Total Other Long-Term Obligations	<u>\$ 1,041,918</u>	<u>\$ 1,380,511</u>	<u>\$ 2,078,240</u>	<u>\$ 344,189</u>
Total Long-Term Obligations	<u>\$ 1,592,019</u>	<u>\$ 4,088,382</u>	<u>\$ 2,108,676</u>	<u>\$ 3,571,725</u>

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 8 — LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government – Governmental Activities: (Continued)

Details of long-term obligations:

Type/ Project	Issue Date/ Term	Amount of Original Issue	Interest Rates	Amount of Principal Installments	Final Maturity Date	Balance	Amount Due Within One Year
Governmental activities:							
General obligation bonds:							
Series 2014A	5/1/2014	\$ 3,315,000	2.62%	SA \$29,000 - \$47,000	A 4/30/2035	\$ 488,000	\$ 29,000
Unamortized premium on Issuance	n/a	n/a	n/a	n/a	n/a	31,665	2,436
Series 2021C	10/17/2021	2,390,000	5.13%	SA \$75,000 - \$160,000	A 10/16/2042	2,390,000	75,000
Unamortized premium on Issuance	n/a	n/a	n/a	n/a	n/a	317,871	15,893
Net general obligation bonds						<u>\$ 3,227,536</u>	<u>\$ 122,329</u>
Other obligations:							
Notes payable							
Volvo Loader	4/4/2019	40,637	4.85%	M \$2,164 (PI)	M 4/4/2024	\$ 15,680	\$ 8,437
Police Vehicle	7/19/2019	30,987	3.31%	M \$906 (P&I)	M 7/17/2022	888	888
Police Vehicle	3/23/2021	62,866	1.43%	M \$1,738 (P&I)	M 4/23/2024	37,713	20,448
Police Vehicle	1/12/2022	34,683	1.74%	M \$989 (P&I)	M 12/8/2024	29,974	11,443
Total notes payable						<u>\$ 84,255</u>	<u>\$ 41,216</u>
Lease liabilities							
Copier	1/1/2022	\$ 20,415	1.45%	M \$366 (P&I)	M 12/1/2026	\$ 18,463	\$ 3,890
Copier	6/1/2022	10,329	2.96%	M \$185 (P&I)	M 5/1/2027	10,144	1,946
Total lease liabilities						<u>\$ 28,607</u>	<u>\$ 5,836</u>
Net OPEB liability (payable from general fund)						92,588	-
Compensated absences (payable from general fund)						138,739	83,243
Total other obligations						<u>\$ 344,189</u>	<u>\$ 130,295</u>
Total long-term obligations from governmental activities						<u>\$ 3,571,725</u>	<u>\$ 252,624</u>

A = annual installments

M = monthly installments

SA = semi-annual installments

The Town's outstanding general obligation bonds from direct borrowings and direct placements related to governmental activities of \$2,878,000 contain a provision that in the event of default the entire unpaid principal and interest become immediately due and payable. The Town has pledged to secure the payment and performance of the Town's obligations under the bonds with the Town's right, title, and interest to all revenue collected by the Town.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 8 — LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government – Governmental Activities: (Continued)

Annual requirements to amortize long-term debt and related interest are as follows:

Year Ending June 30,	Governmental Activities					
	Direct Borrowings and Placements		Notes Payable		Lease Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 104,000	\$ 107,415	\$ 41,216	\$ 1,230	\$ 5,836	\$ 774
2024	110,000	102,121	36,152	453	6,013	597
2025	116,000	96,525	6,887	40	6,195	415
2026	123,000	90,491	-	-	6,382	228
2027	125,000	84,236	-	-	4,181	49
2028	131,000	77,831	-	-	-	-
2029	138,000	71,418	-	-	-	-
2030	144,000	64,954	-	-	-	-
2031	155,000	58,024	-	-	-	-
2032	162,000	50,583	-	-	-	-
2033	168,000	43,376	-	-	-	-
2034	175,000	36,627	-	-	-	-
2035	182,000	30,993	-	-	-	-
2036	140,000	24,825	-	-	-	-
2037	140,000	21,788	-	-	-	-
2038	145,000	18,631	-	-	-	-
2039	150,000	15,300	-	-	-	-
2040	155,000	11,372	-	-	-	-
2041	155,000	6,916	-	-	-	-
2042	160,000	2,331	-	-	-	-
Total	\$ <u>2,878,000</u>	\$ <u>1,015,757</u>	\$ <u>84,255</u>	\$ <u>1,723</u>	\$ <u>28,607</u>	\$ <u>2,063</u>

Primary Government-Business-type Activities:

	Balance July 1, 2021	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2022
Direct Borrowings and Direct Placements:				
General obligation/revenue bonds	\$ 25,195,496	\$ -	\$ 1,095,219	\$ 24,100,277
Unamortized bond premium	136,407	-	9,743	126,664
Total Direct Borrowings and Direct Placements	\$ <u>25,331,903</u>	\$ <u>-</u>	\$ <u>1,104,962</u>	\$ <u>24,226,941</u>
Other Long-Term Obligations:				
Note payable	\$ 46,290	\$ -	\$ 15,846	\$ 30,444
Compensated absences	128,042	78,441	77,431	129,052
Net pension liability	609,012	1,065,737	1,674,749	-
Net OPEB liabilities	127,123	37,992	81,549	83,566
Total Other Long-Term Obligations	\$ <u>910,467</u>	\$ <u>1,182,170</u>	\$ <u>1,849,575</u>	\$ <u>243,062</u>
Total Long-Term Obligations	\$ <u>26,242,370</u>	\$ <u>1,182,170</u>	\$ <u>2,954,537</u>	\$ <u>24,470,003</u>

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 8 — LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Business-type Activities: (Continued)

<u>Type/ Project</u>	<u>Issue Date/ Term</u>	<u>Amount of Original Issue</u>	<u>Interest Rates</u>	<u>Amount of Principal Installments</u>	<u>Final Maturity Date</u>	<u>Balance</u>	<u>Amount Due Within One Year</u>
Business-type activities:							
General obligation bonds							
Series 2001	11/1/2000	1,926,000	0.00% SA	\$48,150	SA 9/1/2022	\$ 46,710	\$ 46,710
Series 2009 R-1	11/5/2008	9,000,000	2.63% M	\$31,860	M 9/5/2049	7,266,327	186,251
Series 2009 R-2	11/5/2008	2,554,000	2.63% M	\$9,042	M 9/5/2049	2,055,694	53,030
Series 2014A	5/21/2014	2,652,000	2.62% SA	\$58,000-\$94,000	SA 10/1/2034	1,952,000	116,000
Unamortized premium on issuance	n/a	n/a	n/a	n/a	n/a	126,664	9,744
GO Series 2014	6/17/2014	\$ 16,392,792	0.00% SA	\$327,681	SA 6/17/2042	12,779,546	655,361
Net general obligation bonds						\$ 24,226,941	\$ 1,067,096
Other obligations:							
Notes payable							
Volvo Loader	4/4/2019	78,884	4.85% M	\$2,164 (PI)	M 4/4/2024	\$ 30,444	\$ 16,378
Total note payable						\$ 30,444	\$ 16,378
Net OPEB liability (payable from water and sewer funds)						83,566	-
Compensated absences (payable from water and sewer funds)						129,052	77,431
Total other obligations						\$ 243,062	\$ 93,809
Total long-term obligations from business-type activities						\$ 24,470,003	\$ 1,160,905

A = annual installments

M = monthly installments

SA = semi-annual installments

The Town's outstanding general obligation bonds from direct borrowings and direct placements related to business-type activities of \$24,100,279 contain a provision that in the event of default the entire unpaid principal and interest become immediately due and payable. The Town has pledged to secure the payment and performance of the Town's obligations under the bonds with the Town's right, title, and interest to all revenue collected by the Town.

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TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
 JUNE 30, 2022 (CONTINUED)

NOTE 8 — LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Business-type Activities: (Continued)

Annual requirements to amortize long-term debt and related interest are as follows:

Year Ending June 30,	Business-type Activities			
	Direct Borrowings and Direct Placements		Note Payable	
	Principal	Interest	Principal	Interest
2023	\$ 1,057,353	\$ 374,808	\$ 16,378	\$ 758
2024	1,020,999	365,163	14,066	214
2025	1,031,525	355,164	-	-
2026	1,046,225	346,265	-	-
2027	1,061,102	336,817	-	-
2028	1,072,163	325,099	-	-
2029	1,087,411	316,187	-	-
2030	1,098,851	305,904	-	-
2031	1,110,489	295,098	-	-
2032	1,126,330	285,577	-	-
2033	1,138,379	273,313	-	-
2034	1,154,642	262,392	-	-
2035	1,171,125	250,920	-	-
2036	991,833	144,644	-	-
2037	1,000,773	135,705	-	-
2038	1,009,950	126,528	-	-
2039	1,019,370	117,107	-	-
2040	1,029,041	107,436	-	-
2041	1,038,969	97,508	-	-
2042	721,480	87,316	-	-
2043	404,262	76,853	-	-
2044	415,003	66,113	-	-
2045	426,029	55,087	-	-
2046	437,348	43,768	-	-
2047	448,967	32,149	-	-
2048	460,895	20,221	-	-
2049	473,140	7,976	-	-
2050	46,623	135	-	-
Total	\$ 24,100,277	\$ 5,211,253	\$ 30,444	\$ 972

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements JUNE 30, 2022 (CONTINUED)

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.

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.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 9 — PENSION PLAN: (CONTINUED)

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.

