
Town of Urbanna, Virginia

Annual Financial Report

For the Year Ended June 30,
2022

Davis and Associates Certified Public Accountants, PLLC

10440 Little Patuxent Parkway
Suite 300
Columbia, Maryland 21044

THIS PAGE INTENTIONALLY LEFT BLANK

Town of Urbanna, Virginia

Financial Report

Fiscal Year Ended June 30, 2022

Town of Urbanna, Virginia

Financial Report
Year Ended June 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	4
<u>Basic Financial Statements</u>	
<i><u>Government-Wide Financial Statements</u></i>	
Exhibit 1 Statement of Net Position	11
Exhibit 2 Statement of Activities	12
<i><u>Fund Financial Statements</u></i>	
Exhibit 3 Balance Sheet - Governmental Funds	14
Exhibit 4 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Exhibit 5 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Exhibit 7 Statement of Net Position - Proprietary Funds	18
Exhibit 8 Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	19
Exhibit 9 Statement of Cash Flows - Proprietary Funds	20
Notes to the Principal Financial Statements	23-38

Town of Urbanna, Virginia

Financial Report

Year Ended June 30, 2022

TABLE OF CONTENTS (Continued)

<i>Required Supplementary Information</i>		<u>Page</u>
Exhibit 10	Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	40
 <i>Supporting Schedules</i>		
Schedule 1	Schedule of Revenues - Budget and Actual - General Fund	42
Schedule 2	Schedule of Expenditures - Budget and Actual - General Fund	43
 <i>Compliance</i>		
	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 <i>Government Auditing Standards</i>	45

TOWN OF URBANNA, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

Town Council

Barbara Hartley, Mayor
Majorie Austin
Larry Chowning
Steven S. Hollberg
William "Bill" Goldsmith
Merri Hanson
Bill Smith

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, 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 respective financial position of the governmental activities, the business-type activities of the Town of Urbanna, Virginia, as of June 30, 2022, 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.

Davis & Associates

Clarksville, Maryland
May 23, 2023

Town of Urbanna, Virginia
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

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, 2022. 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, 2022, for the Governmental and Business Type activities, was \$2,578,901 and \$964,877 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 \$3,543,778 as of June 30, 2022. The Town's net position decreased by \$12,854 for the fiscal year ended June 30, 2022.

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 – \$265,383.
- Strong performance in charges for services - \$426,027.
- Surplus in the Net Pension Liability - \$(319,655).
- Meals tax of \$144,224 held steady from the prior year.
- Cost of garbage collection increased by 50 % to \$90,000.
- Town Offices relocated from 45 Cross Street to 390 B Virginia Street, requiring one-time expenditures for moving, construction, computer, and telephone system upgrades, all of which were expensed, not capitalized.
- Established new DMV Select Service for residence.
- The Town is not carrying any long-term debt.

STATEMENT OF NET POSITION (Exhibit 1) – For the Fiscal Year Ended June 30, 2022, and 2021

	2022			2021		
	Primary Government		Total	Primary Government		Total
	Governmental Activities	Business Type Activities		Governmental Activities	Business Type Activities	
ASSETS						
Cash and cash equivalents	\$ 599,578	\$ 673,542	\$ 1,273,121	615,969	\$ 389,331	\$ 1,005,299
Due to/from	-	96,171	96,171	-	-	-
Restricted assets:						
Temporarily restricted:						
Cash and cash equivalents	1,152,430	-	1,152,430	1,463,131	-	1,463,131
Capital assets (net of accumulated depreciation):						
Land	228,324	251,000	479,324	228,324	251,000	479,324
Other capital assets	318,843	10,802	329,645	318,843	10,802	329,645
Total assets	<u>\$ 2,299,175</u>	<u>\$ 1,031,515</u>	<u>\$ 3,330,690</u>	<u>\$ 2,626,266</u>	<u>\$ 651,132</u>	<u>\$ 3,277,399</u>
Deferred Outflow of Resources:						
Total Deferred Outflow of Resources	-	-	-	31,849	-	31,849
Total Assets and Deferred Outflow of Resources	<u>\$ 2,299,175</u>	<u>\$ 1,031,515</u>	<u>\$ 3,330,690</u>	<u>\$ 2,658,115</u>	<u>\$ 651,132</u>	<u>\$ 3,309,248</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ (46,867)	\$ 50,536	\$ 3,669	(43,874)	\$ 46,241	\$ 2,367
Utility deposits	-	16,102	16,102	-	14,537	14,537
Long-term liabilities:						
Net Pension Liability	(319,655)	-	(319,655)	(264,288)	-	(264,288)
Total liabilities	<u>\$ (366,522)</u>	<u>\$ 66,638</u>	<u>\$ (299,885)</u>	<u>\$ (308,162)</u>	<u>\$ 60,778</u>	<u>\$ (247,384)</u>
Deferred Inflow of Resources:						
Total Deferred Inflow of Resources	86,797	-	86,797	-	-	-
Total Liabilities and Deferred Inflow of Resources	<u>\$ (279,725)</u>	<u>\$ 66,638</u>	<u>\$ (213,088)</u>	<u>\$ (308,162)</u>	<u>\$ 60,778</u>	<u>\$ (247,384)</u>
NET POSITION						
Net investment in capital assets	\$ 866,822	\$ 261,802	\$ 1,128,624	843,304	\$ 261,802	\$ 1,105,106
Unrestricted (deficit)	1,712,079	703,075	2,415,154	2,122,973	328,553	2,451,526
Total net position	<u>\$ 2,578,901</u>	<u>\$ 964,877</u>	<u>\$ 3,543,778</u>	<u>\$ 2,966,277</u>	<u>\$ 590,355</u>	<u>\$ 3,556,632</u>

