

TOWN OF RICHLANDS, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

TOWN OF RICHLANDS, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2024

TABLE OF CONTENTS

INTRODUCTORY SECTION

List of Elected and Appointed Officials.....	<u>Page</u> 1
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FINANCIAL SECTION

Independent Auditor's Report	2-4
Management's Discussion and Analysis.....	5-16

Basic Financial Statements:	<u>Exhibit</u>	<u>Page</u>
Government-Wide Financial Statements:		
Statement of Net Position.....	1	17
Statement of Activities.....	2	18
Fund Financial Statements:		
Balance Sheet – Governmental Fund	3	19
Reconciliation of the Balance sheet of Governmental Fund to the Statement of Net Position	4	20
Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Fund	5	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Fund to the Statement of Activities.....	6	22
Statement of Net Position – Proprietary Funds	7	23
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	8	24
Statement of Cash Flows – Proprietary Funds.....	9	25
Notes to Financial Statements		26-68

Required Supplementary Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:		
General Fund.....	10	69
Pension Plan:		
Schedule of Changes in Net Pension Liability and Related Ratios	11	70
Schedule of Employer Contributions	12	71
Notes to Required Supplementary Information.....	13	72
Other Postemployment Benefits – Line of Duty Act (LODA) Program		
Schedule of Employer's Share of NET LODA OPEB Liability	14	73
Schedule of Employer Contributions	15	74
Notes to Required Supplementary Information.....	16	75

Other Supplementary Information:

Supporting Schedules:	<u>Schedule</u>	<u>Page</u>
Schedule of Revenues – Budget and Actual – Governmental Fund	1	76-78
Schedule of Expenditures – Budget and Actual – Governmental Fund	2	79-80

TOWN OF RICHLANDS, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2024

TABLE OF CONTENTS (CONTINUED)

Statistical Information:	<u>Table</u>	<u>Page</u>
Government-Wide Information:		
Government-Wide Expenses by Function	1	81
Government-Wide Revenues	2	82
Fund Information:		
General Governmental Expenditures by Function.....	3	83
General Governmental Revenues by Source.....	4	84
Property Tax Levies and Collections	5	85
Assessed Value of Taxable Property	6	86
Property Tax Rates.....	7	87
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	8	88
Computation of Legal Debt Margin.....	9	89
 COMPLIANCE SECTION		
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>		90-91
Schedule of Findings and Responses.....		92

INTRODUCTORY SECTION

TOWN OF RICHLANDS, VIRGINIA

TOWN COUNCIL

Rod Cury, Mayor

Seth White

Laura Mollo

Rick Wood

Jannis White

Gary Jackson

Jordan Bales

OTHER OFFICIALS

Ronnie Campbell..... Interim Town Manager / Finance Director

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Town Council
Town of Richlands, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Richlands, Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Richlands, Virginia'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, and each major fund of the Town of Richlands, Virginia, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Richlands, 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 Richlands, 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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 Richlands, 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 Richlands, 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 other required supplementary information, as listed in the table of contents 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 Richlands, Virginia's basic financial statements. The accompanying supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's 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 February 21, 2025, on our consideration of the Town of Richlands, 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 Richlands, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Richlands, Virginia's internal control over financial reporting and compliance.

Lucker, Brandenburg & Company, PLLC

Lebanon, Virginia
February 21, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) offers the readers of the Town of Richlands, Virginia (the Town) financial statements a narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2024.

Financial Highlights for Fiscal Year 2024

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$21,004,207 (net position). At June 30, 2024, the Town had unrestricted net position of \$2,654,176.
- The Town's total net position decreased by \$375,886 compared to an increase of \$2,464,666 in the prior year. The decrease from one year to the next is significantly attributable to a decrease in operating grants and contributions and an increase in expenses partially offset by an increase in other local taxes in governmental activities. In business-type activities the decrease across years was due to a decrease in charges for services and an increase in expenses.
- The Town's total liabilities at the close of the current fiscal year were \$15,591,572, including \$10,705,666 in long-term obligations and \$2,047,905 in unearned revenue.
- Long-term obligations primarily represent amounts due on the Town's general obligation and revenue bonds, net pension liability and notes payable.
- Unearned revenue represents funding received in advance and carried over for use in the next fiscal year from the Virginia Department of Transportation.
- As of the close of the current fiscal year, the Town's general fund reported an ending fund balance of \$3,917,500, a decrease of \$353,676 from the prior year fund balance.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$3,642,064, or 42.78% of total general fund expenditures.
- At the close of the current fiscal year, the Town had construction in progress projects totaling \$1,195,485, which include construction of a new fluoride system at the water treatment plant (\$74,693), engineering services and construction for the water and wastewater treatment plant upgrade & improvements (\$1,120,792).
- During the current fiscal year, the Town purchased several pieces of equipment including an excavator, several vehicles, and a dump truck totaling \$843,327.

