
Town of Urbanna, Virginia

Annual Financial Report

For the Year Ended June 30,
2023

Davis and Associates Certified Public Accountants, PLLC
10440 Little Patuxent Parkway
Suite 500
Columbia, Maryland 21044

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Town of Urbanna, Virginia
Financial Report
Fiscal Year Ended June 30, 2023

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TOWN OF URBANNA, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

Town Council

William “Bill” Goldsmith, Mayor

Marjorie Austin

Larry Chowning

Alana Courtney

Merri Hanson

Beth Justice

Sandy Sturgill

Official

Garth Wheeler, Administrator

Independent Auditor's Report

**The Honorable Governing Body
Town of Urbanna, Virginia**

Opinions

We have audited the accompanying financial statements of the governmental activities and business-type activities of the Town of Urbanna, Virginia ("The Town"), as of and for the year ended June 30, 2023, and the related notes to the financial statements which collectively comprise The Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities of the Town of Urbanna, Virginia, as of June 30, 2023, and the respective changes in financial position and cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Urbanna, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Urbanna, 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 and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical information 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 July 29, 2024, on our consideration of the Town of Urbanna, 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 Urbanna, 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 Urbanna, Virginia's internal control over financial reporting and compliance.

Davis & Associates

Columbia, Maryland
July 29, 2024

Town of Urbanna, Virginia
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023

The Management's Discussion and Analysis of the financial performance of the Town of Urbanna, Virginia (the "Town") provides an overall review of the Town's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

Net position at June 30, 2023, for the Governmental and Business Type activities, was \$2,629,325 and \$64,739 respectively.

Overview of the Financial Statements

This annual report consists of two parts – management's discussion and analysis and the basic financial statements consisting of a *Statement of Net Position*; *Statement of Revenues, Expenses, and Changes in Net Position*; *Statement of Cash Flows*; and related footnotes. The Statement of Net Position represents the financial position of the Town and provides information about the activities of the Town, including all short-term and long-term financial resources and obligations. The Town's financial statements present two kinds of statements, each with a different snapshot of the Town's finances. The government-wide financial statements provide both long-term and short-term information about the Town's overall financial status. Both perspectives allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability.

Government-Wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. The *Statement of Net Position* (Exhibit 1) presents information on all Town assets and liabilities with the difference between the two reported as *net position*. Over time increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. However, other non-financial factors will need to be considered, such as changes in the Town's property tax base and condition of the Town's infrastructure. The *Statement of Activities* (Exhibit 2) presents information identifying how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid.

In the ***Statement of Net Position*** (Exhibit 1) and the ***Statement of Activities*** (Exhibit 2), the Town is divided into the following:

Governmental activities - The Town's basic municipal services are reported here and include general government, public safety, building and grounds, highways and streets, community development, public health, and cultural and recreation. These activities are mainly supported by taxes and intergovernmental revenue.

Business-type activities - The Town charges user fees to customers to help offset all or most of the cost of the services provided. The business-type activities of the Town reported in this section include Water and Sewer Utility.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the Taber Trust fund which are considered to be major funds. Data from the other governmental funds, the Historical Trust fund and the Grant's fund are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report. The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

- Proprietary Funds

Proprietary Funds – The Town maintains proprietary funds to account for enterprise fund operations that report the same functions as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the fund.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Town's progress in funding its obligations to provide pension benefits to its employees.

Government-Wide Financial Statements Analysis

Net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Urbanna exceeded liabilities and deferred inflows by \$2,694,064 as of June 30, 2023. The Town's net position decreased by \$849,714 for the fiscal year ended June 30, 2023.

On January 23, 2023, the Town obtained a Revenue Bond Note from Huntington Public Capital Corporation in the amount of \$1,056,000. The funds from this loan were placed in a SNAP (Virginia State Non-Arbitrage Program) account. These funds were for drilling a new well to supply the town with water. Funds are drawn down as expenses are incurred.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes – \$273,666.
- Surplus in the Net Pension Liability - \$(414,936).
- Meals tax of \$134,130 held steady from the prior year.
- Cost of garbage collection increased by 22 % to \$110,467.
- The Town is not carrying any long-term debt.

STATEMENT OF NET POSITION (Exhibit 1) – For the Fiscal Years Ended June 30, 2023 and 2022

	2023			2022		
	Primary Government			Primary Government		
	Governmental Activities	Business - Type Activities	Total	Governmental Activities	Business - Type Activities	Total
ASSETS						
Cash and cash equivalents	\$ 644,256	\$ 1,291,291	\$ 1,935,548	\$ 599,578	\$ 673,542	\$ 1,273,120
Due to/from	-	96,171	96,171	-	96,171	96,171
Restricted assets:						
Temporarily restricted:						
Cash and cash equivalents	1,795,921	-	1,795,921	1,152,430	-	1,152,430
Capital assets (net of accumulated depreciation):						
Land	228,324	251,000	479,324	228,324	251,000	479,324
Other capital assets	260,470	8,875	269,345	318,843	10,802	329,645
Total assets	<u>\$ 2,928,971</u>	<u>\$ 1,647,337</u>	<u>\$ 4,576,308</u>	<u>\$ 2,299,175</u>	<u>\$ 1,031,515</u>	<u>\$ 3,330,690</u>
Deferred Outflow of Resources:						
Total Deferred Outflow of Resources	\$ -	-	-	-	-	-
Total Assets and Deferred Outflow of Resources	<u>\$ 2,928,971</u>	<u>\$ 1,647,337</u>	<u>\$ 4,576,308</u>	<u>\$ 2,299,175</u>	<u>\$ 1,031,515</u>	<u>\$ 3,330,690</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 657,997	\$ 61,521	\$ 719,518	\$ (46,867)	\$ 50,536	\$ 3,669
Utility deposits	-	15,427	15,427	-	16,102	16,102
Long-term liabilities:						
Due in more than one year	-	1,056,000	1,056,000	-	-	-
Net Pension Liability	(414,936)	-	(414,936)	(319,655)	-	(319,655)
Total liabilities	<u>\$ 243,061</u>	<u>\$ 1,132,948</u>	<u>\$ 1,376,009</u>	<u>\$ (366,522)</u>	<u>\$ 66,638</u>	<u>\$ (299,884)</u>
Deferred Inflow of Resources:						
Total Deferred Inflow of Resources	\$ 56,585	449,650	506,235	86,797	-	86,797
Total Liabilities and Deferred Inflow of Resources	<u>\$ 299,646</u>	<u>\$ 1,582,598</u>	<u>\$ 1,882,244</u>	<u>\$ (279,725)</u>	<u>\$ 66,638</u>	<u>\$ (213,087)</u>
NET POSITION						
Net investment in capital assets	\$ 903,730	\$ (796,125)	\$ 107,605	\$ 866,872	\$ 261,802	\$ 1,128,624
Unrestricted (deficit)	1,725,595	860,864	2,586,459	1,712,079	703,075	2,415,154
Total net position	<u>\$ 2,629,325</u>	<u>\$ 64,739</u>	<u>\$ 2,694,064</u>	<u>\$ 2,578,951</u>	<u>\$ 964,877</u>	<u>\$ 3,543,778</u>