STATEMENT OF ACTIVITIES (Exhibit 2) – For the Fiscal Year Ended June 30, 2022, and 2021

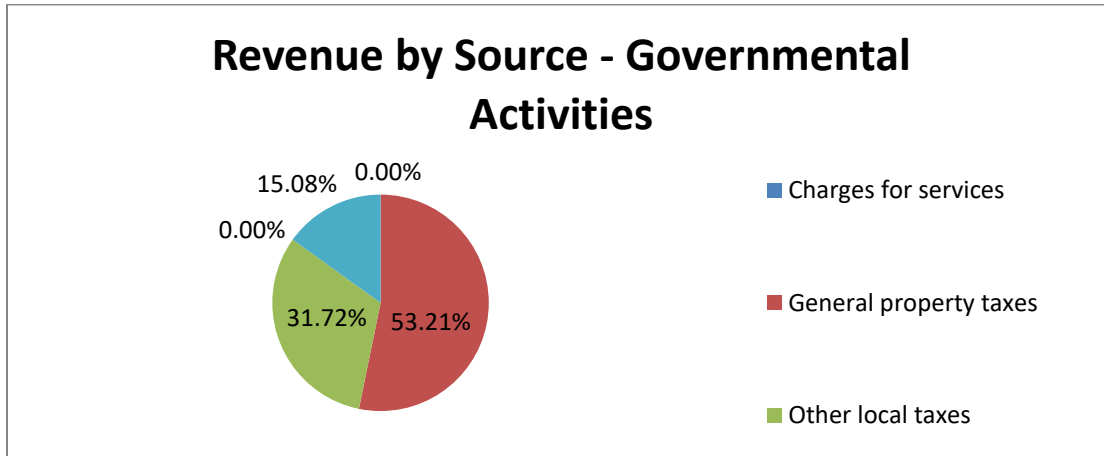
Statement of Activities

Change in Net Position

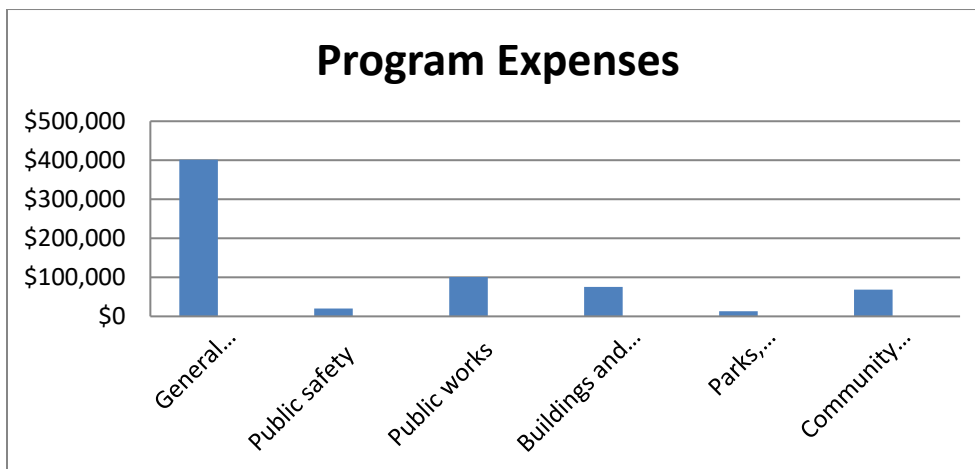
For Fiscal Years Ending June 30, 2022 and 2021