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	45
Inactive members:	
Vested inactive members	11
Non-vested inactive members	16
Inactive members active elsewhere in VRS	<u>40</u>
Total inactive members	67
Active members	<u>61</u>
Total covered employees	<u><u>173</u></u>

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 9 — PENSION PLAN: (CONTINUED)

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, 2022 was 8.14% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$227,564 and \$239,304 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Asset

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. The Town’s net pension asset was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 9 — PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated 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

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 9 — PENSION PLAN: (CONTINUED)

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, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

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

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 9 — PENSION PLAN: (CONTINUED)

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

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

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

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%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.39%

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 9 — PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return (Continued)

* The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of 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 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, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2021 on, participating employers are assumed to 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.

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)

NOTE 9 — PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 12,700,186	\$ 11,426,180	\$ 1,274,006
Changes for the year:			
Service cost	\$ 338,062	\$ -	\$ 338,062
Interest	839,537	-	839,537
Changes of assumptions	495,420	-	495,420
Differences between expected and actual experience	295,835	-	295,835
Assumption changes	-	-	-
Contributions - employer	-	239,304	(239,304)
Contributions - employee	-	149,448	(149,448)
Net investment income	-	3,131,501	(3,131,501)
Benefit payments, including refunds	(525,206)	(525,206)	-
Administrative expenses	-	(7,714)	7,714
Other changes	-	296	(296)
Net changes	\$ 1,443,648	\$ 2,987,629	\$ (1,543,981)
Balances at June 30, 2021	\$ 14,143,834	\$ 14,413,809	\$ (269,975)

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	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town			
Net Pension Liability (Asset)	\$ 1,839,274	\$ (269,975)	\$ (1,973,783)

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
 JUNE 30, 2022 (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, 2022, the Town recognized pension expense of \$287,790. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 327,384	\$ 1,061
Change of assumptions	358,340	-
Net difference between projected and actual earnings on pension plan investments	-	1,562,945
Change in proportionate share	3,705	3,705
Employer contributions subsequent to the measurement date	227,564	-
Total	<u>\$ 916,993</u>	<u>\$ 1,567,711</u>

\$227,564 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	Primary Government
2023	\$ 26,332
2024	(67,161)
2025	(364,435)
2026	(473,018)
2027	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

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 Plan 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 \$8,722 as of June 30, 2022.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

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

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$15,972 and \$16,866 for the years ended June 30, 2022 and June 30, 2021, respectively.

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, 2022, the entity reported a liability of \$176,154 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 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, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.01510% as compared to 0.01480% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$7,369. 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, 2022, 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	\$ 20,091	\$ 1,342
Net difference between projected and actual earnings on GLI OPEB plan investments	-	42,044
Change of assumptions	9,711	24,102
Changes in proportionate share	5,919	4,025
Employer contributions subsequent to the measurement date	15,972	-
Total	<u>\$ 51,693</u>	<u>\$ 71,513</u>

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
JUNE 30, 2022 (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 Group Life Insurance Plan OPEB (Continued)

\$15,972 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30,</u>	
2023	\$ (8,525)
2024	(6,940)
2025	(6,351)
2026	(12,272)
2027	(1,704)
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021. The assumptions include several employer groups. Salary increases and mortality rates 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

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

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

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement:

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated 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

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

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

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated 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

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

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

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, 2021, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,577,346
Plan Fiduciary Net Position		2,413,074
GLI Net OPEB Liability (Asset)	\$	<u>1,164,272</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.45%

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.

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TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Asset Target 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%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.39%</u>

*The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of 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 GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, 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, 2021 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.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town's proportionate share of the GLI Plan			
Net OPEB Liability	\$ 257,368	\$ 176,154	\$ 110,571

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 11 — HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 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 participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree’s death.

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 11 — HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>8</u>
Total inactive members	8
Active members	<u>61</u>
Total covered employees	<u><u>69</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) 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. The Town contractually required employer contribution rate for the year ended June 30, 2022 was 0.12% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. The actuarially determined rate 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 from the Town to the HIC Plan were \$3,549 and \$3,748 for the years ended June 30, 2022 and June 30, 2021, respectively.

During the 2020 session, House Bill 1513 was enacted. This bill required the addition of Health Insurance Credit benefits for non-teacher employees effective July 1, 2021. While benefit payments became effective July 1, 2021, employers were required to pre-fund the benefits beginning July 1, 2020. The bill impacted 95 employers and resulted in approximately \$2.5 million of additional employer contributions in FY2021.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 11 — HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Net HIC OPEB Asset

The Town's net HIC OPEB asset was measured as of June 30, 2021. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
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; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 11 — HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

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

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

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TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 11 — HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

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

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 11 — HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

<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%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.39%</u>

*The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the 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 HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy 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, 2021, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC 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 HIC OPEB liability.

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
 JUNE 30, 2022 (CONTINUED)

NOTE 11 — HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Changes in Net HIC OPEB Liability (Asset)

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 96,377	\$ 79,346	\$ 17,031
Changes for the year:			
Service cost	\$ 2,972	\$ -	\$ 2,972
Interest	6,356	-	6,356
Differences between expected and actual experience	(5,766)	-	(5,766)
Changes of assumptions	2,158	-	2,158
Contributions - employer	-	3,765	(3,765)
Net investment income	-	20,802	(20,802)
Benefit payments	(4,413)	(4,413)	-
Administrative expenses	-	(245)	245
Other changes	-	-	-
Net changes	\$ 1,307	\$ 19,909	\$ (18,602)
Balances at June 30, 2021	\$ 97,684	\$ 99,255	\$ (1,571)

Sensitivity of the Town's HIC Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the Town's HIC Plan net HIC OPEB liability (asset) using the discount rate of 6.75%, as well as what the Town's net HIC OPEB 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 HIC OPEB Liability (Asset)	\$ 10,649	\$ (1,571)	\$ (11,775)

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
 JUNE 30, 2022 (CONTINUED)

NOTE 11 — HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB

For the year ended June 30, 2022, the Town recognized HIC Plan OPEB expense of \$698. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to the Town’s HIC Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,005	\$ 9,266
Net difference between projected and actual earnings on HIC OPEB plan investments	-	10,027
Change of assumptions	3,366	1,397
Employer contributions subsequent to the measurement date	<u>3,549</u>	<u>-</u>
Total	<u>\$ 11,920</u>	<u>\$ 20,690</u>

\$3,549 reported as deferred outflows of resources related to the HIC OPEB resulting from the Town’s contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30,

2023	\$	(2,969)
2024		(2,945)
2025		(3,027)
2026		(3,326)
2027		(12)
Thereafter		(40)

HIC Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements JUNE 30, 2022 (CONTINUED)

NOTE 12 — VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN):

Plan Description

Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended, to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the Virginia Local Disability Program (VLDP). This is a multiple-employer, cost-sharing plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia.

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

Eligible Employees

The Political Subdivision VLDP was implemented January 1, 2014 to provide disability benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits. All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision VLDP.

Benefit Amounts

The VLDP provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability. Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

The VLDP provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

VLDP Notes

Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirements for active hybrid plan employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2022 was 0.83% of covered employee compensation for employees in the VRS Political Subdivision VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate 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 from the Town to the VRS Political Subdivision VLDP were \$4,919 and \$6,169 for the years ended June 30, 2022 and June 30, 2021, respectively.

TOWN OF STRASBURG, VIRGINIA

Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)

NOTE 12 — VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB

At June 30, 2022, the Town reported a liability (asset) of \$(1,873) for its proportionate share of the VLDP Net OPEB Liability (Asset). The Net VLDP OPEB Liability (Asset) was measured as of June 30, 2021 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability (Asset) was determined by an actuarial valuation as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The Town's proportion of the Net VLDP OPEB Liability (Asset) was based on the Town's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the Town's proportion of the VLDP was 0.18502% as compared to 0.17510% at June 30, 2020.

For the year ended June 30, 2022, the Town recognized VLDP OPEB expense of \$5,137. Since there was a change in proportionate share between measurement dates, a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,113	\$ 2,806
Net difference between projected and actual earnings on VLDP OPEB program investments	-	1,045
Change of assumptions	64	508
Changes in proportionate share	151	231
Employer contributions subsequent to the measurement date	<u>4,919</u>	<u>-</u>
Total	<u>\$ 6,247</u>	<u>\$ 4,590</u>

\$4,919 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

Year Ended June 30

2023	\$ (426)
2024	(423)
2025	(438)
2026	(867)
2027	(326)
Thereafter	(782)

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 12 — VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total VLDP OPEB liability for the VLDP was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Salary increases, including inflation:	
Political Subdivision Employees	3.50%-5.35%
Investment rate of return	6.75%, net of program investment expenses, including inflation

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General 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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 of 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

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 12 — VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return (Continued)

*The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of 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 VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by the Town for the VLDP was 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, 2021 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB 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 VLDP OPEB liability.

Sensitivity of the Town’s Proportionate Share of the VLDP Net OPEB Liability (Asset) to Changes in the Discount Rate

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town's proportionate share of the VLDP Net OPEB Liability (Asset) \$	(1,003) \$	(1,873) \$	(2,627)

VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision VLDP’s Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 13 — SUMMARY OF OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liabilities</u>	<u>Net OPEB Assets</u>	<u>OPEB Expense</u>
VRS OPEB Plans:					
Group Life Insurance Plan (Note 10)	\$ 51,693	\$ 71,513	\$ 176,154	\$ -	\$ 7,369
Town Health Insurance Credit Plan (Note 11)	11,920	20,690	-	1,571	698
Virginia Local Disability Program (Note 12)	6,247	4,590	-	1,873	5,137
Totals	<u>\$ 69,860</u>	<u>\$ 96,793</u>	<u>\$ 176,154</u>	<u>\$ 3,444</u>	<u>\$ 13,204</u>

NOTE 14— LINE OF DUTY ACT (LODA) (OPEB BENEFITS)

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer through an insurance company.

The Town has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Town to VACORP. VACORP assumes all liability for the Town’s LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claim costs.