STATEMENT OF ACTIVITIES (Exhibit 2) – For the Fiscal Years Ended June 30, 2023, and 2022

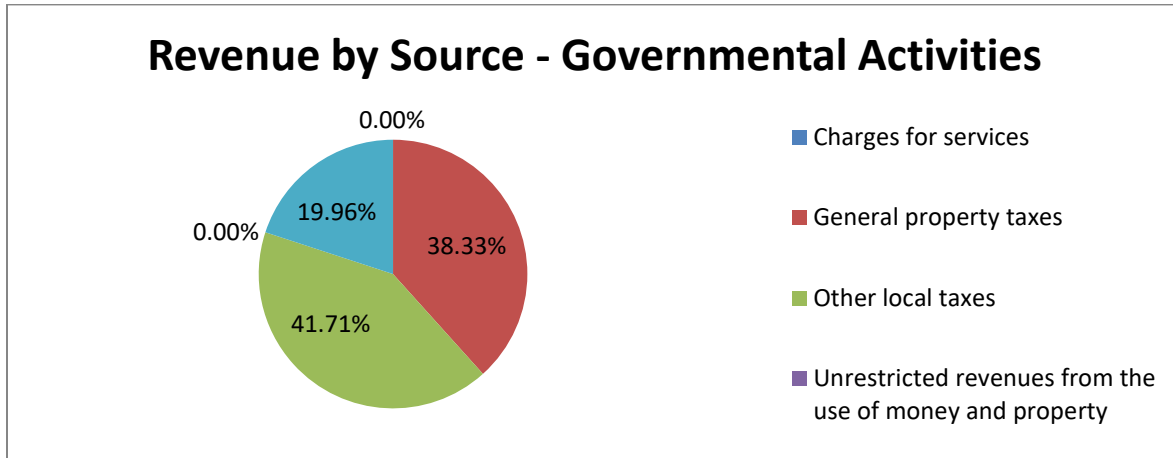
Statement of Activities

Change in Net Position

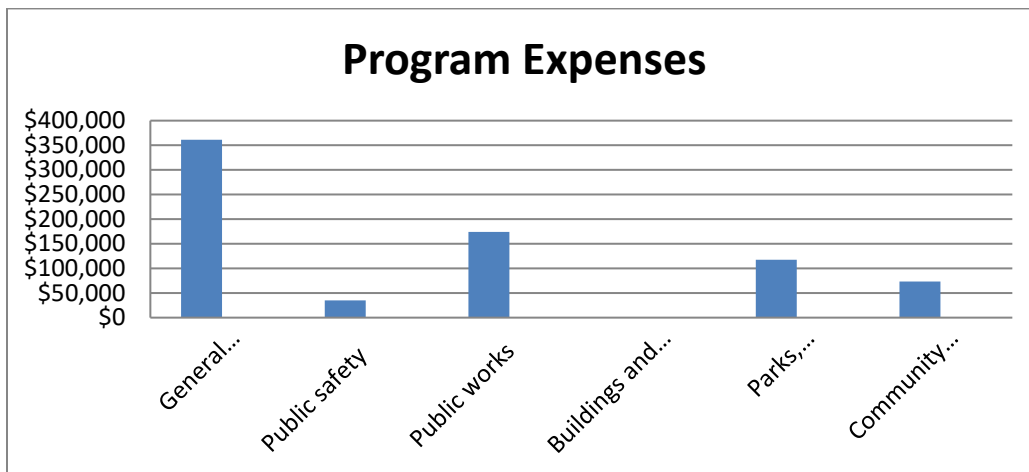
For Fiscal Years Ending June 30, 2023 and 2022

	<u>Governmental Activities</u>		<u>Business - Type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 477,341	\$ 426,027	\$ 477,341	\$ 426,027
General revenues:						
General property taxes	273,666	265,383	-	-	273,666	265,383
Other local taxes	297,786	158,198	-	-	297,786	158,198
Restaurant and food taxes	134,130	144,225	-	-	134,130	144,225
Unrestricted revenues from the use of money and property	-	-	-	-	-	-
Miscellaneous	142,534	75,190	-	-	142,534	75,190
Total revenues	\$ 848,115	\$ 642,996	\$ 477,341	\$ 426,027	\$ 1,325,456	\$ 1,069,023
Expenses:						
General government	\$ 361,352	\$ 401,296	\$ -	\$ -	\$ 361,352	\$ 401,296
Public safety	35,200	20,200	-	-	35,200	20,200
Public works	174,125	100,892	-	-	174,125	100,892
Buildings and grounds	-	75,465	-	-	-	75,465
Parks, recreation and cultural	117,329	13,296	-	-	117,329	13,296
Community development	73,547	68,636	-	-	73,547	68,636
Enterprise funds	-	-	319,552	279,872	319,552	279,872
Total expenses	\$ 761,554	\$ 679,785	\$ 319,552	\$ 279,872	\$ 1,081,105	\$ 959,657
Increase (decrease) in net position before transfers	\$ 86,562	\$ (36,789)	\$ 157,789	\$ 146,155	\$ 244,351	\$ 109,366
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	\$ 86,562	\$ (36,789)	\$ 157,789	\$ 146,155	\$ 244,351	\$ 109,366
Net position - beginning, as adjusted	2,542,762	2,615,689	(93,050)	818,722	2,449,712	3,434,411
Net position - ending	\$ 2,629,325	\$ 2,578,901	\$ 64,740	\$ 964,878	\$ 2,694,064	\$ 3,543,778