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 426,027	\$ 392,212	\$ 426,027	\$ 392,212
General revenues:						
General property taxes	265,383	271,589	-	-	265,383	271,589
Other local taxes	158,198	100,594	-	-	158,198	100,594
Restaurant and food taxes	144,225	125,174	-	-	144,225	125,174
Unrestricted revenues from the use of money and property	-	-	-	-	-	-
Miscellaneous	75,190	51,529	-	-	75,190	51,529
Total revenues	\$ 642,997	\$ 548,886	\$ 426,027	\$ 392,212	\$ 1,069,024	\$ 941,098
Expenses:						
General government	\$ 401,296	\$ 184,614	\$ -	\$ -	\$ 401,296	\$ 184,614
Public safety	20,200	17,003	-	-	20,200	17,003
Public works	100,892	111,599	-	-	100,892	111,599
Buildings and grounds	75,465	74,647	-	-	75,465	74,647
Parks, recreation and cultural	13,296	1,131	-	-	13,296	1,131
Community development	68,636	38,423	-	-	68,636	38,423
Enterprise funds	-	-	279,872	280,386	279,872	280,386
Total expenses	\$ 679,786	\$ 427,418	\$ 279,872	\$ 280,386	\$ 959,658	\$ 707,803
Increase (decrease) in net position before transfers	\$ (36,789)	\$ 121,468	\$ 146,155	\$ 111,826	\$ 109,366	\$ 233,295
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	\$ (36,789)	\$ 121,468	\$ 146,155	\$ 111,826	\$ 109,366	\$ 233,295
Net position - beginning, as adjusted	2,615,689	2,844,808	818,722	478,528	3,434,411	3,323,336
Net position - ending	\$ 2,578,901	\$ 2,966,277	\$ 964,878	\$ 590,355	\$ 3,543,778	\$ 3,556,632

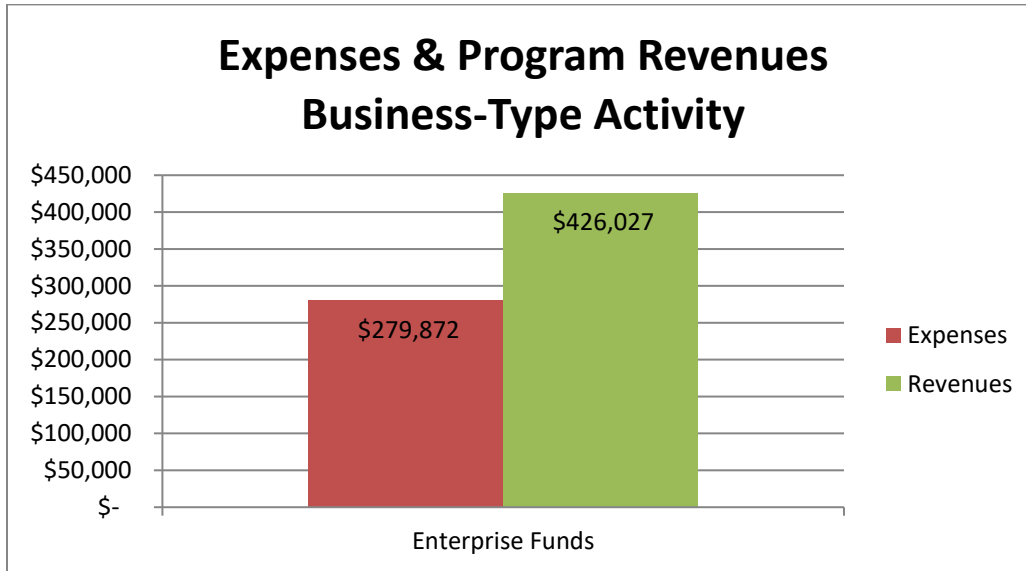
Primary Government Revenues



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.

June 30, 2022
Statement of Net Position

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Type Activities</u>	
ASSETS			
Cash and cash equivalents	\$ 599,578	\$ 673,542	\$ 1,273,121
Due to/from	-	96,171	96,171
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	1,152,430	-	1,152,430
Capital assets (net of accumulated depreciation):			
Land	228,324	251,000	479,324
Other capital assets	318,843	10,802	329,645
Total assets	<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>\$ 2,299,175</u>	<u>1,031,515</u>	<u>3,330,690</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ (46,867)	\$ 50,536	\$ 3,669
Unreconciled overdraft	-	-	-
Utility deposits	-	16,102	16,102
Long-term liabilities:			
Net Pension Liability	(319,655)	-	(319,655)
Total liabilities	<u>\$ (366,522)</u>	<u>\$ 66,638</u>	<u>\$ (299,885)</u>
Deferred Inflow of Resources:			
Total Deferred Inflow of Resources	\$ 86,797	-	86,797
Total Liabilities and Deferred Inflow of Resources	<u>\$ (279,725)</u>	<u>66,638</u>	<u>(213,088)</u>
NET POSITION			
Net investment in capital assets	\$ 866,822	\$ 261,802	\$ 1,128,624
Unrestricted (deficit)	1,712,079	703,075	2,415,154
Total net position	<u>\$ 2,578,901</u>	<u>\$ 964,877</u>	<u>\$ 3,543,778</u>