The current year OPEB expense for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insured company for LOCA and change in liability to the insurer equal the different between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Town’s LODA coverage is fully covered or “insured” through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The Town’s LODA premium for the year ended June 30, 2022 was \$15,352.

NOTE 15 — LEASES RECEIVABLE:

The Town entered into a noncancellable lease agreement for telecommunication equipment with a lease term of 5 years and interest rate of 3.00% as the discount rate for leases. The lease agreement requires monthly payments of \$1,466. The Town recognized lease revenue of \$17,284 and interest revenue of \$841. As of June 30, 2022, the lease receivable balance was \$20,702.

NOTE 16 — SURETY BONDS:

	<u>Amount</u>
VRSA Insurance - Surety	
Public Employees Blanket Bond	\$ <u>550,000</u>

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 17 — 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; and natural disasters for which the Town carries commercial insurance. The Town also provides a risk management program for workers' compensation. Premiums are paid by the general fund and all other funds and are available to pay claims, claim reserves and administrative costs of the program.

The Town is a member of the Virginia Risk Sharing Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays Virginia Risk Sharing Association contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

NOTE 18 – INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2022 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,464	\$ 121,703
Water Fund	-	732
Sewer Fund	-	732
Trash Fund	121,703	-
Total	<u>\$ 123,167</u>	<u>\$ 123,167</u>

NOTE 19 — COMMITMENTS AND CONTINGENCIES:

The Town is obligated to the Shenandoah County School Board under an agreement dated September 4, 1973, whereby the Town has agreed to pay to the School Board \$200 for each water and sewer connection made to the primary school water and sewer lines until such time as seventy-percent of their investment is realized. The agreement does not state the method of determining the School Board's investment nor the duration of the agreement.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditure which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Under an agreement dated August 27, 1996 the Town is obligated to reimburse a developer for availability fees collected for connections to a sewer line paid for by the developer. The reimbursement shall not, in the aggregate, exceed \$250,000.

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 20 — DEFERRED, UNAVAILABLE, AND UNEARNED REVENUE:

Deferred and unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred, unavailable, and unearned revenue in the government-wide financial statements and fund financial statements totaling \$1,093,565, \$1,321,508, and \$4,560,566, respectively, is comprised of the following:

- A. Prepaid Property Taxes -Property taxes due subsequent to June 30, 2022 but paid in advance by the taxpayers totaled \$84,826 at June 30, 2022.
- B. Unbilled Property Taxes –Property taxes for the second half of 2022 that had not been billed as of June 30, 2022 amounted to \$1,008,739.
- C. Unavailable Property Taxes – Uncollected tax billings not available for funding of current expenditures totaled \$227,943.
- D. Unearned Revenue – VDOT carryover – unearned revenue representing VDOT highway maintenance funds not available to fund current expenditures totaled \$1,324,506. In addition, unearned revenue representing American Rescue Plan Act funds not expended at year end totaled \$3,236,060.

NOTE 21 — LITIGATION:

At June 30, 2022, there were no matters of litigation involving the Town or which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to such entities.

NOTE 22 — UPCOMING PRONOUNCEMENTS:

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

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

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

Statement No. 99, *Omnibus 2022*, addresses (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 for fiscal years beginning after June 15, 2023.

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

TOWN OF STRASBURG, VIRGINIA

**Notes to Financial Statements
JUNE 30, 2022 (CONTINUED)**

NOTE 22 — UPCOMING PRONOUNCEMENTS: (CONTINUED)

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

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

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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 Change in Fund Balance - Budget and Actual

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 1,864,144	\$ 1,864,144	\$ 2,075,913	\$ 211,769
Other local taxes	2,225,195	2,225,195	2,345,064	119,869
Permits, privilege fees and regulatory licenses	31,000	31,000	30,124	(876)
Fines and forfeitures	25,000	25,000	19,026	(5,974)
Revenue from the use of money and property	19,000	19,000	12,412	(6,588)
Charges for services	111,500	111,500	128,285	16,785
Miscellaneous	117,600	117,600	140,893	23,293
Intergovernmental:				
Commonwealth	1,002,175	1,002,175	390,016	(612,159)
Federal	1,450,000	1,450,000	230,771	(1,219,229)
Total revenues	<u>\$ 6,845,614</u>	<u>\$ 6,845,614</u>	<u>\$ 5,372,504</u>	<u>\$ (1,473,110)</u>
EXPENDITURES				
Current:				
General government administration	\$ 772,114	\$ 772,114	\$ 495,424	\$ 276,690
Public safety	1,916,460	1,916,460	1,983,858	(67,398)
Public works	1,806,063	1,806,063	821,744	984,319
Health and welfare	-	-	18,231	(18,231)
Parks, recreation and cultural	284,002	284,002	207,387	76,615
Community development	295,760	295,760	222,065	73,695
Capital outlay:				
Administrative	4,050,000	4,050,000	898,393	3,151,607
Public safety	42,370	42,370	243,548	(201,178)
Public works	71,400	71,400	-	71,400
Parks, recreation and cultural	15,000	15,000	15,000	-
Community development	-	-	20,248	(20,248)
Debt service:				
Principal	143,169	143,169	81,139	62,030
Interest	63,046	63,046	63,046	-
Bond issuance costs	-	-	56,532	(56,532)
Total expenditures	<u>\$ 9,459,384</u>	<u>\$ 9,459,384</u>	<u>\$ 5,126,615</u>	<u>\$ 4,389,301</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,613,770)</u>	<u>\$ (2,613,770)</u>	<u>\$ 245,889</u>	<u>\$ 2,916,191</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 1,464	\$ 1,464
Transfers out	-	-	(121,703)	(121,703)
Issuance of note payable	113,770	113,770	34,683	(79,087)
Issuance of general obligation bonds	2,500,000	2,500,000	2,390,000	(110,000)
Premium on bonds issued	-	-	317,871	317,871
Total other financing sources (uses)	<u>\$ 2,613,770</u>	<u>\$ 2,613,770</u>	<u>\$ 2,622,315</u>	<u>\$ 8,545</u>
Net change in fund balances	\$ -	\$ -	\$ 2,868,204	\$ 2,924,736
Fund balances - beginning	-	-	3,819,087	3,819,087
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,687,291</u>	<u>\$ 6,743,823</u>

Town of Strasburg, Virginia

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability				
Service cost	\$ 338,062	\$ 302,837	\$ 287,428	\$ 294,693
Interest	839,537	778,518	741,685	703,570
Changes of assumptions	495,420	-	393,776	-
Differences between expected and actual experience	295,835	330,550	(14,309)	(16,806)
Benefit payments	<u>(525,206)</u>	<u>(490,630)</u>	<u>(450,333)</u>	<u>(423,595)</u>
Net change in total pension liability	\$ 1,443,648	\$ 921,275	\$ 958,247	\$ 557,862
Total pension liability - beginning	12,700,186	11,778,911	10,820,664	10,262,802
Total pension liability - ending (a)	<u>\$ 14,143,834</u>	<u>\$ 12,700,186</u>	<u>\$ 11,778,911</u>	<u>\$ 10,820,664</u>
Plan fiduciary net position				
Contributions - employer	\$ 239,304	\$ 203,890	\$ 194,528	\$ 185,164
Contributions - employee	149,448	147,721	140,638	137,868
Net investment income	3,131,501	218,545	718,307	748,589
Benefit payments	(525,206)	(490,630)	(450,333)	(423,595)
Administrative expense	(7,714)	(7,340)	(7,022)	(6,418)
Other	296	(258)	(453)	(668)
Net change in plan fiduciary net position	\$ 2,987,629	\$ 71,928	\$ 595,665	\$ 640,940
Plan fiduciary net position - beginning	11,426,180	11,354,252	10,758,587	10,117,647
Plan fiduciary net position - ending (b)	<u>\$ 14,413,809</u>	<u>\$ 11,426,180</u>	<u>\$ 11,354,252</u>	<u>\$ 10,758,587</u>
Town's net pension liability (asset) - ending (a) - (b)	\$ (269,975)	\$ 1,274,006	\$ 424,659	\$ 62,077
Plan fiduciary net position as a percentage of the total pension liability	101.91%	89.97%	96.39%	99.43%
Covered payroll	\$ 3,123,353	\$ 3,048,350	\$ 2,920,517	\$ 2,809,635
Town's net pension liability (asset) as a percentage of covered payroll	-8.64%	41.79%	14.54%	2.21%

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

Exhibit 11

	2017	2016	2015	2014
\$	315,556	\$ 290,071	\$ 309,266	\$ 286,988
	655,845	618,895	558,470	521,309
	(193,159)	-	-	-
	314,951	(44,972)	296,203	-
	<u>(399,205)</u>	<u>(273,073)</u>	<u>(328,372)</u>	<u>(226,479)</u>
\$	693,988	\$ 590,921	\$ 835,567	\$ 581,818
	9,568,814	8,977,893	8,142,326	7,560,508
\$	<u>10,262,802</u>	<u>9,568,814</u>	<u>8,977,893</u>	<u>8,142,326</u>
\$	187,961	\$ 208,363	\$ 201,363	\$ 243,570
	138,404	154,447	127,682	146,184
	1,108,684	160,669	390,762	1,147,301
	(399,205)	(273,073)	(328,372)	(226,479)
	(6,345)	(5,402)	(5,273)	(5,980)
	<u>(989)</u>	<u>(67)</u>	<u>(83)</u>	<u>60</u>
\$	1,028,510	\$ 244,937	\$ 386,079	\$ 1,304,656
	9,089,137	8,844,200	8,458,121	7,153,465
\$	<u>10,117,647</u>	<u>9,089,137</u>	<u>8,844,200</u>	<u>8,458,121</u>
\$	145,155	\$ 479,677	\$ 133,693	\$ (315,795)
	98.59%	94.99%	98.51%	103.88%
\$	2,810,614	\$ 2,686,938	\$ 2,573,711	\$ 2,637,833
	5.16%	17.85%	5.19%	-11.97%