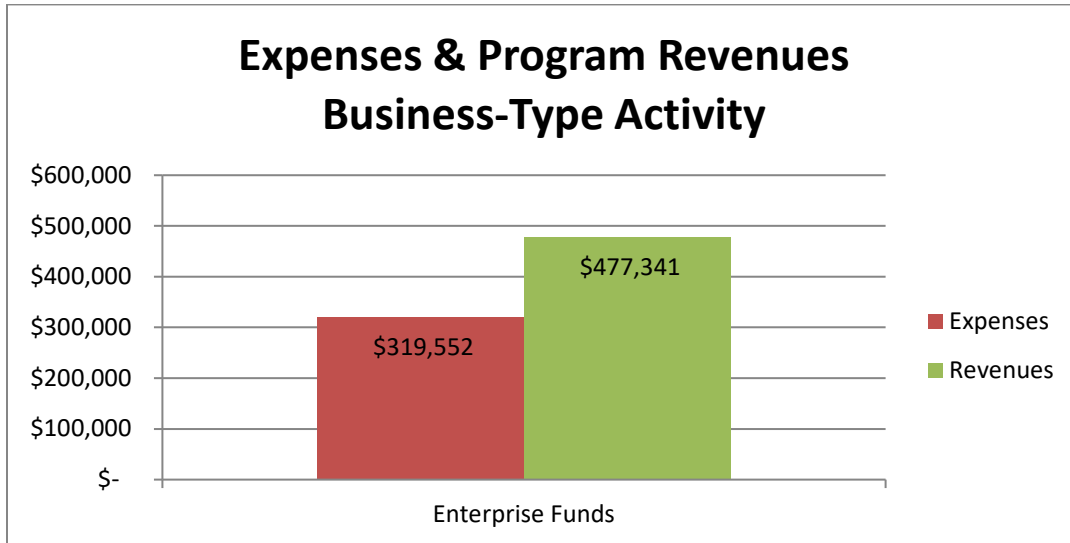
Primary Government Revenues



Primary Government Expenses



Business Type Activities - Revenues and Expenses



Economic Factors and Future Outlook

Presently, the Town is not aware of any significant changes in conditions that would have a significant effect on administrative expenses in the near future.

Contacting Town's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Town's finances and to reflect the Town's accountability for the monies it receives. The Town may be contacted at Town of Urbanna, Virginia - P.O. Box 179, Urbanna, Virginia 23175.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

June 30, 2023

Statement of Net Position

	Primary Government		Total
	Governmental Activities	Type Activities	
ASSETS			
Cash and cash equivalents	\$ 644,256	\$ 1,291,291	\$ 1,935,548
Due to/from	-	96,171	96,171
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	1,795,921	-	1,795,921
Capital assets (net of accumulated depreciation):			
Land	228,324	251,000	479,324
Other capital assets	260,470	8,875	269,345
Total assets	\$ 2,928,971	\$ 1,647,337	\$ 4,576,308
Deferred Outflow of Resources:			
Total Deferred Outflow of Resources	\$ -	-	-
Total Assets and Deferred Outflow of Resources	\$ 2,928,971	1,647,337	4,576,308
LIABILITIES			
Accounts payable and accrued liabilities	\$ 657,997	\$ 61,521	\$ 719,518
Unreconciled overdraft	-	-	-
Utility deposits	-	15,427	15,427
Noncurrent liabilities:			
Due in more than one year	-	1,056,000	1,056,000
Net Pension Liability	(414,936)	-	(414,936)
Total liabilities	\$ 243,061	\$ 1,132,948	\$ 1,376,009
Deferred Inflow of Resources:			
Total Deferred Inflow of Resources	\$ 56,585	449,650	506,235
Total Liabilities and Deferred Inflow of Resources	\$ 299,646	1,582,598	1,882,244
NET POSITION			
Net investment in capital assets	\$ 903,730	\$ (796,125)	\$ 107,605
Unrestricted (deficit)	1,725,595	860,864	2,586,459
Total net position	\$ 2,629,325	\$ 64,739	\$ 2,694,064

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

Year Ended June 30, 2023
Statement of Activities

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration:							
	\$ 367,987	\$ 6,635	\$ -	\$ -	\$ (361,352)	\$ -	\$ (361,352)
Public safety	35,200	-	-	-	(35,200)	-	(35,200)
Public works	174,125	-	-	-	(174,125)	-	(174,125)
Buildings and grounds	-	-	-	-	-	-	-
Parks, recreation, and cultural	117,329	-	-	-	(117,329)	-	(117,329)
Community development	73,547	-	-	-	(73,547)	-	(73,547)
Total governmental activities	\$ 768,188	\$ 6,635	\$ -	\$ -	\$ (761,554)	\$ -	\$ (761,554)
Business-type activities:							
Water	\$ 262,840	\$ 391,123	\$ -	\$ -	\$ -	\$ 128,283	\$ 128,283
Uptons Point	56,711	86,218	-	-	-	29,506	29,506
Total business-type activities	\$ 319,552	\$ 477,341	\$ -	\$ -	\$ -	\$ 157,789	\$ 157,789
Total primary government	\$ 1,087,740	\$ 483,976	\$ -	\$ -	\$ (761,554)	\$ 157,789	\$ (603,764)
General revenues:							
					\$ 273,666	\$ -	\$ 273,666
General property taxes					431,915	-	431,915
Other local taxes					6,635	-	6,635
licenses					135,899	-	135,899
Miscellaneous							
Total general revenues and transfers					\$ 848,115	\$ -	\$ 848,115
Changes in net position					86,562	157,789	244,351
Net position - beginning, as adjusted					2,542,762	(93,050)	2,449,712
Net position - ending					\$ 2,629,325	\$ 64,739	\$ 2,694,064