Financial Highlights for Fiscal Year 2024 (Continued)

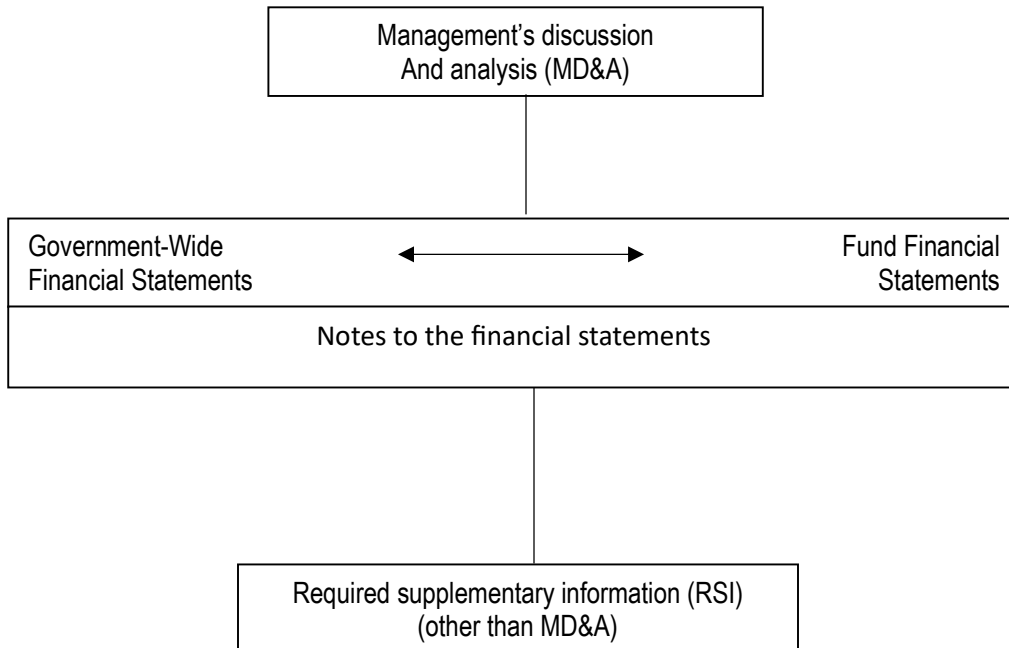
- The Town had one revenue bond at the end of the current fiscal year with a total balance of \$336,327.
- The Town had general obligation bonds at June 30, 2024, with an ending balance of \$1,098,527.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three major components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Figure A shows how the required parts of this MD&A and the Town's basic financial statements are arranged and related to one another.

Figure A
Required Components of Richland's Financial Statements



Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

The government-wide financial statements can be found on page 18-19 of this report.

Fund Financial Statements

The format of the fund financial statements will be more familiar to traditional users of the Town's financial statements. The fund financial statements provide more detailed information about the Town's most significant funds – not the Town as a whole. Funds are accounting mechanisms that the Town uses to keep track of specific sources of funding and spending for particular purposes. Separate financial statements are provided for governmental and proprietary funds. Major individual government funds and enterprise funds are reported as separate columns in the fund financial statements.

Governmental Funds

Governmental funds account for expendable financial resources other than those accounted for in the proprietary funds. The governmental fund measurement focus is upon determination of financial position and cash flows in and out and the balances that remain at year-end that is available for spending (rather than net income determination as would apply to a commercial enterprise). As a result, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

The Town reports one major government fund:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, with the exception of those accounted for in another fund.

The basic governmental fund financial statements can be found on pages 20 and 22 of this report.

Proprietary Funds

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

Proprietary Funds (Continued)

The Town reports the following major proprietary funds:

The electric fund accounts for the activities of the electric operations.

The water and sewer fund accounts for the activities of the water operations.

The basic proprietary fund statements can be found on pages 24-26 of this report.

Budgetary Comparison

The Town adopts an annual appropriated budget for all government funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget and will disclose how accurately the governing body was able to forecast the revenues and expenditures of the Town.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-70 of this report.

Government-Wide Financial Analysis

Statement of Net Position

The following table reflects the Town's condensed net position:

Table 1
Summary of Net Position
As of June 30, 2024

	Governmental Activities		Business-type Activities		Totals	
	2023	2024	2023	2024	2023	2024
Current and other assets	\$ 6,916,805	\$ 7,235,517	\$ 9,368,825	\$ 8,937,741	\$ 16,285,630	\$ 16,173,258
Capital assets	9,618,038	10,627,060	9,533,578	9,321,776	19,151,616	19,948,836
Total assets	16,534,843	17,862,577	18,902,403	18,259,517	35,437,246	36,122,094
Deferred outflows of resources	1,362,158	1,112,036	374,181	318,380	1,736,339	1,430,416
Long-term liabilities	7,145,247	6,955,740	3,794,399	3,749,926	10,939,646	10,705,666
Other liabilities	2,546,672	3,196,690	1,171,713	1,689,216	3,718,385	4,885,906
Total liabilities	9,691,919	10,152,430	4,966,112	5,439,142	14,658,031	15,591,572
Deferred inflows of resources	968,013	850,650	167,448	106,081	1,135,461	956,731
Net position:						
Net investment in capital assets	9,032,182	10,187,675	7,966,684	7,886,920	16,998,866	18,074,595
Restricted	261,839	275,436	-	-	261,839	275,436
Unrestricted	(2,056,952)	(2,491,578)	6,176,340	5,145,754	4,119,388	2,654,176
Total net position	\$ 7,237,069	\$ 7,971,533	\$ 14,143,024	\$ 13,032,674	\$ 21,380,093	\$ 21,004,207

Statement of Net Position (Continued)

Over time, net position may serve as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$21,004,207 at the close of fiscal year 2023. The largest portion of the Town's net position 86.05% reflects its net investment in capital assets (e.g., land, buildings, plant in service, machinery and equipment), less any outstanding related debt used to acquire those assets. The Town uses these capital assets to provide services to citizens and consequently, these assets are not available for future spending. Since the capital assets themselves cannot be used to pay the related debt, the resources needed to service this debt must be provided from other sources.