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

Year Ended June 30, 2022
Statement of Activities

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government							
administration:	\$ 405,419	\$ 4,122	\$ -	\$ -	\$ (401,296)	\$ -	\$ (401,296)
Public safety	20,200	-	-	-	(20,200)	-	(20,200)
Public works	100,892	-	-	-	(100,892)	-	(100,892)
Buildings and grounds	75,465	-	-	-	(75,465)	-	(75,465)
Parks, recreation, and cultural	13,296	-	-	-	(13,296)	-	(13,296)
Community development	68,636	-	-	-	(68,636)	-	(68,636)
Total governmental activities	\$ 683,908	\$ 4,122	\$ -	\$ -	\$ (679,786)	\$ -	\$ (679,786)
Business-type activities:							
Water	\$ 200,456	\$ 344,300	\$ -	\$ -	\$ -	\$ 143,844	\$ 143,844
Uptons Point	79,416	81,727	-	-	-	2,311	2,311
Total business-type activities	\$ 279,872	\$ 426,027	\$ -	\$ -	\$ -	\$ 146,155	\$ 146,155
Total primary government	\$ 963,780	\$ 430,149	\$ -	\$ -	\$ (679,786)	\$ 146,155	\$ (533,631)
General revenues:							
General property taxes					\$ 265,383	\$ -	\$ 265,383
Other local taxes					302,423	-	302,423
licenses					4,122	-	4,122
Miscellaneous					71,068	-	71,068
Total general revenues and transfers					\$ 642,997	\$ -	\$ 642,997
Changes in net position					(36,789)	146,155	109,366
Net position - beginning, as adjusted					2,615,689	818,722	3,434,411
Net position - ending					\$ 2,578,901	\$ 964,877	\$ 3,543,778

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

June 30, 2022
 Balance Sheet
 Governmental Funds

	General	Permanen t Fund Taber Trust	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 467,164	\$ -	\$ 132,414	\$ 599,578
Due to/From 100 Fund	(96,171)	-	-	(96,171)
Restricted Assets				
Cash and cash equivalents	-	1,152,430	-	1,152,430
Total assets	<u>\$ 370,994</u>	<u>\$ 1,152,430</u>	<u>\$ 132,414</u>	<u>\$ 1,655,838</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 10,807	\$ 5,150	\$ 600	\$ 16,557
Accrued liabilities	(63,425)	-	(9,375)	(72,800)
Total liabilities	<u>\$ (52,617)</u>	<u>\$ 5,150</u>	<u>\$ (8,775)</u>	<u>\$ (56,242)</u>
Fund balances:				
Nonspendable:				
Corpus of historical trust fund	\$ -	\$ 1,152,430	\$ 132,414	\$ 1,284,844
Restricted:				
Residential benefit	-	-	-	-
Debt Service	-	-	-	-
Unassigned	423,610	(5,150)	8,774	427,234
Total fund balances	<u>\$ 423,610</u>	<u>\$ 1,147,280</u>	<u>\$ 141,188</u>	<u>\$ 1,712,079</u>
Total liabilities and fund balances	<u>\$ 370,994</u>	<u>\$ 1,152,430</u>	<u>\$ 132,414</u>	<u>\$ 1,655,838</u>

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

June 30, 2022

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	\$		1,712,079
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		318,843	
Total capital assets			<u>547,167</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>319,655</u>
Net position of governmental activities	\$		<u><u>2,578,901</u></u>