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

June 30, 2023
Balance Sheet
Governmental Funds

	<u>General</u>	<u>Permanent Fund Taber Trust Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 469,462	\$ -	\$ 174,795	\$ 644,256
Due to/From 100 Fund	(2,843)	-	9,375	6,532
Restricted Assets				
Cash and cash equivalents	<u>579,491</u>	<u>1,210,430</u>	<u>6,000</u>	<u>1,795,921</u>
Total assets	<u>\$ 1,046,110</u>	<u>\$ 1,210,430</u>	<u>\$ 190,170</u>	<u>\$ 2,446,709</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ (41,830)	\$ 5,150	\$ 5,999	\$ (30,681)
Accrued liabilities	<u>688,678</u>	<u>88,200</u>	<u>(25,083)</u>	<u>751,796</u>
Total liabilities	<u>\$ 646,848</u>	<u>\$ 93,350</u>	<u>\$ (19,084)</u>	<u>\$ 721,115</u>
Fund balances:				
Nonspendable:				
Corpus of historical trust fund	\$ -	\$ 1,210,430	\$ 6,000	\$ 1,216,430
Restricted:				
Residential benefit	-	-	-	-
Debt Service	-	-	-	-
Unassigned	<u>399,261</u>	<u>(93,350)</u>	<u>203,253</u>	<u>509,164</u>
Total fund balances	<u>\$ 399,261</u>	<u>\$ 1,117,080</u>	<u>\$ 209,253</u>	<u>\$ 1,725,595</u>
Total liabilities and fund balances	<u>\$ 1,046,110</u>	<u>\$ 1,210,430</u>	<u>\$ 190,169</u>	<u>\$ 2,446,710</u>

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

June 30, 2023

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

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

Total fund balances per Exhibit 3 – Balance Sheet – Governmental Funds	\$		1,725,595
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:			
Land	\$	228,324	
Depreciable capital assets, net of accumulated depreciation		260,470	
Total capital assets			<u>488,794</u>
Deferred outflows of resources			
Deferred outflows of resources related to pensions are applicable to future periods and, are not reported in funds			<u>-</u>
Net Pension Liability			
Net Pension Liability			<u>414,936</u>
Net position of governmental activities	\$		<u><u>2,629,325</u></u>

Year Ended June 30, 2023
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

	<u>General</u>	<u>Permanent Fund Taber Trust Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 273,666	\$ -	\$ -	\$ 273,666
Other local taxes	431,915	-	-	431,915
Permits, privilege fees, and regulatory licenses	6,635	-	-	6,635
Miscellaneous	36,419	30,200	69,281	135,899
Total revenues	<u>\$ 748,635</u>	<u>\$ 30,200</u>	<u>\$ 69,281</u>	<u>\$ 848,115</u>
EXPENDITURES				
Current:				
General government administration	\$ 367,987	\$ -	\$ -	\$ 367,987
Public safety	15,000	20,200	-	35,200
Public works	174,125	-	-	174,125
Buildings and grounds	-	-	-	-
Parks, recreation, and cultural	39,622	10,000	67,708	117,329
Community development	73,547	-	-	73,547
Total expenditures	<u>\$ 670,281</u>	<u>\$ 30,200</u>	<u>\$ 67,708</u>	<u>\$ 768,188</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 78,354</u>	<u>\$ -</u>	<u>\$ 1,573</u>	<u>\$ 79,927</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from debt issuance	\$ -	\$ -	\$ -	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 78,354	\$ -	\$ 1,573	\$ 79,927
Fund balances - beginning, as adjusted	<u>320,907</u>	<u>\$ 1,117,080</u>	<u>\$ 207,680</u>	<u>\$ 1,645,667</u>
Fund balances - ending	<u>\$ 399,261</u>	<u>\$ 1,117,080</u>	<u>\$ 209,253</u>	<u>\$ 1,725,595</u>

Year Ended June 30, 2023

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

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

Net change in fund balances – total governmental funds (Exhibit 5)	\$	79,927
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		(58,373)
Some expenses and other adjustments reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		65,008
		<hr/>
Change in net position of governmental activities	\$	<u>86,562</u>

June 30, 2023
Statement of Net Position
Proprietary Fund

	Business-Type Activities		
	Water Fund	Uptons Point Fund	Total Funds
ASSETS			
Current assets:			
Cash	\$ 1,130,060	\$ 161,232	\$ 1,291,291
Due To/From	27,953	68,218	96,171
Total current assets	\$ 1,158,012	\$ 229,450	\$ 1,387,462
Noncurrent assets:			
Capital assets:			
Land	\$ 251,000	\$ -	\$ 251,000
Other capital assets	1,632,962	-	1,632,962
Less accumulated depreciation	(1,624,087)	-	(1,624,087)
Total capital assets	\$ 259,875	\$ -	\$ 259,875
Total noncurrent assets	\$ 259,875	\$ -	\$ 259,875
Total assets	\$ 1,417,887	\$ 229,450	\$ 1,647,337
Deferred Outflow of Resources:			
Total Deferred Outflow of Resources	\$ -	\$ -	\$ -
Total Assets and Deferred Outflow of Resources	\$ 1,417,887	\$ 229,450	\$ 1,647,337
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 59,846	\$ 1,675	\$ 61,521
Utility deposits	15,427	-	15,427
Total current liabilities	\$ 75,272	\$ 1,675	\$ 76,948
Noncurrent liabilities:			
Bond anticipation note payable	\$ 1,056,000	\$ -	\$ 1,056,000
Total noncurrent liabilities	\$ 1,056,000	\$ -	\$ 1,056,000
Total liabilities	\$ 1,131,272	\$ 1,675	\$ 1,132,948
Deferred Inflow of Resources:			
Total Deferred Inflow of Resources	\$ 320,400	\$ 129,250	\$ 449,650
Total Liabilities and Deferred Inflow of Resources	\$ 1,451,672	\$ 130,925	\$ 1,582,598
NET POSITION			
Net investment in capital assets	\$ (796,125)	\$ -	\$ (796,125)
Unrestricted	762,340	98,524	860,864
Total net position	\$ (33,785)	\$ 98,524	\$ 64,739