Statement of Activities

The following table shows the revenues and expenses of the Town's governmental and business-type activities:

Table 2
Changes in Net Position
For the Fiscal Year Ended June 30, 2024

	Governmental Activities		Business-Type Activities	
	2023	2024	2023	2024
Revenues:				
Program revenues:				
Charges for services	\$ 1,301,576	\$ 1,320,120	\$ 9,848,164	\$ 9,620,630
Operating grants & contributions	4,038,164	2,331,634	-	-
General revenue:				
Property taxes	738,118	698,293	-	-
Other local taxes	2,793,540	2,949,657	-	-
Unrestricted investment earnings	3,523	8,309	14,375	31,735
Other/miscellaneous	204,748	306,250	19,828	2,194
Grants and contributions not restricted	7,510	16,196	-	-
Total revenues	9,087,179	7,630,459	9,882,367	9,654,559
Expenses:				
General government administration	1,139,835	1,339,275	-	-
Public safety	3,433,823	3,521,478	-	-
Public works	2,030,602	2,120,870	-	-
Parks, recreation, culture	498,853	421,325	-	-
Community development	27,605	30,908	-	-
Nondepartmental	17,174	13,877	-	-
Electric	-	-	6,479,542	7,124,202
Water & sewer	-	-	2,877,446	3,088,969
Total expenses	7,147,892	7,447,733	9,356,988	10,213,171
Excess (deficiency)	1,939,287	182,726	525,379	(558,612)
Transfers	(583,439)	551,738	583,439	(551,738)
Change in net position	1,355,848	734,464	1,108,818	(1,110,350)
Net position-July 1	5,881,221	7,237,069	13,034,206	14,143,024
Net position-June 30	\$ 7,237,069	\$ 7,971,533	\$ 14,143,024	\$ 13,032,674

Statement of Activities (Continued)

During the current fiscal year, the Town's net position decreased by \$375,886. This is comprised of an increase from governmental activities of \$734,464 and a decrease in business type activities of \$1,110,350.

Governmental activities – Governmental activities increased the Town's net position by \$734,464. Additional factors are noted below.

Revenues from governmental activities totaled \$7,630,459, with charges for services (17.30%), other local taxes (38.66%) and operating grants & contributions (30.56%), being the major sources of revenues. Revenues decreased in comparison to the previous year. The decrease in operating grants & contributions due to ARPA funds that were received in the prior year.