Year Ended June 30, 2022

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

	General	Permanent Fund Taber Trust Fund	Other Government al Funds	Total
REVENUES				
General property taxes	\$ 265,383	\$ -	\$ -	\$ 265,383
Other local taxes	302,423	-	-	302,423
Permits, privilege fees, and regulatory licenses	4,122	-	-	4,122
Miscellaneous	71,068	-	-	71,068
Total revenues	<u>\$ 642,997</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 642,997</u>
EXPENDITURES				
Current:				
General government administration	\$ 373,570	\$ -	\$ -	\$ 373,570
Public safety	-	20,200	-	20,200
Public works	100,892	-	-	100,892
Buildings and grounds	75,465	-	-	75,465
Parks, recreation, and cultural	3,296	10,000	-	13,296
Community development	68,636	-	-	68,636
Total expenditures	<u>\$ 621,859</u>	<u>\$ 30,200</u>	<u>\$ -</u>	<u>\$ 652,059</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 21,138</u>	<u>\$ (30,200)</u>	<u>\$ -</u>	<u>\$ (9,062)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from debt issuance	\$ -	\$ -	\$ -	-
Transfers in	-	30,200	-	30,200
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 30,200</u>	<u>\$ -</u>	<u>\$ 30,200</u>
Net change in fund balances	\$ 21,138	\$ -	\$ -	\$ 21,138
Fund balances - beginning, as adjusted	<u>402,472</u>	<u>\$ 1,147,280</u>	<u>\$ 141,188</u>	<u>\$ 1,690,940</u>
Fund balances - ending	<u>\$ 423,610</u>	<u>\$ 1,147,280</u>	<u>\$ 141,188</u>	<u>\$ 1,712,079</u>

Year Ended June 30, 2022

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)	\$	21,138
--	----	--------

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.	447
---	-----

Change in net position of governmental activities	\$ <u>(36,789)</u>
---	--------------------

June 30, 2022

Statement of Net Position

Proprietary Fund

	Business-Type Activities		
	Uptions		
	Water Fund	Point Fund	Total Funds
ASSETS			
Current assets:			
Cash	\$ 671,653	\$ 1,889	\$ 673,542
Due To/From	27,953	68,218	96,171
Total current assets	<u>\$ 699,606</u>	<u>\$ 70,107</u>	<u>\$ 769,713</u>
Noncurrent assets:			
Capital assets:			
Land	\$ 251,000	-	\$ 251,000
Other capital assets	1,632,962	-	1,632,962
Less accumulated depreciation	(1,622,160)	-	(1,622,160)
Total capital assets	<u>\$ 261,802</u>	<u>\$ -</u>	<u>\$ 261,802</u>
Total noncurrent assets	<u>\$ 261,802</u>	<u>\$ -</u>	<u>\$ 261,802</u>
Total assets	<u>\$ 961,408</u>	<u>\$ 70,107</u>	<u>\$ 1,031,515</u>
Deferred Outflow of Resources:			
Total Deferred Outflow of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 961,408</u>	<u>\$ 70,107</u>	<u>\$ 1,031,515</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 49,447	\$ 1,089	\$ 50,536
Utility deposits	16,102	-	16,102
Total current liabilities	<u>\$ 65,549</u>	<u>\$ 1,089</u>	<u>\$ 66,638</u>
Noncurrent liabilities:			
Long-term liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>\$ 65,549</u>	<u>\$ 1,089</u>	<u>\$ 66,638</u>
Deferred Inflow of Resources:			
Total Deferred Inflow of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities and Deferred Inflow of Resources	<u>\$ 65,549</u>	<u>\$ 1,089</u>	<u>\$ 66,638</u>
NET POSITION			
Net investment in capital assets	\$ 261,802	-	\$ 261,802
Unrestricted	634,057	69,018	703,075
Total net position	<u>\$ 895,859</u>	<u>\$ 69,018</u>	<u>\$ 964,877</u>

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

Year Ended June 30, 2022
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund

	<u>Business-Type Activities</u>		
	<u>Water Fund</u>	<u>Uptons Point Fund</u>	<u>Total Funds</u>
OPERATING REVENUES			
Charges for services	\$ 344,300	\$ 81,727	\$ 426,027
Total operating revenues	<u>\$ 344,300</u>	<u>\$ 81,727</u>	<u>\$ 426,027</u>
OPERATING EXPENSES			
Personnel services	\$ -	\$ -	\$ -
Fringe benefits	-	-	-
Contractual services	-	-	-
Other charges	200,456	79,416	279,872
Materials and supplies	-	-	-
Depreciation	-	-	-
Total operating expenses	<u>\$ 200,456</u>	<u>\$ 79,416</u>	<u>\$ 279,872</u>
Operating income (loss)	<u>\$ 143,844</u>	<u>\$ 2,311</u>	<u>\$ 146,155</u>
NONOPERATING REVENUES (EXPENSES)			
Total nonoperating revenues (expenses)	\$ -	\$ -	\$ -
Income before contributions and transfers	<u>\$ 143,844</u>	<u>\$ 2,311</u>	<u>\$ 146,155</u>
Transfers In	\$ -	\$ -	\$ -
Transfers Out	-	-	-
Change in net position	\$ 143,844	\$ 2,311	\$ 146,155
Total net position - beginning	<u>752,015</u>	<u>66,707</u>	<u>818,722</u>
Total net position - ending	<u>\$ 895,859</u>	<u>\$ 69,018</u>	<u>\$ 964,877</u>