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

Year Ended June 30, 2023
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund

	<u>Business-Type Activities</u>		
	<u>Uptons Point</u>		<u>Total Funds</u>
	<u>Water Fund</u>	<u>Fund</u>	
OPERATING REVENUES			
Charges for services	\$ 391,123	\$ 86,218	\$ 477,341
Total operating revenues	\$ 391,123	\$ 86,218	\$ 477,341
OPERATING EXPENSES			
Personnel services	\$ -	\$ -	\$ -
Fringe benefits	-	-	-
Contractual services	-	-	-
Other charges	262,840	56,711	319,552
Materials and supplies	-	-	-
Depreciation	-	-	-
Total operating expenses	\$ 262,840	\$ 56,711	\$ 319,552
Operating income (loss)	\$ 128,283	\$ 29,506	\$ 157,789
NONOPERATING REVENUES (EXPENSES)			
Total nonoperating revenues (expenses)	\$ -	\$ -	\$ -
Income before contributions and transfers	\$ 128,283	\$ 29,506	\$ 157,789
Transfers In	\$ -	\$ -	\$ -
Transfers Out	-	-	-
Change in net position	\$ 128,283	\$ 29,506	\$ 157,789
Total net position - beginning	(162,068)	69,018	(93,050)
Total net position - ending	\$ (33,785)	\$ 98,524	\$ 64,739

Year Ended June 30, 2023
Statement of Cash Flows
Proprietary Fund

	<u>Business-Type Activities</u>		
	<u>Water Fund</u>	<u>Upton's Point Fund</u>	<u>Total Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 391,123	\$ 86,218	\$ 477,341
Payments to employees and on behalf of employees	-	-	-
Payments to suppliers	<u>(262,840)</u>	<u>(56,711)</u>	<u>(319,552)</u>
Net cash provided (used) by operating activities	<u>\$ 128,283</u>	<u>\$ 29,506</u>	<u>\$ 157,789</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Increase (decrease) in due to other funds	\$ -	\$ -	\$ -
Adjustments to Capital Assets	-	-	-
Net cash provided (used) by noncapital and related financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on debt	\$ -	\$ -	\$ -
Net cash provided (used) by capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	\$ 128,283	\$ 29,506	\$ 157,789
Cash and cash equivalents - beginning	<u>1,001,777</u>	<u>131,724</u>	<u>1,133,502</u>
Cash and cash equivalents - ending	<u>\$ 1,130,060</u>	<u>\$ 161,231</u>	<u>\$ 1,291,291</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	<u>\$ 128,283</u>	<u>\$ 29,506</u>	<u>\$ 157,789</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	\$ -	\$ -	\$ -
Changes in operating accounts			
Accounts receivable	-	-	-
Accounts payable and accrued liabilities	-	-	-
Customer deposits	-	-	-
Total adjustments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net cash provided (used) by operating activities	<u>\$ 128,283</u>	<u>\$ 29,506</u>	<u>\$ 157,789</u>

NOTES TO THE PRINCIPAL FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Narrative Profile

The Town of Urbanna (the “Town”), located in Middlesex County, Virginia, approximately 45 miles from Williamsburg, Virginia, was incorporated in 1902. The town has a population of 476 and a land area of .42 square miles.

The Town is governed under the Council-Manager form of government. The Town government engages in wide ranges of municipal services including general government administration, public safety, public works, park and recreation, cultural and community development. Judicial administration, education, fire, library, health and welfare services are provided by Middlesex County.

The financial statements of the Town of Urbanna, Virginia have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units promulgated by the Governmental Accounting Standards Board (GASB). The more significant of the government’s accounting policies are described below.

A. Financial Reporting Entity

Management’s Discussion and Analysis: GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of “Management’s Discussion and Analysis” (MD&A). This analysis is similar to the analysis the private sector provides in their annual reports.

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

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

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

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

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

A. Financial Reporting Entity (continued)

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

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. The focus is on both the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as fiduciary funds (by category) and the component units, if applicable. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The Town generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Town may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, community development, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program and revenues must be directly associated with the function (public safety, public works, community development, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Internal service charges, if applicable, are eliminated and the net income or loss from internal service activities is allocated to the various functional expense categories based on the internal charges to each function. In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

B. Government-Wide and Fund Financial Statements (continued)

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

Proprietary fund operating revenues consist of charges for services and related revenues. Non-operating revenues consist of contributions, grants, investment earnings and other revenues not directly derived from the providing of services.

The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The following is a brief description of the specific funds used by the Town in FY 2023.

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

General Fund – The General Fund accounts for and reports all revenues and expenditures of the Town which are not accounted for and reported in the other funds. Revenues are primarily derived from general property taxes, other local taxes, licenses and permits, and revenues from other governmental units. The General Fund is considered a major fund for financial reporting purposes.

Permanent Funds – Permanent Funds are used to account for resources that are legally restricted to the extent that only the earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government of its citizenry. Permanent Funds include the following funds:

Taber Trust Fund – The income generated from this fund can only be used for recreational and charitable purposes. To date the funds are primarily used to cover expenses of the pool and contributions to the library, fire and rescue squads. This fund is reported as a major fund of the Town.

Historic Trust Fund – The income generated from this fund is used to promote, enhance or maintain the historic character of the Town. This fund is reported as a non-major fund of the Town.

2. *Enterprise Funds* – Enterprise Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise Funds consist of the Water Fund and the Upton's Point Fund.

C. Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

1. *Governmental Funds* – Governmental funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts, except that property taxes not collected within 45 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the State or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the State or utility, which is generally in the month preceding receipt by the Town. Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of State and other grants for the purpose of funding specific expenditures, are recognized when measurable and available or at the time of the specific expenditure.