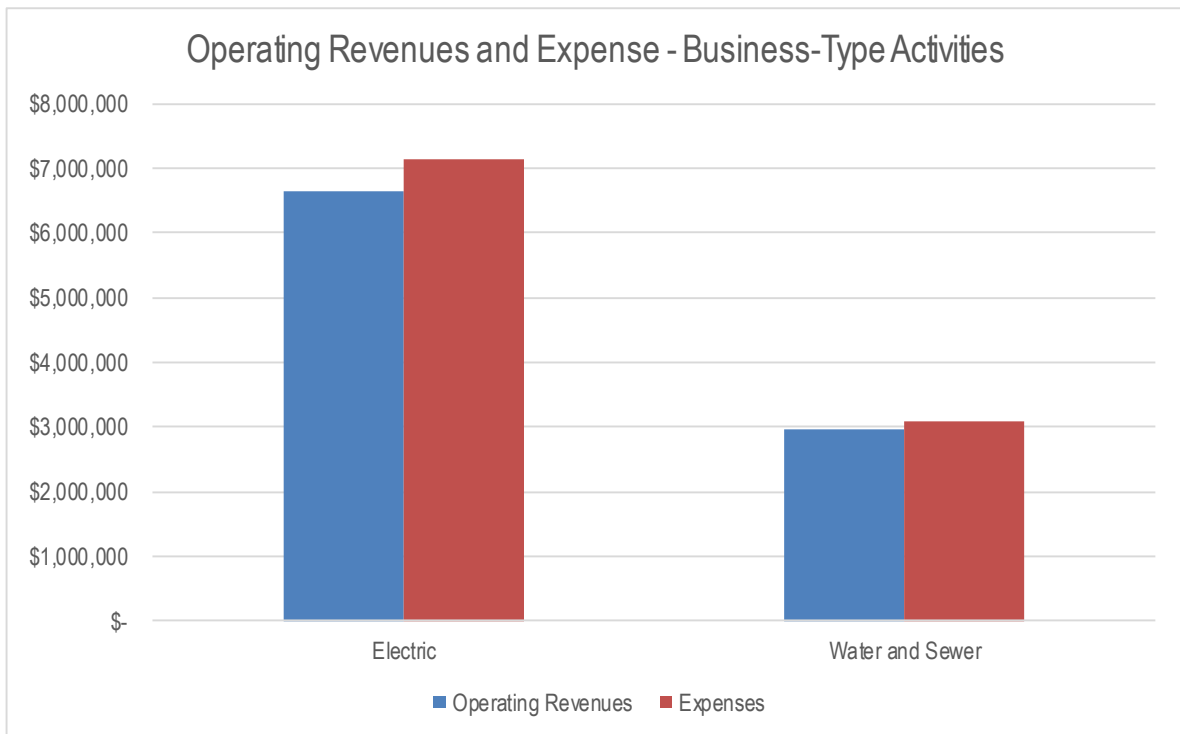
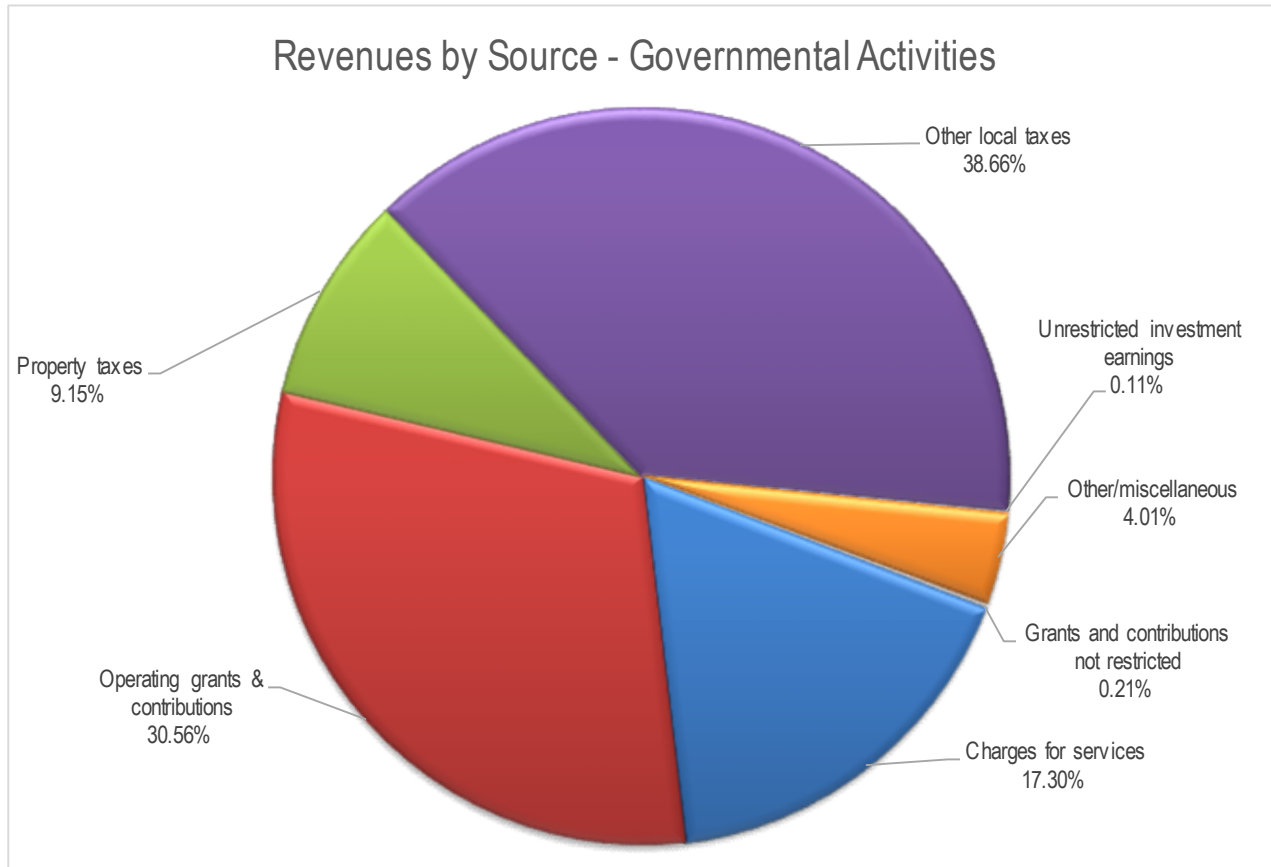
Expenses for governmental activities totaled \$7,447,733 with general governmental (17.98%), public safety (47.28%), public works (28.48%), accounting for approximately 93.74% of total governmental expenses. General government expenses administration increased by \$199,440, public safety increased by \$88,690, public works expenses increased by \$189,233, parks, recreation and culture decreased by \$77,528, and community development increased by \$3,303. The increase in expenses for public works was largely due to an increase in salaries and benefits expenses. The increase in public safety expenses was due to an increase in payroll-related and grant-related expenses. The increase in general administration was due primarily to increases in payroll-related expenses and increased IT costs. The decrease in parks, recreation, and culture was driven by capital asset related expenses.

Business-type activities – Net position of the business-type activities was \$13,032,674 at June 30, 2024. This was a decrease of \$1,110,350 from the prior year net position, as opposed to an increase of \$1,108,818 in the prior year. This is as a result of a decrease in revenues and an increase in expenses.