Schedule of Employer Contributions

Pension Plan

For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	\$ 227,564	\$ 227,564	\$ -	\$ 2,957,813	7.69%
2021	239,304	239,304	-	3,123,353	7.66%
2020	199,620	199,620	-	3,048,350	6.55%
2019	194,529	194,529	-	2,920,517	6.66%
2018	185,413	185,413	-	2,809,635	6.60%
2017	187,962	187,962	-	2,810,614	6.69%
2016	208,363	208,363	-	2,686,938	7.75%
2015	201,363	201,363	-	2,573,711	7.82%
2014	243,570	243,570	-	2,637,833	9.23%
2013	225,728	225,728	-	2,440,299	9.25%

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

Notes to Required Supplementary Information
 Pension Plans
 For the Year Ended June 30, 2022

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

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

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

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

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

Schedule of Town's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2021

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2021	0.01510% \$	176,154	\$ 3,123,353	5.64%	67.45%
2020	0.01480%	247,154	3,048,350	8.11%	52.64%
2019	0.01490%	242,463	2,920,517	8.30%	52.00%
2018	0.01478%	224,000	2,809,635	7.97%	51.22%
2017	0.01524%	229,000	2,810,614	8.15%	48.86%

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

Schedule of Employer Contributions
 Group Life Insurance (GLI) Plan
 For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	\$ 15,972	\$ 15,972	\$ -	\$ 2,957,813	0.54%
2021	16,866	16,866	-	3,123,353	0.54%
2020	15,851	15,851	-	3,048,350	0.52%
2019	15,187	15,187	-	2,920,517	0.52%
2018	14,615	14,615	-	2,809,635	0.52%
2017	14,615	14,615	-	2,810,614	0.52%
2016	12,897	12,897	-	2,686,938	0.48%
2015	12,354	12,354	-	2,573,711	0.48%
2014	12,662	12,662	-	2,637,833	0.48%
2013	11,713	11,713	-	2,440,299	0.48%

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 For the Year Ended June 30, 2022

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

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

Schedule of Changes in the Town's Net OPEB Liability and Related Ratios
 Health Insurance Credit (HIC) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total HIC OPEB Liability					
Service cost	\$ 2,972	\$ 2,527	\$ 2,486	\$ 3,000	\$ 3,000
Interest	6,356	5,650	5,797	6,000	6,000
Differences between expected and actual experience	(5,766)	6,735	(5,557)	(2,000)	-
Changes of assumptions	2,158	-	2,393	-	(4,000)
Benefit payments	(4,413)	(4,471)	(3,985)	(5,000)	(2,000)
Other changes	-	-	(198)	-	-
Net change in total HIC OPEB liability	<u>\$ 1,307</u>	<u>\$ 10,441</u>	<u>\$ 936</u>	<u>\$ 2,000</u>	<u>\$ 3,000</u>
Total HIC OPEB Liability - beginning	<u>96,377</u>	<u>85,936</u>	<u>85,000</u>	<u>83,000</u>	<u>80,000</u>
Total HIC OPEB Liability - ending (a)	<u><u>\$ 97,684</u></u>	<u><u>\$ 96,377</u></u>	<u><u>\$ 85,936</u></u>	<u><u>\$ 85,000</u></u>	<u><u>\$ 83,000</u></u>
Plan fiduciary net position					
Contributions - employer	\$ 3,765	\$ 3,658	\$ 3,505	\$ 4,000	\$ 4,000
Net investment income	20,802	1,598	4,780	5,000	7,000
Benefit payments	(4,413)	(4,471)	(3,985)	(5,000)	(2,000)
Administrator charges	(245)	(151)	(104)	-	-
Other	-	(1)	(483)	-	-
Net change in plan fiduciary net position	<u>\$ 19,909</u>	<u>\$ 633</u>	<u>\$ 3,713</u>	<u>\$ 4,000</u>	<u>\$ 9,000</u>
Plan fiduciary net position - beginning	<u>79,346</u>	<u>78,713</u>	<u>75,000</u>	<u>71,000</u>	<u>62,000</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 99,255</u></u>	<u><u>\$ 79,346</u></u>	<u><u>\$ 78,713</u></u>	<u><u>\$ 75,000</u></u>	<u><u>\$ 71,000</u></u>
Town's net HIC OPEB liability - ending (a) - (b)	\$ (1,571)	\$ 17,031	\$ 7,223	\$ 10,000	\$ 12,000
Plan fiduciary net position as a percentage of the total HIC OPEB liability	101.61%	82.33%	91.59%	88.24%	85.54%
Covered payroll	\$ 3,123,353	\$ 3,048,350	\$ 2,920,517	\$ 2,809,635	\$ 2,810,614
Town's net HIC OPEB liability as a percentage of covered payroll	-0.05%	0.56%	0.25%	0.36%	0.43%

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

Schedule of Employer Contributions
 Health Insurance Credit (HIC) Plan
 For the Years Ended June 30, 2013 through June 30, 2022

<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>
2022	\$ 3,549	\$ 3,549	\$ -	\$ 2,957,813	0.12%
2021	3,748	3,748	-	3,123,353	0.12%
2020	3,658	3,658	-	3,048,350	0.12%
2019	3,505	3,505	-	2,920,517	0.12%
2018	3,653	3,653	-	2,809,635	0.13%
2017	3,653	3,653	-	2,810,614	0.13%
2016	3,224	3,224	-	2,686,938	0.12%
2015	3,088	3,088	-	2,573,711	0.12%
2014	4,484	4,484	-	2,637,833	0.17%
2013	4,149	4,149	-	2,440,299	0.17%

Notes to Required Supplementary Information
Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2022

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

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

Schedule of Town's Share of Net OPEB Liability
 Virginia Local Disability Program (VLDP)
 For the Measurement Dates of June 30, 2017 through June 30, 2021

Date (1)	Employer's Proportion of the Net VLDP OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6)
2021	0.18502% \$	(1,873) \$	743,208	-0.25%	119.59%
2020	0.17510%	1,748	652,494	0.27%	76.84%
2019	0.20180%	4,088	623,632	0.66%	49.19%
2018	0.19136%	1,000	464,636	0.22%	51.39%
2017	0.20940%	1,000	384,513	0.26%	38.40%

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

Schedule of Employer Contributions
 Virginia Local Disability Program (VLDP)
 For the Years Ended June 30, 2015 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	\$ 4,919	\$ 4,919	\$ -	\$ 592,692	0.83%
2021	6,169	6,169	-	743,208	0.83%
2020	4,698	4,698	-	652,494	0.72%
2019	4,490	4,490	-	623,632	0.72%
2018	2,788	2,788	-	464,636	0.60%
2017	2,307	2,307	-	384,513	0.60%
2016	1,304	1,304	-	217,359	0.60%
2015	718	718	-	119,629	0.60%

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

Notes to Required Supplementary Information
 Virginia Local Disability Program (VLDP)
 For the Year Ended June 30, 2022

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

Non-Largest Ten Locality Employers - General and Non-Hazardous Duty 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

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Town of Strasburg's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the Town's overall financial health. This information has not been audited by the independent auditors.

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

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Revenue Capacity

These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.

5-9

Debt Capacity

These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue debt in the future.

10-13

Demographic and Economic Information

These tables offers demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.

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Operating Information

These tables contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates to the services the Town provides and the activities it performs.

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Sources:

Unless otherwise noted, the information in these tables is derived from the annual comprehensive financial reports for the relevant year.

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Town of Strasburg, Virginia

Net Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities					
Net investment in capital assets	\$ 3,595,924	\$ 4,855,784	\$ 5,738,149	\$ 5,783,452	\$ 6,277,653
Restricted	67,857	69,420	70,166	104,765	111,629
Unrestricted	<u>1,340,874</u>	<u>1,524,614</u>	<u>1,878,675</u>	<u>2,249,153</u>	<u>2,330,229</u>
Total governmental activities net position	<u>\$ 5,004,655</u>	<u>\$ 6,449,818</u>	<u>\$ 7,686,990</u>	<u>\$ 8,137,370</u>	<u>\$ 8,719,511</u>
Business-type activities					
Net investment in capital assets	\$ 8,725,596	\$ 12,310,772	\$ 14,889,482	\$ 17,755,091	\$ 21,167,424
Restricted	-	-	-	-	-
Unrestricted	<u>5,464,303</u>	<u>4,600,322</u>	<u>5,727,679</u>	<u>5,953,491</u>	<u>3,998,422</u>
Total business-type activities net position	<u>\$ 14,189,899</u>	<u>\$ 16,911,094</u>	<u>\$ 20,617,161</u>	<u>\$ 23,708,582</u>	<u>\$ 25,165,846</u>
Primary government					
Net investment in capital assets	\$ 12,321,520	\$ 17,166,556	\$ 20,627,631	\$ 23,538,543	\$ 27,445,077
Restricted	67,857	69,420	70,166	104,765	111,629
Unrestricted	<u>6,805,177</u>	<u>6,124,936</u>	<u>7,606,354</u>	<u>8,202,644</u>	<u>6,328,651</u>
Total primary government net position	<u>\$ 19,194,554</u>	<u>\$ 23,360,912</u>	<u>\$ 28,304,151</u>	<u>\$ 31,845,952</u>	<u>\$ 33,885,357</u>