Year Ended June 30, 2022
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	\$ 344,300	\$ 81,727	\$ 426,027
Payments to employees and on behalf of employees	-	-	-
Payments to suppliers	<u>(200,456)</u>	<u>(79,416)</u>	<u>(279,872)</u>
Net cash provided (used) by operating activities	<u>\$ 143,844</u>	<u>\$ 2,311</u>	<u>\$ 146,155</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Increase (decrease) in due to other funds	\$ -	\$ -	\$ -
Adjustments to Capital Assets	<u>-</u>	<u>-</u>	<u>-</u>
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	\$ 143,844	\$ 2,311	\$ 146,155
Cash and cash equivalents - beginning	<u>527,809</u>	<u>(423)</u>	<u>527,387</u>
Cash and cash equivalents - ending	<u>\$ 671,653</u>	<u>\$ 1,889</u>	<u>\$ 673,542</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 143,844	\$ 2,311	\$ 146,155
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	<u>-</u>	<u>-</u>	<u>-</u>
Total adjustments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net cash provided (used) by operating activities	<u>\$ 143,844</u>	<u>\$ 2,311</u>	<u>\$ 146,155</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

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

budgeted. 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 2022.

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

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 \$1,090.30 at June 30, 2022.

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, 2022.

NOTE 4 INTERFUND BALANCES AND ACTIVITY

There were no interfund receivables, payables or related activity as of June 30, 2022.

NOTE 5 DUE FROM OTHER GOVERNMENTAL UNITS

There were no amounts due from other governments at June 30, 2022.

NOTE 6 DEFERRED REVENUE

There were no deferred revenue amounts at June 30, 2022.

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	\$ 756,023	\$ 52,120	\$ -	\$ 808,143
Office and other equipment	<u>240,265</u>	<u>6,253</u>	<u>-</u>	<u>246,519</u>
Total accumulated depreciation	<u>\$ 996,289</u>	<u>\$ 58,373</u>	<u>\$ -</u>	<u>\$ 1,054,662</u>
Total capital assets being depreciated, net	<u>\$ 377,216</u>	<u>\$ (58,373)</u>	<u>\$ -</u>	<u>\$ 318,843</u>
Governmental activities capital assets, net	<u>\$ 605,540</u>	<u>\$ (58,373)</u>	<u>\$ -</u>	<u>\$ 547,167</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	<u>\$ 251,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,000</u>
Capital assets being depreciated:				
Water system	\$ 1,493,801	\$ -	\$ -	\$ 1,493,801
Vehicles	25,865	-	-	25,865
Office and other equipment	<u>113,296</u>	<u>-</u>	<u>-</u>	<u>113,296</u>
Total capital assets being depreciated	<u>\$ 1,632,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,632,962</u>
Less accumulated depreciation for:				
Water system	\$ 1,493,801	\$ -	\$ -	\$ 1,493,801
Vehicles	25,865	-	-	25,865
Office and other equipment	<u>100,567</u>	<u>1,927</u>	<u>-</u>	<u>102,494</u>
Total accumulated depreciation	<u>\$ 1,620,233</u>	<u>\$ 1,927</u>	<u>\$ -</u>	<u>\$ 1,622,160</u>
Total capital assets being depreciated, net	<u>\$ 12,729</u>	<u>\$ (1,927)</u>	<u>\$ -</u>	<u>\$ 10,802</u>
Business-type activities capital assets, net	<u>\$ 263,729</u>	<u>\$ (1,927)</u>	<u>\$ -</u>	<u>\$ 261,802</u>
Depreciation expense has been allocated as follows:				
Total depreciation expense		<u>\$ 1,927</u>		

NOTE 8 LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the fiscal year ended June 30, 2022:

Incurred by Town

Net pension liability	\$ <u>(319,655)</u>
Total governmental obligations	\$ <u><u>(319,655)</u></u>

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

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing, Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of the Town, (the “Political Subdivision”) are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is 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.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

<https://www.varetire.org/retirement-plans/defined-benefit/plan1>

<https://www.varetire.org/retirement-plans/defined-benefit/plan2>

<https://www.varetirement.org/hybrid.html>

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained 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 10 DEFINED BENEFIT PENSION PLAN - continued

Employees Covered by Benefit Terms

As of the June 30, 2019, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Town</u>
Inactive members or their beneficiaries currently receiving benefits.	6
Inactive Members	
Vested	3
Non-vested	3
LTD	0
Active elsewhere in VRS	3
Total Inactive Members	<u>9</u>
Active Members	<u>2</u>
Total	<u><u>17</u></u>

Contributions

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 contribution rate for the year ended June 30, 2022 was 6.75% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

When combined with employee contributions, this 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 to the pension plan from the Town were \$7,703 and \$7,700 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Liability

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, 2021. 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, 2021.