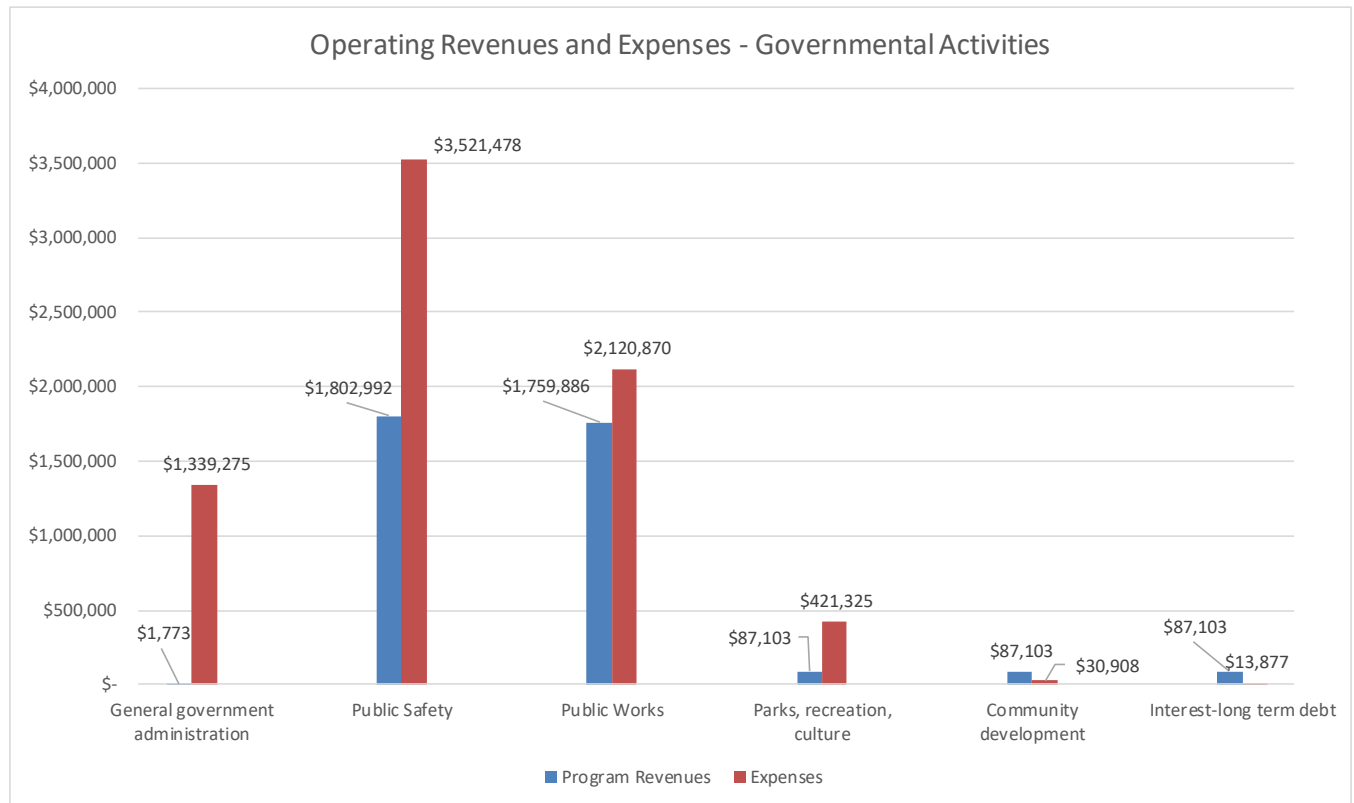
Total revenues for the business-type activities totaled \$9,654,559, of which \$9,620,630 is charges for services. Expenses totaled \$10,213,171.

- Operating revenues decreased from the prior year by \$227,808.
- Proprietary operating expenses increased from the prior year by \$856,183.

Statement of Activities (Continued)



Statement of Activities (Continued)



Financial Analysis of the Government's Funds

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

The general fund is the government's primary operating fund. At the end of the current fiscal year, the Town's general fund reported an ending fund balance of \$3,917,500, including an unassigned fund balance of \$3,642,064. Unassigned fund balance represents approximately 42.78% of total fund expenditures.

The fund balance of the Town's general fund decreased during the current fiscal year by \$353,676 from current year activities. Total revenues decreased by \$1,555,202 due primarily to a decrease in intergovernmental revenues. Total expenditures increased by \$1,604,045, which is significantly due to an increase in capital projects.

Proprietary funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the electric and water and sewer funds amounted to \$3,803,286 and \$1,342,468, respectively. The total decrease in net position was \$1,110,350 during the current fiscal year.

Electric fund

The electric fund net position decreased by \$627,948 from current year activities in fiscal year 2024 compared to a prior year increase of \$472,892. The decrease from one year to the next was a result of a decrease in revenues and an increase in expenses.

Water and Sewer fund

The water and sewer fund net position decreased by \$482,402 from current year activities in fiscal year 2024 compared to the prior year increase of \$635,926. The decrease in the change in net position was a result of an increase in operating expenses partially offset by an increase in operating revenues.

General Fund Budgetary Highlights

Differences between the budgeted amounts versus the actual amounts are noted below:

- Actual revenues were more than budgeted revenues by \$700,658. The variance is the result of higher than anticipated other local taxes and intergovernmental revenues.
- Actual expenditures were more than budgeted expenditures by \$734,578. This is a result of higher than anticipated capital outlays partially offset by lower-than-expected general government administration costs.

General Fund Budgetary Highlights (Continued)

General Fund Condensed Budget vs. Actual Fiscal Year ended June 30, 2024

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues	\$ 6,829,003	\$ 6,829,003	\$ 7,529,661
Expenditures	7,778,721	7,778,721	8,513,299
Other Financing Sources	565,500	565,500	629,962
Change in Fund Balance	\$ (384,218)	\$ (384,218)	\$ (353,676)

Capital Asset and Debt Administration

Capital Assets

The Town's net investment in capital assets for its governmental and business-type activities as of June 30, 2024, amounts to \$18,074,595. The net investment in capital assets includes land, construction in progress, buildings and improvements, improvements other than buildings, equipment, and public domain infrastructure additions in the current fiscal year.