Table 1

Fiscal Year				
2018	2019	2020	2021	2022
\$ 6,369,543	\$ 7,262,064	\$ 9,518,783	\$ 9,527,536	\$ 9,145,566
120,864	133,117	157,765	1,005,777	485,213
<u>3,009,846</u>	<u>2,969,903</u>	<u>2,321,707</u>	<u>2,583,862</u>	<u>3,637,267</u>
<u>\$ 9,500,253</u>	<u>\$ 10,365,084</u>	<u>\$ 11,998,255</u>	<u>\$ 13,117,175</u>	<u>\$ 13,268,046</u>
\$ 19,953,063	\$ 20,182,125	\$ 19,676,465	\$ 19,828,483	\$ 19,769,629
246,480	252,414	250,458	248,054	376,751
<u>4,811,769</u>	<u>4,639,621</u>	<u>4,972,252</u>	<u>4,947,141</u>	<u>5,395,898</u>
<u>\$ 25,011,312</u>	<u>\$ 25,074,160</u>	<u>\$ 24,899,175</u>	<u>\$ 25,023,678</u>	<u>\$ 25,542,278</u>
\$ 26,322,606	\$ 27,444,189	\$ 29,195,248	\$ 29,356,019	\$ 28,915,195
367,344	385,531	408,223	1,253,831	861,964
<u>7,821,615</u>	<u>7,609,524</u>	<u>7,293,959</u>	<u>7,531,003</u>	<u>9,033,165</u>
<u>\$ 34,511,565</u>	<u>\$ 35,439,244</u>	<u>\$ 36,897,430</u>	<u>\$ 38,140,853</u>	<u>\$ 38,810,324</u>

Town of Strasburg, Virginia

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Expenses					
Governmental activities:					
General government administration	\$ 532,547	\$ 473,961	\$ 627,706	\$ 732,892	\$ 842,138
Public safety	1,773,475	1,870,902	1,829,034	1,734,851	1,742,668
Public works	1,247,980	1,181,572	848,525	1,538,358	1,015,530
Health and welfare	9,399	9,661	10,265	10,109	10,236
Parks and recreation	55,221	52,258	54,697	39,561	85,929
Community development	177,249	211,906	209,150	148,674	244,311
Interest on long-term debt	38,526	43,664	68,012	39,749	33,567
Total governmental activities expenses	<u>\$ 3,834,397</u>	<u>\$ 3,843,924</u>	<u>\$ 3,647,389</u>	<u>\$ 4,244,194</u>	<u>\$ 3,974,379</u>
Business-type activities:					
Water	\$ 1,725,249	\$ 1,931,953	\$ 2,223,318	\$ 2,123,742	\$ 2,402,888
Sewer	1,554,539	1,692,520	1,673,529	1,639,280	1,847,774
Trash	301,194	314,263	278,159	296,281	311,124
Total business-type activities expenses	<u>\$ 3,580,982</u>	<u>\$ 3,938,736</u>	<u>\$ 4,175,006</u>	<u>\$ 4,059,303</u>	<u>\$ 4,561,786</u>
Total primary government expenses	<u>\$ 7,415,379</u>	<u>\$ 7,782,660</u>	<u>\$ 7,822,395</u>	<u>\$ 8,303,497</u>	<u>\$ 8,536,165</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government administration	\$ 43,845	\$ 45,298	\$ 50,025	\$ 40,034	\$ 40,989
Parks and recreation	57,886	57,706	53,954	43,849	55,907
Operating grants and contributions:					
General government administration	-	-	-	-	-
Public safety	99,792	241,820	177,667	142,022	123,766
Public works	-	532,424	389,713	750,277	149,304
Community development	-	-	-	60,000	-
Capital grants and contributions:					
General government administration	-	953,814	444,196	-	169,492
Public works	709,684	11,712	397,570	17,364	-
Community development	-	-	-	-	-
Total governmental activities program revenues	<u>\$ 911,207</u>	<u>\$ 1,842,774</u>	<u>\$ 1,513,125</u>	<u>\$ 1,053,546</u>	<u>\$ 539,458</u>
Business-type activities:					
Charges for services:					
Water	\$ 2,340,205	\$ 2,497,474	\$ 2,436,912	\$ 2,387,365	2,373,740
Sewer	2,639,755	2,562,664	2,374,755	2,136,257	2,159,970
Trash	292,404	292,585	274,757	261,927	299,265
Recreation	-	-	-	-	-
Capital grants and contributions:					
Water	423,208	862,974	558,257	102,350	52,000
Sewer	-	359,159	2,265,896	2,106,372	1,067,131
Total business-type activities program revenues	<u>\$ 5,695,572</u>	<u>\$ 6,574,856</u>	<u>\$ 7,910,577</u>	<u>\$ 6,994,271</u>	<u>\$ 5,952,106</u>
Total primary government program revenues	<u>\$ 6,606,779</u>	<u>\$ 8,417,630</u>	<u>\$ 9,423,702</u>	<u>\$ 8,047,817</u>	<u>\$ 6,491,564</u>
Net (expense)/revenue					
Governmental activities	\$ (2,923,190)	\$ (2,001,150)	\$ (2,134,264)	\$ (3,190,648)	\$ (3,434,921)
Business-type activities	<u>2,114,590</u>	<u>2,636,120</u>	<u>3,735,571</u>	<u>2,934,968</u>	<u>1,390,320</u>
Total primary government net (expense) revenue	<u>\$ (808,600)</u>	<u>\$ 634,970</u>	<u>\$ 1,601,307</u>	<u>\$ (255,680)</u>	<u>\$ (2,044,601)</u>

Table 2

Fiscal Year				
2018	2019	2020	2021	2022
\$ 823,092	\$ 641,716	\$ 651,290	\$ 1,410,192	\$ 1,378,054
1,722,076	1,807,172	2,038,606	2,166,334	2,039,404
2,136,644	1,144,775	1,537,002	1,631,656	1,037,799
10,569	11,721	11,613	13,573	18,231
139,839	171,641	203,543	192,280	222,212
166,666	181,478	218,608	305,861	304,078
27,573	20,347	23,193	20,408	139,866
<u>\$ 5,026,459</u>	<u>\$ 3,978,850</u>	<u>\$ 4,683,855</u>	<u>\$ 5,740,304</u>	<u>\$ 5,139,644</u>
\$ 2,390,787	\$ 2,512,248	\$ 2,590,736	\$ 2,779,240	\$ 2,460,596
2,525,810	2,572,113	2,616,985	2,786,672	2,508,221
313,627	326,688	323,762	462,929	488,841
<u>\$ 5,230,224</u>	<u>\$ 5,411,049</u>	<u>\$ 5,531,483</u>	<u>\$ 6,028,841</u>	<u>\$ 5,457,658</u>
<u>\$ 10,256,683</u>	<u>\$ 9,389,899</u>	<u>\$ 10,215,338</u>	<u>\$ 11,769,145</u>	<u>\$ 10,597,302</u>
\$ 65,704	\$ 57,085	\$ 59,040	\$ 32,741	\$ 49,150
43,483	48,358	69,274	111,065	128,285
-	-	-	451,294	-
129,523	133,107	141,115	208,083	370,485
1,196,347	291,290	517,279	572,034	-
-	-	-	-	-
398,529	79,979	52,000	-	-
-	-	1,043,755	1,027,437	88,599
-	-	-	-	-
<u>\$ 1,833,586</u>	<u>\$ 609,819</u>	<u>\$ 1,882,463</u>	<u>\$ 2,402,654</u>	<u>\$ 636,519</u>
2,316,231	\$ 2,329,302	\$ 2,266,984	\$ 2,331,884	\$ 2,366,474
2,226,086	2,280,585	2,259,977	2,242,518	2,313,262
300,991	310,135	316,616	348,453	367,049
-	-	-	-	-
162,223	161,151	186,829	544,584	378,282
433,480	118,299	175,500	510,171	384,503
<u>\$ 5,439,011</u>	<u>\$ 5,199,472</u>	<u>\$ 5,205,906</u>	<u>\$ 5,977,610</u>	<u>\$ 5,809,570</u>
<u>\$ 7,272,597</u>	<u>\$ 5,809,291</u>	<u>\$ 7,088,369</u>	<u>\$ 8,380,264</u>	<u>\$ 6,446,089</u>
\$ (3,192,873)	\$ (3,369,031)	\$ (2,801,392)	\$ (3,337,650)	\$ (4,503,125)
208,787	(211,577)	(325,577)	(51,231)	351,912
<u>\$ (2,984,086)</u>	<u>\$ (3,580,608)</u>	<u>\$ (3,126,969)</u>	<u>\$ (3,388,881)</u>	<u>\$ (4,151,213)</u>

Town of Strasburg, Virginia

Changes in Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes:					
Property taxes	\$ 1,408,679	\$ 1,551,809	\$ 1,653,993	\$ 1,728,462	\$ 1,749,159
Other local taxes:					
Local sales tax	338,067	336,230	342,601	342,955	375,711
Franchise tax	80,662	120,473	149,687	90,889	104,147
Business licenses	102,633	108,961	112,537	121,515	122,849
Meals tax	554,176	553,157	583,465	597,419	713,532
Utility tax	60,111	62,063	72,204	61,165	142,684
Motor vehicle licenses	137,955	132,468	135,976	152,316	125,751
Other local taxes	336,494	351,910	352,562	353,132	385,251
Revenues from use of money and property	67,610	65,900	59,172	70,882	80,640
Miscellaneous	83,481	57,458	70,403	58,341	55,647
Grants and contributions not restricted to specific programs	153,531	105,884	140,921	146,609	161,691
Transfers	(29,076)	-	-	(82,657)	-
Total governmental activities	<u>\$ 3,294,323</u>	<u>\$ 3,446,313</u>	<u>\$ 3,673,521</u>	<u>\$ 3,641,028</u>	<u>\$ 4,017,062</u>
Business-type activities:					
Revenues from use of money and property	\$ 31,174	\$ 36,229	\$ 23,968	\$ 57,304	\$ 45,539
Loss on disposal of assets	(3,234)	-	-	-	-
Insurance proceeds	1,625	-	-	-	-
Grants and contributions not restricted to specific programs	-	-	-	-	-
Miscellaneous	3,150	48,846	13,829	16,492	21,405
Transfers	29,076	-	-	82,657	-
Total business-type activities	<u>\$ 61,791</u>	<u>\$ 85,075</u>	<u>\$ 37,797</u>	<u>\$ 156,453</u>	<u>\$ 66,944</u>
Change in Net Position					
Governmental activities	\$ 371,133	\$ 1,445,163	\$ 1,539,257	\$ 450,380	\$ 582,141
Business-type activities	2,176,381	2,721,195	3,773,368	3,091,421	1,457,264
Total primary government	<u>\$ 2,547,514</u>	<u>\$ 4,166,358</u>	<u>\$ 5,312,625</u>	<u>\$ 3,541,801</u>	<u>\$ 2,039,405</u>