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

2. *Proprietary Funds* – The accrual basis of accounting is used for the Enterprise Fund. Under the accrual method, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

D. Budgets and Budgetary Accounting

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

D. Budgets and Budgetary Accounting (continued)

7. Appropriations lapse on June 30 for all Town funds unless they are carried forward by a resolution of Town Council.
8. All budgetary data presented in the accompanying financial statements reflect budget reviews as of June 30.

E. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents include all cash on hand and in banks, certificates of deposit, and highly liquid investments with maturities of three months or less.

F. Receivables and Payables

Activities 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) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

G. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds of the Town, and as assets in the government-wide financial statements.

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

Buildings and improvements	33.5 years
Water system	25 years
Office and other equipment	5–25 years
Vehicles	5 years

H. Use of Estimates

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

I. Allowance for Uncollectible Amounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes is \$1,122 at June 30, 2023.

J. Compensated Absences

The Town accrues compensated absences (annual and sick leave benefits) when vested. The amounts include all balances earned by employees, which would be paid upon employee terminations, resignations or retirements.

An estimate of ten percent of the liability has been classified as current in the government-wide financial statements.

K. Fund Equity

Beginning with fiscal year 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation;
- *Committed fund balance* – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- *Assigned fund balance* – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- *Unassigned fund balance* – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

NOTE 2 PROPERTY TAXES RECEIVABLE

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable December 5th. The Town bills and collects its own property taxes.

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

Investments

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP). The Town had no investments at June 30, 2023.

NOTE 4 INTERFUND BALANCES AND ACTIVITY

There were no interfund receivables, payables or related activity as of June 30, 2023.

NOTE 5 DUE FROM OTHER GOVERNMENTAL UNITS

There were no amounts due from other governments at June 30, 2023.

NOTE 6 DEFERRED REVENUE

There were no deferred revenue amounts at June 30, 2023.

NOTE 7 CAPITAL ASSETS

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

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 228,324	\$ -	\$ -	\$ 228,324
Total capital assets not being depreciated	<u>\$ 228,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,324</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,070,437	\$ -	\$ -	\$ 1,070,437
Office and other equipment	<u>303,068</u>	<u>-</u>	<u>-</u>	<u>303,068</u>
Total capital assets being depreciated	<u>\$ 1,373,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,373,505</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 808,143	\$ 52,120	\$ -	\$ 860,263
Office and other equipment	<u>246,519</u>	<u>6,253</u>	<u>-</u>	<u>252,772</u>
Total accumulated depreciation	<u>\$ 1,054,662</u>	<u>\$ 58,373</u>	<u>\$ -</u>	<u>\$ 1,113,035</u>
Total capital assets being depreciated, net	<u>\$ 318,843</u>	<u>\$ (58,373)</u>	<u>\$ -</u>	<u>\$ 260,470</u>
Governmental activities capital assets, net	<u>\$ 547,167</u>	<u>\$ (58,373)</u>	<u>\$ -</u>	<u>\$ 488,794</u>
Depreciation expense has been allocated as follows:				
General government administration	\$	15,120		
Public works		41,231		
Parks, recreation and cultural		<u>2,023</u>		
Total depreciation expense	\$	<u>58,373</u>		

NOTE 7 CAPITAL ASSETS continued

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 251,000	\$ -	\$ -	\$ 251,000
Total capital assets not being depreciated	\$ 251,000	\$ -	\$ -	\$ 251,000
Capital assets being depreciated:				
Water system	\$ 1,493,801	\$ -	\$ -	\$ 1,493,801
Vehicles	25,865	-	-	25,865
Office and other equipment	113,296	-	-	113,296
Total capital assets being depreciated	\$ 1,632,962	\$ -	\$ -	\$ 1,632,962
Less accumulated depreciation for:				
Water system	\$ 1,493,801	\$ -	\$ -	\$ 1,493,801
Vehicles	25,865	-	-	25,865
Office and other equipment	102,494	1,927	-	104,421
Total accumulated depreciation	\$ 1,622,160	\$ 1,927	\$ -	\$ 1,624,087
Total capital assets being depreciated, net	\$ 10,802	\$ (1,927)	\$ -	\$ 8,875
Business-type activities capital assets, net	\$ 261,802	\$ (1,927)	\$ -	\$ 259,875
Depreciation expense has been allocated as follows:				
Total depreciation expense		\$ 1,927		

NOTE 8 LONG-TERM OBLIGATIONS

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

Incurred by Town

Net pension liability	\$ <u>(414,936)</u>
Total governmental obligations	\$ <u>(414,936)</u>

On January 23, 2023, the Town obtained a Revenue Bond Note from Huntington Public Capital Corporation in the amount of \$1,056,000. The funds from this loan were placed in a SNAP (Virginia State Non-Arbitrage Program) account. These funds were for drilling a new well to supply the town with water. Funds are drawn down as expenses are incurred.

Principal payments are due at final maturity. Interest accrues as follows:

- Option 1 – Final Maturity – 3/1/2024 – 5.25%
- Option 2 – Final Maturity – 9/1/2024 – 4.81%

NOTE 9 CLAIMS, JUDGMENTS, AND COMPENSATED ABSENCES

In accordance with GASB Statement 16, *Accounting and Financial Reporting for Claims, Judgments and Compensated Absences*, the Town has accrued the liability arising from outstanding claims and judgments and compensated absences. Town employees earn vacation and sick leave based upon length of service. The Town has no outstanding accrued vacation pay.