Major capital asset events during the current year included the following:

- Capital asset acquisitions in governmental activities totaled \$1,963,171 (gross) in the current fiscal year. This was for machinery and equipment (\$843,327), buildings (\$372,315), and improvements other than buildings (\$747,529).
- Capital asset acquisitions in business-type activities totaled \$384,493 in the current fiscal year. This was for construction in progress (\$57,323), utility plant & equipment (\$140,886), and machinery and equipment (\$186,284).

Capital Assets (Continued)

The Town's Capital Assets (Net of Depreciation) Fiscal Year ended June 30, 2024

	Governmental Activities		Business-Type Activities	
	2023	2024	2023	2024
Land	\$ 1,424,895	\$ 1,424,895	\$ 517,913	\$ 517,913
Construction in Progress	29,604	-	1,138,162	1,195,485
Buildings and Improvements	2,089,122	2,319,605	-	-
Improvements Other Than Buildings	4,264,152	4,658,974	4,824,597	6,461,686
Equipment	1,810,265	2,223,586	3,052,906	1,146,692
Total	<u>\$ 9,618,038</u>	<u>\$ 10,627,060</u>	<u>\$ 9,533,578</u>	<u>\$ 9,321,776</u>

Additional information on the Town's capital assets can be found in Note 12 on pages 59-60 of this report.

Long-term debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$1,434,854. Of this amount, \$336,326 is comprised of one revenue bond and the remaining balance of \$1,098,528 are general obligation bonds.

The Town's Long-term Bond Debt Fiscal Year ended June 30, 2024

	Beginning Balance	Additions	Reductions	Ending Balance
Fiscal year 2023				
Business-Type Activities:				
General Obligation Bonds	\$ 1,272,918	\$ -	\$ 87,194	\$ 1,185,724
Revenue Bonds	426,014	-	44,844	381,170
Total	<u>\$ 1,698,932</u>	<u>\$ -</u>	<u>\$ 132,038</u>	<u>\$ 1,566,894</u>
Fiscal year 2024				
Business-Type Activities:				
General Obligation Bonds	\$ 1,185,724	\$ -	\$ 87,196	\$ 1,098,528
Revenue Bonds	381,170	-	44,844	336,326
Total	<u>\$ 1,566,894</u>	<u>\$ -</u>	<u>\$ 132,040</u>	<u>\$ 1,434,854</u>

Additional information on the Town's long-term liability can be found in Note 5 on pages 37-40 of this report.

Economic Factors and Next Year's Budget Rates –

- The unemployment rate as of June 2024 for the County of Tazewell, in which the Town resides, is 4.4%. This compares to the state's unemployment rate of 3% and the national rate of 4.1%.
- The Town is located in the AEP Zone of PJM Interconnection, LLC ("PJM"). The Town is also a member of American Municipal Power ("AMP") and has purchased block power from the PJM market through AMP to meet a portion of its energy needs. Additionally, through AMP, the Town is participating in several generation assets including: 2.588 MW of the Prairie State Coal plant unit #1 and unit #2 PSEC are in full commercial operation, 1.5 MW in the AMP Hydroelectric run-of-the river project (Cannelton, Smithland, and Willow Island) located on the Ohio River and 2.2 MW in the Fremont energy campus project that is in full commercial operation. The Town also purchases 0.5 MW of capacity and associated energy from Southeastern Power Administration ("SEPA") through a Purchase Power Agreement ("PPA") that is cancelable by either party. Exposure to the volatile energy commodity market will be greatly reduced by providing over 50% of the Town's load requirements from these projects. The Town will continue to monitor the effects of current economic conditions on energy costs in relation to powering water and wastewater plant facilities and rising costs of raw materials needed to maintain the Town and its infrastructure.
- The Town's Water and Wastewater Treatment Facilities are between 25-30 years old with equipment nearing its useful life. Thompson & Litton Engineering Firm has prepared a Water and Wastewater Asset Management/Capital Improvements Plan as well as a preliminary engineering report for the rehabilitation of the water and wastewater treatment plants. Because of the needed improvements and upgrades to both plants; the Town increased the water and sewer rates for the fiscal year 2022 based on recommendations from a Water and Sewer Rate Analysis Report. The Town has applied for funding through the Virginia Department of Health (VDH) for the water treatment plant improvements and upgrades; and has also applied for funding through the Virginia Department of Environmental Quality for upgrades and improvements at the Wastewater Treatment Plant. The Town increased the sewer rates for the fiscal year 2024 based on a revised Water and Sewer Rate Analysis report.
- The downturn in the area economy from the retirement of coal industry related jobs and companies has resulted in a negative economic impact for downtown Richlands and surrounding areas. The Town is working diligently on several projects to revitalize downtown and to stimulate growth and downtown development. The Richlands Council, Planning Commission and Richlands Industrial Development Authority are working together on several projects that will promote growth and stability in downtown Richlands through tourism and community development efforts.

All these factors were considered in preparing the Town's budget for fiscal year 2025.