Table 2

Fiscal Year					
2018	2019	2020	2021	2022	
\$ 1,774,648	\$ 1,795,837	\$ 1,929,963	\$ 1,948,070	\$ 2,114,163	
388,597	394,025	460,590	483,851	491,243	
111,074	123,756	127,035	137,896	145,119	
131,925	137,475	141,739	167,095	166,137	
735,500	803,566	770,085	822,700	895,074	
165,133	155,648	144,462	147,101	127,235	
185,071	158,497	160,004	154,473	140,481	
389,570	391,920	346,656	311,324	379,775	
108,020	108,463	98,813	2,718	12,412	
3,749	90,000	87,157	181,516	140,893	
159,829	157,961	168,059	185,841	161,703	
<u>(40,647)</u>	<u>(83,286)</u>	<u>-</u>	<u>(86,315)</u>	<u>(120,239)</u>	
<u>\$ 4,112,469</u>	<u>\$ 4,233,862</u>	<u>\$ 4,434,563</u>	<u>\$ 4,456,270</u>	<u>\$ 4,653,996</u>	
\$ 45,946	\$ 172,097	\$ 132,834	\$ 13,096	\$ 21,504	
(41,923)	-	-	-	-	
-	-	-	-	-	
-	-	-	14,714	-	
13,461	19,042	17,758	61,609	24,945	
<u>40,647</u>	<u>83,286</u>	<u>-</u>	<u>86,315</u>	<u>120,239</u>	
<u>\$ 58,131</u>	<u>\$ 274,425</u>	<u>\$ 150,592</u>	<u>\$ 175,734</u>	<u>\$ 166,688</u>	
\$ 919,596	\$ 864,831	\$ 1,633,171	\$ 1,118,620	\$ 150,871	
<u>266,918</u>	<u>62,848</u>	<u>(174,985)</u>	<u>124,503</u>	<u>518,600</u>	
<u>\$ 1,186,514</u>	<u>\$ 927,679</u>	<u>\$ 1,458,186</u>	<u>\$ 1,243,123</u>	<u>\$ 669,471</u>	

Town of Strasburg, Virginia

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund					
Nonspendable	\$ 8,700	\$ 11,858	\$ 15,848	\$ 19,712	\$ 14,601
Restricted	67,857	738,605	776,143	734,493	241,111
Committed	-	47,375	70,672	71,803	27,141
Unassigned	<u>1,341,011</u>	<u>1,499,513</u>	<u>1,776,510</u>	<u>2,012,068</u>	<u>2,133,018</u>
Total general fund	<u>\$ 1,417,568</u>	<u>\$ 2,297,351</u>	<u>\$ 2,639,173</u>	<u>\$ 2,838,076</u>	<u>\$ 2,415,871</u>
Total governmental funds	<u>\$ 1,417,568</u>	<u>\$ 2,297,351</u>	<u>\$ 2,639,173</u>	<u>\$ 2,838,076</u>	<u>\$ 2,415,871</u>

Table 3

Fiscal Year				
2018	2019	2020	2021	2022
\$ 15,831	\$ 15,831	\$ 44,844	\$ 46,516	\$ 45,862
120,864	133,117	157,765	1,005,777	2,668,310
891,350	1,257,500	400,000	400,000	-
<u>2,113,065</u>	<u>1,717,615</u>	<u>1,998,522</u>	<u>2,366,794</u>	<u>3,973,119</u>
<u>\$ 3,141,110</u>	<u>\$ 3,124,063</u>	<u>\$ 2,601,131</u>	<u>\$ 3,819,087</u>	<u>\$ 6,687,291</u>
<u>\$ 3,141,110</u>	<u>\$ 3,124,063</u>	<u>\$ 2,601,131</u>	<u>\$ 3,819,087</u>	<u>\$ 6,687,291</u>

Town of Strasburg, Virginia

Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues					
General property taxes	\$ 1,416,634	\$ 1,539,495	\$ 1,660,060	\$ 1,609,642	\$ 1,719,391
Other local taxes	1,614,343	1,665,262	1,749,032	1,719,391	1,969,925
Permits, privilege fees and regulatory licenses	9,065	16,316	8,504	10,727	18,469
Fines and forfeitures	34,780	28,982	41,521	29,307	22,520
Revenue from the use of money and property	67,610	65,900	59,172	70,882	80,640
Charges for service	57,886	57,706	53,954	43,849	55,907
Miscellaneous	83,481	57,458	70,403	58,341	55,647
Intergovernmental:					
Commonwealth	926,210	825,916	663,285	1,082,232	427,858
Federal	32,552	1,019,738	886,782	34,040	176,395
Total revenues	<u>\$ 4,242,561</u>	<u>\$ 5,276,773</u>	<u>\$ 5,192,713</u>	<u>\$ 4,658,411</u>	<u>\$ 4,526,752</u>
Expenditures					
General government administration	\$ 584,702	\$ 615,777	\$ 603,203	\$ 622,318	\$ 626,031
Public safety	1,731,835	1,799,586	1,753,368	1,747,335	1,683,359
Public works	1,095,096	1,040,866	1,225,170	1,406,917	887,546
Health and welfare	9,399	9,661	10,265	10,109	10,236
Parks and recreation	150,335	177,049	180,424	160,597	209,759
Community development	55,221	52,258	54,697	39,561	85,674
Capital projects	543,984	1,284,192	680,275	148,549	1,240,872
Debt service:					
Principal	226,512	191,725	198,051	219,039	237,074
Interest and other fiscal charges	39,284	44,456	64,946	49,842	43,745
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>\$ 4,436,368</u>	<u>\$ 5,215,570</u>	<u>\$ 4,770,399</u>	<u>\$ 4,404,267</u>	<u>\$ 5,024,296</u>
Excess of revenues over (under) expenditures	<u>\$ (193,807)</u>	<u>\$ 61,203</u>	<u>\$ 422,314</u>	<u>\$ 254,144</u>	<u>\$ (497,544)</u>
Other financing sources (uses)					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	(29,076)	-	-	(82,657)	-
Issuance of bonds	-	714,152	12,523	-	-
Issuance of notes payable	29,462	104,428	112,898	27,416	75,339
Total other financing sources (uses)	<u>\$ 386</u>	<u>\$ 818,580</u>	<u>\$ 125,421</u>	<u>\$ (55,241)</u>	<u>\$ 75,339</u>
Net change in fund balances	<u>\$ (193,421)</u>	<u>\$ 879,783</u>	<u>\$ 547,735</u>	<u>\$ 198,903</u>	<u>\$ (422,205)</u>
Debt service as a percentage of noncapital expenditures	5.99%	4.53%	5.51%	6.11%	5.59%

Table 4

		Fiscal Year							
		2018	2019	2020	2021	2022			
\$	1,845,728	\$	1,797,419	\$	1,930,881	\$	1,941,768	\$	2,075,913
	2,106,870		2,164,887		2,150,571		2,224,740		2,345,064
	34,991		24,803		36,262		20,971		30,124
	30,713		32,282		22,778		11,770		19,026
	108,020		108,463		98,813		2,718		12,412
	43,483		48,358		69,274		111,065		128,285
	124,811		90,000		87,157		181,516		140,893
	1,478,849		577,129		805,279		1,593,683		390,016
	405,379		85,208		1,116,929		851,006		230,771
\$	<u>6,178,844</u>	\$	<u>4,928,549</u>	\$	<u>6,317,944</u>	\$	<u>6,939,237</u>	\$	<u>5,372,504</u>
\$	556,163	\$	591,782	\$	505,917	\$	739,658	\$	495,424
	1,675,417		1,782,529		1,937,711		2,075,598		1,983,858
	1,916,320		1,079,742		1,308,049		1,393,268		821,744
	10,569		11,721		11,613		13,573		18,231
	148,837		177,662		158,722		266,252		207,387
	136,152		173,773		183,898		191,419		222,065
	753,157		892,441		2,610,928		913,724		1,177,189
	232,368		227,225		129,218		81,217		81,139
	38,226		31,039		25,807		23,123		63,046
	-		-		-		-		56,532
\$	<u>5,467,209</u>	\$	<u>4,967,914</u>	\$	<u>6,871,863</u>	\$	<u>5,697,832</u>	\$	<u>5,126,615</u>
\$	<u>711,635</u>	\$	<u>(39,365)</u>	\$	<u>(553,919)</u>	\$	<u>1,241,405</u>	\$	<u>245,889</u>
\$	-	\$	-	\$	-	\$	-	\$	1,464
	(40,647)		(83,286)		-		(86,315)		(121,703)
	-		-		-		-		2,707,871
	58,251		105,604		30,987		62,866		34,683
\$	<u>17,604</u>	\$	<u>22,318</u>	\$	<u>30,987</u>	\$	<u>(23,449)</u>	\$	<u>2,622,315</u>
\$	<u>729,239</u>	\$	<u>(17,047)</u>	\$	<u>(522,932)</u>	\$	<u>1,217,956</u>	\$	<u>2,868,204</u>
	5.56%		6.63%		3.60%		3.60%		3.09%