NOTE 10 DEFINED BENEFIT 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 multipleemployer 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

NOTE 10 **DEFINED BENEFIT PENSION PLAN - continued**

employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee’s average final compensation multiplied by the employee’s total service credit. Under Plan 1, average final compensation is the average of the employee’s 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% 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, 2021, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Town</u>
Retirees and Beneficiaries	7
Inactive Vested Members	3
Inactive Nonvested Members	3
Long Term Disability	0
Active Elsewhere in VRS	3
Active Employees	<u>1</u>
Total	17

NOTE 10 DEFINED BENEFIT 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, 2023, was 9.99% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Net Pension Liability (Asset)

The net pension liability 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. For political subdivisions, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions

The total pension liability for General Employees in the Town’s (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

Mortality rates:

Largest 10 – (Non 10 Largest) – 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

NOTE 10 DEFINED BENEFIT PENSION PLAN - continued

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

Mortality rates: (Continued)

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

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

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

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

NOTE 10 DEFINED BENEFIT PENSION PLAN - continued

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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 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)	Target Allocation	Arithmetic Long- Term Expected Real Rate of Return	Weighted Average Long-Term Expected Real Rate of Return
Public Equity	34.00%	5.71 %	1.94 %
Fixed Income	15.00%	2.04 %	0.31 %
Credit Strategies	14.00%	4.78 %	0.67 %
Real Assets	14.00%	4.47 %	0.63 %
Private Equity	14.00%	9.73 %	1.36 %

MAPS - Multi-Asset Public Strategies	6.00%	3.73 %	0.22 %
PIP - Private Investment Partnership	3.00%	6.55 %	0.20 %
Total	<u>100.00%</u>		<u>5.33%</u>
	Inflation		<u>2.50%</u>
*Expected arithmetic nominal return			<u>7.83%</u>

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

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

Discount Rate

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

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Total pension liability	\$ 808,578	\$ 1,093,819	\$ (285,241)
Service cost	15,460	-	15,460
Interest	52,873	-	52,873
Changes in benefit terms	-	-	-
Changes in assumptions	41,512	-	41,512
Difference between expected and actual experience	5,537	-	5,537
Contributions - employer	-	717	(717)
Contributions - employee	-	5,756	(5,756)
Net investment income	-	20,691	(20,691)
Benefit payments, including refunds of employee contributions	(50,537)	(47,366)	(3,171)
Administrative expense	-	(727)	727
Other changes	-	(24)	24
Net change in total pension liability	64,845	(20,953)	85,798
Balance at June 30, 2022	\$ 873,423	\$ 1,072,866	\$ (199,443)

NOTE 10 DEFINED BENEFIT PENSION PLAN - continued

Sensitivity of the Political Subdivision’s Proportionate Share of the Net Pension Liability to Changes in the Changes in the Discount Rate

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

	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Net Pension Liability (Asset)	\$ <u>(324,678)</u>	\$ <u>(414,936)</u>	\$ <u>(490,973)</u>

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

For the year ended June 30, 2023, the Town recognized pension expense of \$3,592 at June 30, 2023, the Town’s deferred outflows of resources were \$(40,147).

Deferred outflows of resources related to pensions resulting from 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:

<u>Year Ended June 30</u>	
2024	\$ (15,247)
2025	(15,941)
2026	(26,290)
2027	17,331
2028	-
Thereafter	-
Total	\$ <u>(40,147)</u>

Pension Plan Data

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

NOTE 11 CONTINGENT LIABILITIES

As of June 30, 2023, there were no matters of litigation involving the Town that would materially affect the Town’s financial position should any court decisions on pending matters not be favorable to the Town.

NOTE 12 SURETY BONDS

	<u>Amount</u>
Virginia Department of Risk Management:	
Town Administrator	\$ 50,000
Blanket bond - all employees	50,000

NOTE 13 EXPENDITURES IN EXCESS OF APPROPRIATIONS

There were no expenditures in excess of appropriations.

NOTE 14 DEFICIT NET POSITION

At June 30, 2023, no funds had a deficit balance.

NOTE 15 ADJUSTMENTS TO BEGINNING BALANCES

<u>Fund</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Beginning net position/fund balances as previously reported, 6/30/22	\$ 2,615,689	\$ 818,722
Correction of capital assets and depreciation	<u>(72,927)</u>	<u>-911,772</u>
Beginning net position/fund balances as restated, 7/1/22	\$ <u><u>2,542,762</u></u>	\$ <u><u>(93,050)</u></u>

NOTE 16 SUBSEQUENT EVENTS

Events or transactions sometimes occur subsequent to the balance-sheet date, but prior to the issuance of the financial statement that have a material effect on the financial statements and therefore require adjustment or disclosure in the statements. In accordance with AU Section 560 – the entity is required to disclose those events – that if not disclosed – would cause the financial statements to be misleading. Subsequent events are evaluated through July 29, 2024, the date which the financial statements were available.

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.

Year Ended June 30, 2023

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 290,800	\$ 290,800	\$ 273,666	\$ (17,134)
Other local taxes	247,950	247,950	431,915	183,965
Permits, privilege fees, and regulatory licenses	2,400	2,400	6,635	4,235
Miscellaneous	24,096	24,096	36,419	12,323
Intergovernmental revenues	-	-	-	-
Total revenues	<u>\$ 565,246</u>	<u>\$ 565,246</u>	<u>\$ 748,635</u>	<u>\$ 183,389</u>
EXPENDITURES				
Current:				
General government administration	\$ 329,287	\$ 329,287	\$ 367,987	\$ (38,700)
Public safety	17,200	17,200	15,000	2,200
Public works	153,672	153,672	174,125	(20,453)
Buildings and grounds	-	-	-	-
Parks, recreation, and cultural	12,235	12,235	39,622	(27,387)
Community development	67,097	67,097	73,547	(6,450)
Total expenditures	<u>\$ 579,491</u>	<u>\$ 579,491</u>	<u>\$ 670,281</u>	<u>\$ (90,790)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (14,245)</u>	<u>\$ (14,245)</u>	<u>\$ 78,354</u>	<u>\$ 92,599</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ (14,245)	\$ (14,245)	\$ 78,354	\$ 92,599
Fund balances - beginning	-	-	320,907	320,907
Fund balances - ending	<u>\$ (14,245)</u>	<u>\$ (14,245)</u>	<u>\$ 399,261</u>	<u>\$ 413,506</u>