The unassigned fund balance in the general fund was \$3,642,064 as of June 30, 2024. The Town has these funds available to be utilized in order to meet any additional obligations to its citizens or to fund future capital projects.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, Town of Richlands, 200 Washington Square, Richlands, VA 24641.

Basic Financial Statements

Town of Richlands, Virginia
Statement of Net Position
At June 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,169,361	\$ 6,628,125	\$ 12,797,486
Investments	120,715	445,708	566,423
Receivables (net of allowance for uncollectibles):			
Taxes receivable	150,170	-	150,170
Accounts receivable	363,949	757,029	1,120,978
Due from other governmental units	103,522	765,963	869,485
Prepaid items	52,364	340,916	393,280
Restricted assets:			
Cash and cash equivalents	275,436	-	275,436
Capital assets (net of accumulated depreciation):			
Land	1,424,895	517,913	1,942,808
Buildings and system	2,319,605	-	2,319,605
Machinery and equipment	2,223,586	1,146,692	3,370,278
Infrastructure/utility plant and buildings in service	4,658,974	6,461,686	11,120,660
Construction in progress	-	1,195,485	1,195,485
Total assets	<u>\$ 17,862,577</u>	<u>\$ 18,259,517</u>	<u>\$ 36,122,094</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 790,781	\$ 318,380	\$ 1,109,161
OPEB related items	321,255	-	321,255
Total deferred outflows of resources	<u>\$ 1,112,036</u>	<u>\$ 318,380</u>	<u>\$ 1,430,416</u>
Total assets and deferred outflow of resources	<u>\$ 18,974,613</u>	<u>\$ 18,577,897</u>	<u>\$ 37,552,510</u>
LIABILITIES			
Accounts payable	\$ 984,947	\$ 1,351,088	\$ 2,336,035
Accrued liabilities	160,227	50,743	210,970
Customers' deposits	-	287,385	287,385
Accrued interest payable	3,611	-	3,611
Unearned revenue	2,047,905	-	2,047,905
Long-term liabilities:			
Due within one year	307,060	263,575	570,635
Due in more than one year	6,648,680	3,486,351	10,135,031
Total liabilities	<u>\$ 10,152,430</u>	<u>\$ 5,439,142</u>	<u>\$ 15,591,572</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - prepaid taxes	\$ 17,716	\$ -	\$ 17,716
Pension related items	271,639	106,081	377,720
OPEB related items	561,295	-	561,295
Total deferred inflows of resources	<u>\$ 850,650</u>	<u>\$ 106,081</u>	<u>\$ 956,731</u>
NET POSITION			
Net investment in capital assets	\$ 10,187,675	\$ 7,886,920	\$ 18,074,595
Restricted	275,436	-	275,436
Unrestricted	(2,491,578)	5,145,754	2,654,176
Total net position	<u>\$ 7,971,533</u>	<u>\$ 13,032,674</u>	<u>\$ 21,004,207</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 18,974,613</u>	<u>\$ 18,577,897</u>	<u>\$ 37,552,510</u>

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

Town of Richlands, Virginia
Statement of Activities
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental activities:								
General government administration	\$ 1,339,275	\$ 1,773	\$ -	\$ -	\$ (1,337,502)	\$ -	\$ (1,337,502)	
Public safety	3,521,478	747,101	1,055,891	-	(1,718,486)	-	(1,718,486)	
Public works	2,120,870	484,143	1,275,743	-	(360,984)	-	(360,984)	
Parks, recreation, and cultural	421,325	87,103	-	-	(334,222)	-	(334,222)	
Community development	30,908	-	-	-	(30,908)	-	(30,908)	
Interest on long-term debt	13,877	-	-	-	(13,877)	-	(13,877)	
Total governmental activities	\$ 7,447,733	\$ 1,320,120	\$ 2,331,634	\$ -	\$ (3,795,979)	\$ -	\$ (3,795,979)	
Business-type activities								
Water and sewer	\$ 3,088,969	\$ 2,962,707	\$ -	\$ -	\$ -	\$ (126,262)	\$ (126,262)	
Electric	7,124,202	6,657,923	-	-	-	(466,279)	(466,279)	
Total business-type activities	\$ 10,213,171	\$ 9,620,630	\$ -	\$ -	\$ -	\$ (592,541)	\$ (592,541)	
Total primary government	\$ 17,660,904	\$ 10,940,750	\$ 2,331,634	\$ -	\$ (3,795,979)	\$ (592,541)	\$ (4,388,520)	
General revenues:								
General property taxes					\$ 698,293	\$ -	\$ 698,293	
Other local taxes:								
Local sales and use taxes					537,010	-	537,010	
Consumers' utility taxes					227,823	-	227,823	
Business license taxes					565,948	-	565,948	
Motor vehicle licenses					37,660	-	37,660	
Bank stock tax					290,019	-	290,019	
Meals taxes					1,066,367	-	1,066,367	
Other local taxes					224,830	-	224,830	
Unrestricted revenues from use of money and property					8,309	31,735	40,044	
Miscellaneous					306,250	2,194	308,444	
Grants and contributions not restricted to specific programs					16,196	-	16,196	
Transfers					551,738	(551,738)	-	
Total general revenues and transfers					\$ 4,530,443	\$ (517,809)	\$ 4,012,634	
Change in net position					\$ 734,464	\$ (1,110,350)	\$ (375,886)	
Net position - beginning					7,237,069	14,143,024	21,380,093	
Net position - ending					\$ 7,971,533	\$ 13,032,674	\$ 21,004,207	