Town of Strasburg, Virginia

General Governmental Revenues by Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Fiscal Year	Property Taxes	Local Sales Tax	Consumer Utility Tax	Tele-communications Tax	Franchise Tax	Cigarette Tax
2022	\$ 2,075,913	\$ 491,243	\$ 127,235	\$ 59,535	\$ 145,119	\$ 92,625
2021	1,941,768	483,851	147,401	61,337	137,896	100,515
2020	1,930,881	460,590	144,462	69,057	127,035	102,457
2019	1,797,419	394,025	155,648	70,668	123,756	121,020
2018	1,845,728	388,597	165,133	76,175	111,074	117,549
2017	1,719,391	375,711	142,684	78,633	104,147	118,674
2016	1,609,642	342,955	61,165	80,615	90,889	128,240
2015	1,660,060	342,601	72,204	90,102	149,687	121,681
2014	1,539,495	336,230	62,063	76,778	120,473	121,452
2013	1,416,634	338,067	60,111	85,256	80,662	121,359

Table 5

<u>Meals Tax</u>	<u>Transient Occupancy Tax</u>	<u>Public Right- of-Way Fees</u>	<u>Motor Vehicle Licenses</u>	<u>Business Licenses</u>	<u>Total</u>
\$ 895,074	\$ 199,322	\$ 28,293	\$ 140,481	\$ 166,137	\$ 4,420,977
822,700	121,975	27,497	154,473	167,095	4,166,508
770,085	144,944	30,198	160,004	141,739	4,081,452
803,566	182,577	17,655	158,497	137,475	3,962,306
735,500	195,846	-	185,071	131,925	3,952,598
713,532	187,944	-	125,751	122,849	3,689,316
597,419	144,277	-	152,316	121,515	3,329,033
583,465	136,059	-	135,976	112,537	3,404,372
553,157	138,719	-	132,468	108,961	3,189,796
554,176	129,429	-	137,955	102,633	3,026,282

Town of Strasburg, Virginia

Assessed Value of Taxable Property
 Last Ten Fiscal Years
 (in thousands)

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service Corporation	
				Real Estate	Personal Property
2022	\$ 835,586	\$ 91,294	\$ 26,970	\$ 32,647	\$ -
2021	623,198	68,880	28,796	35,352	-
2020	615,361	54,510	41,158	32,970	-
2019	606,910	51,026	36,559	16,284	-
2018	602,606	48,698	40,632	21,332	-
2017	601,362	46,781	46,977	21,332	-
2016	600,385	47,253	33,332	21,786	-
2015	606,784	43,443	30,369	21,544	-
2014	604,013	43,492	32,588	21,201	-
2013	555,327	40,461	17,530	20,076	-

Note: Real and personal property tax assessments are made by the Commissioner of Revenue for the County of Shenandoah, Virginia. Real and personal property taxes of public service corporations are assessed by the State Corporation Commission.

Table 6

<u>Total Taxable Assessed Total</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>	<u>Total Direct Rate</u>
\$ 986,497	\$ 986,497	100%	2.26
756,226	756,226	100%	2.29
743,999	743,999	100%	2.29
710,779	710,779	100%	2.26
713,268	713,268	100%	2.29
716,452	716,452	100%	2.29
702,756	702,756	100%	2.29
702,140	702,140	100%	2.29
701,294	701,294	100%	2.29
633,394	633,394	100%	2.29

Town of Strasburg, Virginia

Property Tax Rates (1)
 Direct and Overlapping Governments
 Last Ten Fiscal Years

Fiscal Year	Direct Rates				Overlapping Rates County of Shenandoah, Virginia			
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
2022	\$ 0.16	\$ 1.11	\$ 0.13	\$ 0.86	\$ 0.58	\$ 3.80	\$ 0.58	\$ 3.15
2021	0.16	1.11	0.16	0.86	0.69	3.90	0.69	3.15
2020	0.16	1.11	0.16	0.86	0.64	3.90	0.64	3.15
2019	0.16	1.11	0.16	0.86	0.64	3.90	0.64	3.15
2018	0.16	1.11	0.16	0.86	0.64	3.90	0.64	3.15
2017	0.16	1.11	0.16	0.86	0.60	3.60	0.60	3.15
2016	0.16	1.11	0.16	0.86	0.57	3.50	0.57	3.15
2015	0.16	1.11	0.16	0.86	0.57	3.50	0.57	3.15
2014	0.16	1.11	0.16	0.86	0.57	3.50	0.57	3.15
2013	0.16	1.11	0.16	0.86	0.51/0.54	3.50	0.51/0.54	3.15

(1) Rates are based on \$100 per assessed value

Table 7

Combined Rates			
Real Estate	Personal Property	Mobile Homes	Machinery and Tools
\$ 0.80	\$ 4.80	\$ 0.80	\$ 4.05
0.80	4.80	0.80	4.05
0.80	4.80	0.80	4.05
0.80	4.80	0.80	4.05
0.80	4.80	0.80	4.05
0.76	4.50	0.76	4.05
0.72	4.40	0.72	4.05
0.72	4.40	0.72	4.05
0.72	4.40	0.72	4.05
0.66/0.69	4.40	0.66/0.69	4.05

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type of Business	Fiscal Year 2022	
		2022 Assessed Valuation	% of Total Assessed Valuation
EIP 495 Radio Station Road LLC	Rental Property/Commercial	\$ 29,087,500	3.48%
Art Mortgage Borrower	Real Estate	14,416,500	1.73%
Massanutten Preservation LP	Real Estate	7,200,000	0.86%
294 Front Royal Road LLC	Manufacturing	6,542,600	0.78%
Sabra Virginia III LLC	Senior Living Facility	6,000,000	0.72%
Sanwood Hospitality LLC	Real Estate	5,801,800	0.69%
Walter Enterprises	Rental Property/Commercial	5,357,000	0.64%
IAC Strasburg LLC	Manufacturing	4,409,200	0.53%
Homewood at the Shenandoah Valley	Real Estate	3,620,800	0.43%
King Plumbing and Heating Inc	Real Estate/Rental Property	3,295,900	0.39%
		<u>\$ 85,731,300</u>	<u>10.26%</u>

Taxpayer	Type of Business	Fiscal Year 2013	
		2013 Assessed Valuation	% of Total Assessed Valuation
294 Front Royal LLC	Manufacturing	\$ 11,454,700	2.06%
King Plumbing	Rental Property&Recreation Ctr.	11,291,400	2.03%
IAC Corp	Manufacturing	8,763,800	1.58%
Homewood at the Shenandoah Valley	Rental & Shopping	6,474,900	1.17%
Toothman Investments	Real Estate /Rental Property	5,492,200	0.99%
Massanutten Elderly	Rental Property	5,037,500	0.91%
SFC Properties	Residential	4,055,700	0.73%
Sunlight Properties	Real Estate/ Rental Property	4,052,100	0.73%
Frank Yeakle III	Rental Property	3,699,000	0.67%
Terry Dellinger	Rental Property	3,417,000	0.62%
		<u>\$ 63,738,300</u>	<u>11.48%</u>

Source: Assessed values per the Commissioner of Revenue for the County of Shenandoah, Virginia

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Total Tax Collections	Percentage of Levy
2022	\$ 2,239,364	\$ 2,104,257	93.97%	\$ -	2,104,257	93.97%
2021	1,913,047	1,823,262	95.31%	48,486	1,871,748	97.84%
2020	1,846,891	1,803,601	97.66%	26,486	1,830,087	99.09%
2019	1,739,312	1,688,776	97.09%	38,914	1,727,690	99.33%
2018	1,739,692	1,647,491	94.70%	84,049	1,731,540	99.53%
2017	1,715,312	1,625,964	94.79%	80,601	1,706,565	99.49%
2016	1,630,544	1,546,964	94.87%	81,631	1,628,595	99.88%
2015	1,612,273	1,567,292	97.21%	42,787	1,567,292	97.21%
2014	1,615,808	1,571,938	97.28%	42,026	1,613,964	99.89%
2013	1,510,934	1,480,446	97.98%	28,881	1,509,327	99.89%

Source: Department of Finance

Town of Strasburg, Virginia

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-type Activities	
	General Obligation Bonds	Notes payable	Lease Liabilities	General Obligation Bonds	Note Payable
2022	\$ 3,227,536	\$ 84,255	\$ 28,607	\$ 24,226,941	\$ 30,444
2021	550,101	102,711	-	25,331,903	46,290
2020	579,537	94,062	-	26,426,831	77,268
2019	633,664	140,602	-	27,510,285	120,086
2018	801,565	103,689	-	28,727,122	87,074
2017	916,706	118,325	-	28,561,830	55,572
2016	1,070,425	126,341	-	26,288,079	65,478
2015	1,217,333	171,056	-	19,913,636	102,054
2014	1,374,504	114,238	-	15,796,871	41,456
2013	874,226	38,813	-	13,954,938	10,432

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 14

Table 10

<u>Total Primary Government</u>	<u>Percentage of Personal Income (1)</u>	<u>Per Capita (1)</u>
\$ 27,597,783	1.25%	\$ 3,838
26,031,005	1.18%	3,876
27,177,698	1.33%	4,071
28,404,637	1.40%	3,950
29,719,450	1.72%	4,486
29,652,433	1.75%	4,515
27,550,323	1.67%	4,200
21,404,079	1.31%	3,271
17,327,069	1.11%	2,662
14,878,409	0.96%	2,285

Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2022	\$ 27,454,477	\$ 413,417	\$ 27,041,060	2.74%	\$ 3,760
2021	25,882,004	1,085,448	24,796,556	3.19%	3,692
2020	27,006,368	250,458	26,755,910	3.60%	3,721
2019	28,143,949	246,480	27,897,469	3.92%	4,190
2018	29,528,687	246,480	29,282,207	4.11%	4,420
2017	29,478,536	-	29,478,536	4.11%	4,489
2016	27,358,504	-	27,358,504	3.89%	4,171
2015	21,130,969	-	21,130,969	3.01%	3,230
2014	17,171,375	-	17,171,375	2.45%	2,638
2013	14,829,164	-	14,829,164	2.34%	2,277

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 13

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 6

(3) Includes all long-term general obligation debt. Excludes notes payable, leases and compensated absences.