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision’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.

NOTE 10 DEFINED BENEFIT PENSION PLAN - continued

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*

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

Mortality rates:

Largest 10 – (Non 10 Largest) – Hazardous Duty; 45% of deaths are assumed to be service related.

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2022; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2021; males set forward 2 years; unisex using 100% male.

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2022; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2021; males set forward 2 years; unisex using 100% male.

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

NOTE 10 DEFINED BENEFIT PENSION PLAN - continued

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

NOTE 10 DEFINED BENEFIT PENSION PLAN - continued

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2021 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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, 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. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Total pension liability	\$ 785,797	\$ 1,093,819	\$ (308,022)
Service cost	11,737	-	11,737
Interest	51,443	-	51,443
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Difference between expected and actual experience	6,967	-	6,967
Contributions - employer	-	717	(717)
Contributions - employee	-	5,756	(5,756)
Net investment income	-	20,691	(20,691)
Benefit payments, including refunds of employee contributions	(47,366)	(47,366)	-
Administrative expense	-	(727)	727
Other changes	-	(24)	24
Net change in total pension liability	22,781	(20,953)	43,734
Balance at June 30, 2020	\$ 808,578	\$ 1,072,866	\$ (264,288)

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>(177,524)</u>	\$ <u>(264,288)</u>	\$ <u>(337,765)</u>

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 \$7,203 at June 30, 2022, the Town’s deferred outflows of resources were \$31,849.

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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ 337
2023	10,120
2024	11,043
2025	10,349
2026	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR 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 CONTINGENT LIABILITIES

As of June 30, 2022, 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, 2022, no funds had a deficit balance.

NOTE 15 ADJUSTMENTS TO BEGINNING BALANCES

Fund	Net Position Governmental Activities	Net Position Business Type Activities
Beginning net position/fund balances as previously reported, 6/30/21	\$ 2,844,808	\$ 478,528
Correction of capital assets and depreciation	<u>(229,119)</u>	<u>340,194</u>
Beginning net position/fund balances as restated, 7/1/22	\$ <u><u>2,615,689</u></u>	\$ <u><u>818,722</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 May 23, 2023, 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, 2022

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 263,300	\$ 263,300	\$ 265,383	\$ 2,083
Other local taxes	206,050	206,050	302,423	96,373
Permits, privilege fees, and regulatory licenses	2,200	2,200	4,122	1,922
Miscellaneous	52,000	52,000	71,068	19,068
Intergovernmental revenues	-	-	-	-
Total revenues	<u>\$ 523,550</u>	<u>\$ 523,550</u>	<u>\$ 642,997</u>	<u>\$ 119,447</u>
EXPENDITURES				
Current:				
General government administration	\$ 274,838	\$ 274,838	\$ 373,570	\$ (98,732)
Public safety	17,000	17,000	-	17,000
Public works	84,500	84,500	100,892	(16,392)
Buildings and grounds	51,635	51,635	75,465	(23,830)
Parks, recreation, and cultural	20,312	20,312	3,296	17,016
Community development	75,265	75,265	68,636	6,629
Total expenditures	<u>\$ 523,550</u>	<u>\$ 523,550</u>	<u>\$ 621,859</u>	<u>\$ (98,309)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,138</u>	<u>\$ 21,138</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	\$ -	\$ -	\$ 21,138	\$ 21,138
Fund balances - beginning	-	-	402,472	402,472
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 423,610</u>	<u>\$ 423,610</u>