Year Ended June 30, 2023
 Schedule of Revenues – Budget and Actual
 General Fund

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Real property taxes	\$ 277,000	\$ 277,000	\$ 254,514	(22,486)
Real property taxes - delinquent	1,500	1,500	3,573	2,073
Public service corporation taxes	3,200	3,200	-	(3,200)
Personal property taxes	8,500	8,500	13,835	5,335
Personal property taxes - delinquent	100	100	264	164
Penalties	250	250	535	285
Interest	250	250	944	694
Total general property taxes	<u>\$ 290,800</u>	<u>\$ 290,800</u>	<u>\$ 273,666</u>	<u>(17,134)</u>
State sales tax	\$ 25,000	\$ 25,000	\$ 37,003	12,003
Consumer utility tax	2,800	2,800	2,794	(6)
Business license tax	7,500	7,500	10,302	2,802
Cigarette tax	-	-	-	-
Motor vehicle license tax	7,500	7,500	10,356	2,856
Bank franchise tax	45,000	45,000	161,958	116,958
Lodging tax	10,000	10,000	34,207	24,207
Lodging - Occupancy Tax Escrow	-	-	1,735	1,735
Meals tax	120,000	120,000	134,130	14,130
Meals tax penalty	100	100	242	142
Oyster Festival meals tax	10,000	10,000	16,860	6,860
Oyster Festival meals tax penalty	50	50	-	(50)
Oyster Festival business licenses	17,500	17,500	19,800	2,300
Communication sales tax	2,500	2,500	2,529	29
Total other local taxes	<u>\$ 247,950</u>	<u>\$ 247,950</u>	<u>\$ 431,915</u>	<u>\$ 183,965</u>
Total tax	<u>\$ 538,750</u>	<u>\$ 538,750</u>	<u>\$ 705,581</u>	<u>\$ 166,831</u>
Permits, privilege fees, and regulatory licenses:				
Zoning and subdivision permits	\$ 500	\$ 500	\$ 1,685	1,185
Golf carts	500	500	2,775	2,275
Interest earned from banks	200	200	975	775
Rental of property	1,200	1,200	1,200	-
Total permits, privilege fees, and regulatory licenses	<u>\$ 2,400</u>	<u>\$ 2,400</u>	<u>\$ 6,635</u>	<u>\$ -</u>
Miscellaneous Revenue:				
Visitor Center donations	\$ 600	\$ 600	\$ 1,046	446
Visitor Center merchandise donations	500	500	1,346	846
Miscellaneous revenue	500	500	7,026	6,526
Cats Meow	500	500	492	(8)
PPTRA (Tax Relief)	5,996	5,996	9,915	3,919
Litter control grant	1,000	1,000	1,595	595
Fire program funds	15,000	15,000	15,000	-
Total Miscellaneous	<u>\$ 24,096</u>	<u>\$ 24,096</u>	<u>\$ 36,419</u>	<u>\$ -</u>
Total other fees	<u>\$ 26,496</u>	<u>\$ 26,496</u>	<u>\$ 43,054</u>	<u>\$ -</u>
Total revenue from local sources	<u>\$ 565,246</u>	<u>\$ 565,246</u>	<u>\$ 748,635</u>	<u>\$ 183,389</u>
Total General Fund	<u>\$ 565,246</u>	<u>\$ 565,246</u>	<u>\$ 748,635</u>	<u>\$ 183,389</u>

Year Ended June 30, 2023
 Schedule of Expenditures – Budget and Actual
 General Fund

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Town Council	\$ 11,000	\$ 11,000	\$ 8,321	\$ 2,680
Town Treasurer	58,488	58,488	101,428	(42,940)
Town Administrator	25,383	25,383	58,127	(32,744)
Professional services	58,104	58,104	60,401	(2,297)
General administration	176,312	176,312	139,710	36,602
Total general government administration	<u>\$ 329,287</u>	<u>\$ 329,287</u>	<u>\$ 367,987</u>	<u>\$ (38,700)</u>
Public safety:				
Public safety:	\$ 17,200	\$ 17,200	\$ 15,000	\$ 2,200
Total public safety	<u>\$ 17,200</u>	<u>\$ 17,200</u>	<u>\$ 15,000</u>	<u>\$ 2,200</u>
Public works:				
Refuse collection	\$ 110,500	\$ 110,500	\$ 110,467	\$ 33
Maintenance and grounds	43,172	43,172	63,658	(20,487)
Total public works	<u>\$ 153,672</u>	<u>\$ 153,672</u>	<u>\$ 174,125</u>	<u>\$ (20,453)</u>
Buildings and grounds:				
Administration	\$ -	\$ -	\$ -	\$ -
Buildings and grounds	-	-	-	-
Total building and grounds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Parks, recreation and cultural:				
Administration	\$ -	\$ -	\$ -	\$ -
Regional Pool	12,235	12,235	39,622	(27,387)
Total parks, recreation and cultural	<u>\$ 12,235</u>	<u>\$ 12,235</u>	<u>\$ 39,622</u>	<u>\$ (27,387)</u>
Community development:				
Planning and community development	\$ 23,150	\$ 23,150	\$ 28,905	\$ (5,755)
Oyster fest	18,150	18,150	20,278	(2,128)
Trolley	-	-	-	-
Visitor's center	25,797	25,797	24,364	1,433
Total planning and community development	<u>\$ 67,097</u>	<u>\$ 67,097</u>	<u>\$ 73,547</u>	<u>\$ (6,450)</u>
Funds Transfers				
Transfer to Marina	\$ -	\$ -	\$ -	\$ -
Total Transfers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total General Fund	<u>\$ 579,491</u>	<u>\$ 579,491</u>	<u>\$ 670,281</u>	<u>\$ (90,790)</u>

Independent Auditor's 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 Governing Body
Town of Urbanna, Virginia**

We have audited the accompanying financial statements of the Town of Urbanna, Virginia, as of and for the year ended June 30, 2023, and have issued our report thereon dated July 29, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and have issued our report thereon dated July 29, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Urbanna, 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.

Davis & Associates

Columbia, Maryland
July 29, 2024