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Town of Strasburg, Virginia

Legal Debt Margin Information
Last Ten Fiscal Years

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Assessed Valuations				
Assessed value of taxed real property	\$ <u>555,327,000</u>	\$ <u>604,013,000</u>	\$ <u>606,784,000</u>	\$ <u>600,385,000</u>
Legal debt margin				
Debt limit - 10 percent of total assessed value	\$ <u>55,532,700</u>	\$ <u>60,401,300</u>	\$ <u>60,678,400</u>	\$ <u>60,038,500</u>
Debt applicable to limitation:				
Total bonded debt	\$ 14,829,164	\$ 17,171,375	\$ 21,130,969	\$ 27,358,504
Less: Business-type activities bonds	<u>(13,954,938)</u>	<u>(15,796,871)</u>	<u>(19,913,636)</u>	<u>(26,288,079)</u>
Total amount of debt applicable to debt limitation	\$ <u>874,226</u>	\$ <u>1,374,504</u>	\$ <u>1,217,333</u>	\$ <u>1,070,425</u>
Legal debt margin	\$ <u>54,658,474</u>	\$ <u>59,026,796</u>	\$ <u>59,461,067</u>	\$ <u>58,968,075</u>
Total net debt applicable to the limit as a percentage of debt limit	1.57%	2.28%	2.01%	1.78%

Table 12

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ <u>601,362,000</u>	\$ <u>602,606,000</u>	\$ <u>606,910,000</u>	\$ <u>615,361,000</u>	\$ <u>623,198,000</u>	\$ <u>835,586,000</u>
\$ <u>60,136,200</u>	\$ <u>60,260,600</u>	\$ <u>60,691,000</u>	\$ <u>61,536,100</u>	\$ <u>62,319,800</u>	\$ <u>83,558,600</u>
\$ 29,478,536	\$ 29,282,207	\$ 27,891,535	\$ 26,755,910	\$ 25,882,004	\$ 27,454,477
<u>(28,561,830)</u>	<u>(28,727,122)</u>	<u>(27,510,285)</u>	<u>(26,426,831)</u>	<u>(25,331,903)</u>	<u>(24,226,941)</u>
\$ <u>916,706</u>	\$ <u>555,085</u>	\$ <u>381,250</u>	\$ <u>329,079</u>	\$ <u>550,101</u>	\$ <u>3,227,536</u>
\$ <u>59,219,494</u>	\$ <u>59,705,515</u>	\$ <u>60,309,750</u>	\$ <u>61,207,021</u>	\$ <u>61,769,699</u>	\$ <u>80,331,064</u>
1.52%	0.92%	0.63%	0.53%	0.88%	3.86%

Direct and Overlapping Governmental Activities Debt
June 30, 2022

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage</u>	<u>Amount applicable to Primary Government</u>
County of Shenandoah, Virginia	\$ 44,092,866	16.20%	\$ 7,141,900
Town of Strasburg, Virginia direct debt			<u>3,311,791</u>
Total direct and overlapping debt			<u>\$ 10,453,691</u>

Sources: Outstanding debt and applicable percentages provided by the County of Shenandoah, Virginia

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the Town of Strasburg, Virginia. This process recognizes that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Town Population	Personal Income (000's) (1)	Per Capita Personal Income (1)	Unemployment Rate (1)
2022	7,191	\$ 2,386,418	\$ 53,753	2.60%
2021	6,716	2,207,002	49,948	4.10%
2020	6,676	2,035,995	46,680	6.90%
2019	6,658	1,974,201	45,387	2.60%
2018	6,625	1,724,404	39,940	3.32%
2017	6,567	1,696,997	39,291	3.60%
2016	6,559	1,647,658	37,896	3.60%
2015	6,543	1,630,305	36,627	4.99%
2014	6,509	1,565,050	35,016	5.90%
2013	6,512	1,550,472	35,016	6.20%

Source: Weldon Cooper Center for Public Service, Bureau of Labor Statistics, and Bureau of Economic Analysis

(1) Data available for the County of Shenandoah, Virginia

Town of Strasburg, Virginia

Full-time Equivalent Town Government Employees by Function/Program
Last Ten Fiscal Years

Function	2013	2014	2015	2016	2017
General government					
General administration	2.0	2.0	1.0	2.0	1.5
Financial administration	5.0	5.0	5.0	5.0	4.5
Planning Office	1.0	1.0	1.0	1.0	1.0
Public safety					
Sworn Officers	18.0	15.0	18.0	18.0	17.0
Administrative	1.0	1.0	1.0	1.0	1.0
Public works	18.0	19.0	18.0	19.0	19.0
Economic/Community development	0.0	1.0	1.0	1.0	1.0
Parks and recreation	0.0	0.0	0.0	0.0	0.0
Water and sewer	11.0	12.0	12.0	11.0	11.0
Totals	<u>56.0</u>	<u>56.0</u>	<u>57.0</u>	<u>58.0</u>	<u>56.0</u>

Source: Department of Finance; Staffing Reports

Table 15

Fiscal Year				
2018	2019	2020	2021	2022
2.0	2.0	2.0	2.0	2.0
5.0	5.0	5.0	5.0	5.0
1.0	1.0	1.0	1.0	1.0
17.0	17.0	18.0	18.0	18.0
1.0	1.0	1.0	2.0	2.0
19.0	19.0	22.0	22.0	18.0
1.0	2.0	2.0	2.0	1.0
0.0	0.0	0.0	0.0	0.0
<u>13.0</u>	<u>13.0</u>	<u>13.0</u>	<u>13.0</u>	<u>11.0</u>
<u><u>59.0</u></u>	<u><u>60.0</u></u>	<u><u>64.0</u></u>	<u><u>65.0</u></u>	<u><u>58.0</u></u>

Town of Strasburg, Virginia

Operating Indicators by Function
Last Ten Fiscal Years

Function	2013	2014	2015	2016
Public safety				
Police department				
Number of complaints investigated	9,080	8,659	8,403	8,882
Number of vehicle accidents investigated	149	138	146	142
Number of traffic summons (adult & juvenile)	466	665	557	407
Number of criminal arrests (adult)	*	290	410	408
Number of criminal arrests (juvenile)	42	35	45	24
Public works				
Streets				
Streets resurfaced (miles per year)	0.12	1.79	0.33	3.34
Refuse				
Refuse collected (tons per year)	1,820	1,777	2,094	2,207
Recycling				
Recycling collected (tons per year)	200	207	188	193
Community development				
Planning and zoning				
Zoning permits issued	30	116	129	106
Water				
Number of water main break repairs	*	*	9	6
Average daily finished water production (mgd)	0.7333	0.7307	0.7357	0.7128
Sewer				
Number of sewer line repairs	*	*	4	6
Average daily effluent wastewater treatment (mgd)	0.7982	0.9092	0.7078	0.7052

*Information not available. It is the goal of the Town to achieve ten fiscal years of this information in the future.

Source: Town individual departments

Note: All statistical data is based on the previous calendar year of the fiscal year indicated.

Table 16

Fiscal Year					
2017	2018	2019	2020	2021	2022
8,120	8,001	7,502	6,650	11,933	16,821
109	124	138	84	96	102
502	589	664	181	207	404
314	380	380	383	221	220
8	38	26	14	10	4
128	128	130	130	130	130
1.17	11.38	0.00	0.00	3.66	0.00
2,329	2,469	2,523	2,361	2,327	2,264
218	206	211	102	0	0
135	177	113	196	202	187
5	10	9	6	6	19
0.7140	0.6698	0.7283	0.6880	0.7780	0.7957
3	4	5	5	5	2
0.7488	1.2956	1.0459	0.8524	0.9947	0.8800

Town of Strasburg, Virginia

Capital Asset and Infrastructure Statistics by Function/Program Last Ten Fiscal Years

Function/Program	2013	2014	2015	2016	2017
Public safety					
Police department					
Stations	1	1	1	1	1
Law enforcement vehicles	*	*	*	*	12
Public works					
Streets department					
Number of streets	128	128	128	128	128
Number of street lights	485	516	516	516	516
Parks and recreation					
Number of parks	2	2	2	2	2
Number of swimming pools	1	1	1	1	1
Number of picnic shelters	8	8	8	8	8
Number of tennis courts	2	2	2	2	2
Water					
Miles of water distribution lines	40.39	40.39	40.39	40.39	40.39
Storage capacity (mg)	3.4	3.4	3.4	3.4	3.4
Sewer					
Miles of sanitary sewer lines	40.48	40.48	40.48	40.48	40.48
Number of sewer lift/pumping stations	11	11	11	11	12

* Information is not available.

Source: Town individual departments

Table 17

Fiscal Year				
2018	2019	2020	2021	2022
1 12	1 13	1 13	1 13	1 19
128 522	130 522	130 542	130 573	130 289
2 1 8 2	3 1 8 2	3 1 8 2	4 1 8 2	4 1 8 2
40.39 3.4	40.39 3.4	40.39 3.4	40.39 3.4	40.39 3.4
40.48 12	40.48 12	40.48 12	40.48 12	40.48 12

COMPLIANCE SECTION



**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 Strasburg, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Strasburg, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Strasburg, Virginia's basic financial statements, and have issued our report thereon dated November 23, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Strasburg, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Strasburg, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Strasburg, 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 the Town of Strasburg, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 23, 2022