Year Ended June 30, 2022
 Schedule of Revenues – Budget and Actual
 General Fund

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Real property taxes	\$ 250,000	\$ 253,331	\$ 3,331
Real property taxes - delinquent	1,500	1,122	(378)
Public service corporation taxes	3,200	1,558	(1,642)
Personal property taxes	8,000	8,476	476
Personal property taxes - delinquent	100	193	93
Penalties	250	133	(117)
Interest	250	570	320
Total general property taxes	<u>\$ 263,300</u>	<u>\$ 265,383</u>	<u>\$ 2,083</u>
State sales tax	\$ 21,000	\$ 22,945	\$ 1,945
Consumer utility tax	2,500	5,071	2,571
Business license tax	7,500	27,913	20,413
	-	3,582	3,582
Motor vehicle license tax	6,500	9,084	2,584
Bank franchise tax	30,000	55,838	25,838
Lodging tax	5,000	19,573	14,573
Lodging - Occupancy Tax Escrow	-	-	-
Meals tax	120,000	144,225	24,225
Meals tax penalty	100	-	(100)
Oyster Festival meals tax	10,000	11,601	1,601
Oyster Festival meals tax penalty	50	-	(50)
Communication sales tax	3,400	2,591	(809)
Total other local taxes	<u>\$ 206,050</u>	<u>\$ 302,423</u>	<u>\$ 96,373</u>
Total tax	<u>\$ 469,350</u>	<u>\$ 567,806</u>	<u>\$ 98,456</u>
Permits, privilege fees, and regulatory licenses:			
Zoning and subdivision permits	\$ 100	\$ 1,147	\$ 1,047
Golf carts	500	1,775	1,275
Interest earned from banks	400	-	(400)
Rental of property	1,200	1,200	-
Total permits, privilege fees, and regulatory licenses	<u>\$ 2,200</u>	<u>\$ 4,122</u>	<u>\$ -</u>
Miscellaneous Revenue:			
Visitor Center donations	\$ -	\$ 599	\$ 599
Visitor Center merchandise donations	-	743	743
OF Foundation Reimbursement	24,700	-	(24,700)
Trolley sponsorship and donations	4,500	-	(4,500)
Miscellaneous revenue	500	45,912	45,412
Cats Meow	300	1,490	1,190
PPTRA (Tax Relief)	6,000	5,995	(5)
Litter control grant	1,000	1,329	329
Fire program funds	15,000	15,000	-
Total Miscellaneous	<u>\$ 52,000</u>	<u>\$ 71,068</u>	<u>\$ -</u>
Total other fees	<u>\$ 54,200</u>	<u>\$ 75,190</u>	<u>\$ -</u>
Total revenue from local sources	<u>\$ 523,550</u>	<u>\$ 642,997</u>	<u>\$ 119,447</u>
Total General Fund	<u>\$ 523,550</u>	<u>\$ 642,997</u>	<u>\$ 119,447</u>

Year Ended June 30, 2022
 Schedule of Expenditures – Budget and Actual
 General Fund

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Town Council	\$ 11,000	\$ 11,000	\$ 10,542	\$ 458
Town Treasurer	47,515	47,515	73,184	(25,669)
Town Administrator	65,080	65,080	65,516	(436)
Professional services	48,150	48,150	80,134	(31,984)
General administration	<u>103,093</u>	<u>103,093</u>	<u>144,194</u>	<u>(41,101)</u>
Total general government administration	<u>\$ 274,838</u>	<u>\$ 274,838</u>	<u>\$ 373,570</u>	<u>\$ (98,732)</u>
Public safety:				
Public safety:	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ -</u>	<u>\$ 17,000</u>
Total public safety	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ -</u>	<u>\$ 17,000</u>
Public works:				
Refuse collection	\$ 60,000	\$ 60,000	\$ 90,500	\$ (30,500)
Maintenance and grounds	<u>24,500</u>	<u>24,500</u>	<u>10,392</u>	<u>14,108</u>
Total public works	<u>\$ 84,500</u>	<u>\$ 84,500</u>	<u>\$ 100,892</u>	<u>\$ (16,392)</u>
Buildings and grounds:				
Administration	\$ 20,835	\$ 20,835	\$ 23,979	\$ (3,144)
Buildings and grounds	<u>30,800</u>	<u>30,800</u>	<u>51,486</u>	<u>(20,686)</u>
Total building and grounds	<u>\$ 51,635</u>	<u>\$ 51,635</u>	<u>\$ 75,465</u>	<u>\$ (23,830)</u>
Parks, recreation and cultural:				
Administration	\$ -	\$ -	\$ -	\$ -
Regional Pool	<u>20,312</u>	<u>20,312</u>	<u>3,296</u>	<u>17,016</u>
Total parks, recreation and cultural	<u>\$ 20,312</u>	<u>\$ 20,312</u>	<u>\$ 3,296</u>	<u>\$ 17,016</u>
Community development:				
Planning and community development	\$ 21,750	\$ 21,750	\$ 20,281	\$ 1,469
Oyster fest	24,700	24,700	22,627	2,073
Trolley	9,500	9,500	-	9,500
Visitor's center	<u>19,315</u>	<u>19,315</u>	<u>25,727</u>	<u>(6,412)</u>
Total planning and community development	<u>\$ 75,265</u>	<u>\$ 75,265</u>	<u>\$ 68,636</u>	<u>\$ 6,629</u>
Funds Transfers				
Transfer to Marina	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Transfers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total General Fund	<u>\$ 523,550</u>	<u>\$ 523,550</u>	<u>\$ 621,859</u>	<u>\$ (98,309)</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, 2022, and have issued our report thereon dated May 23, 2023. 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 May 23, 2023.

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

Clarksville, Maryland
May 23, 2023