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

Town of Richlands, Virginia
Balance Sheet
Governmental Fund
At June 30, 2024

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 6,444,797
Investments	120,715
Receivables (net of allowance for uncollectibles):	
Taxes receivable	150,170
Accounts receivable	363,949
Due from other governmental units	103,522
Prepaid expenses	52,364
Total assets	<u>7,235,517</u>
LIABILITIES	
Accounts payable	984,947
Accrued liabilities	160,227
Unearned revenue	2,047,905
Total liabilities	<u>3,193,079</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	107,222
Unavailable revenue - prepaid taxes	17,716
Total deferred inflows of resources	<u>124,938</u>
FUND BALANCES	
Restricted	275,436
Unassigned	3,642,064
Total fund balances	<u>3,917,500</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,235,517</u>

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

Town of Richlands, Virginia
Reconciliation of the Balance Sheet of Governmental Fund
To the Statement of Net Position
At June 30, 2024

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Fund		\$	3,917,500
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land	\$	1,424,895	
Buildings and system		2,319,605	
Machinery and equipment		2,223,586	
Infrastructure		4,658,974	
Construction in progress		<u>-</u>	10,627,060
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Unavailable revenue - property taxes			107,222
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	790,781	
OPEB related items		<u>321,255</u>	1,112,036
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.			
Notes payable	\$	(439,385)	
Capital lease		-	
Accrued interest payable		(3,611)	
Compensated absences		(357,185)	
Net pension liability		(5,232,251)	
Net OPEB liability		<u>(926,919)</u>	(6,959,351)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(271,639)	
OPEB related items		<u>(561,295)</u>	(832,934)
Net position of governmental activities			<u><u>\$ 7,971,533</u></u>

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

Town of Richlands, Virginia
Statement of Revenues, Expenditures, and Changes in fund Balances
Governmental Fund
For the Year Ended June 30, 2024

	General
REVENUES	
General property taxes	\$ 675,720
Other local taxes	2,949,657
Permits, privilege fees, and regulatory licenses	1,390
Fines and forfeitures	39,165
Revenue from the use of money and property	8,309
Charges for services	1,279,565
Miscellaneous	228,025
Recovered costs	317,884
Intergovernmental	2,029,946
Total revenues	<u>7,529,661</u>
EXPENDITURES	
Current:	
General government administration	1,231,745
Public safety	3,226,472
Public works	1,665,357
Parks, recreation, and cultural	335,865
Community development	37,682
Nondepartmental	2,564
Capital projects	1,853,075
Debt service:	
Principal retirement	146,473
Interest and other fiscal charges	14,066
Total expenditures	<u>8,513,299</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(983,638)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	551,737
Issuance of capital leases	-
Sale of capital assets	78,225
Total other financing sources (uses)	<u>629,962</u>
Net change in fund balances	(353,676)
Fund balances - beginning	4,271,176
Fund balances - ending	<u>\$ 3,917,500</u>

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

Town of Richlands, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and changes in Fund Balances of Governmental Fund
to the Statement of Activities
For the Year Ended June 30, 2024

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

Net change in fund balances - total governmental fund	\$	(353,676)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded the depreciation expense in the current period.

Capital outlays	\$ 1,933,568	
Depreciation expense	(924,545)	1,009,023

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		22,573
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:

Issuance of notes payable	\$ -	
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Principal repayments:

Note Payable	67,550	
Capital lease	79,300	146,850

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in compensated absences	\$ (44,380)	
Decrease (increase) in arbitrage rebate liability	-	
Change in accrued interest payable	(189)	
Change in pension related items	20,597	
Change in OPEB related items	(66,334)	(90,306)

Change in net position of governmental activities	\$	734,464
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The notes to the financial statements are an integral part of this statement.

Town of Richlands, Virginia
Statement of Net Position
Proprietary Funds
At June 30, 2024

	<u>Water and Sewer</u>	<u>Electric</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,000,984	\$ 4,627,141	\$ 6,628,125
Investments	174,422	271,286	445,708
Accounts receivable, net of allowances for uncollectibles	223,597	533,432	757,029
Other receivables	-	-	-
Due from other governmental units	765,963	-	765,963
Prepaid items	14,570	326,346	340,916
Total current assets	<u>3,179,536</u>	<u>5,758,205</u>	<u>8,937,741</u>
Noncurrent assets:			
Capital assets:			
Utility plant and buildings in service	21,490,678	3,076,991	24,567,669
Machinery and equipment	1,146,692	-	1,146,692
Land	517,913	-	517,913
Accumulated depreciation	(15,747,464)	(2,358,519)	(18,105,983)
Construction in progress	1,195,485	-	1,195,485
Net capital assets	<u>8,603,304</u>	<u>718,472</u>	<u>9,321,776</u>
Total noncurrent assets	<u>8,603,304</u>	<u>718,472</u>	<u>9,321,776</u>
Total assets	<u>11,782,840</u>	<u>6,476,677</u>	<u>18,259,517</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	249,777	68,603	318,380
Total deferred outflows of resources	<u>249,777</u>	<u>68,603</u>	<u>318,380</u>
Total assets and deferred outflow of resources	<u>\$ 12,032,617</u>	<u>\$ 6,545,280</u>	<u>\$ 18,577,897</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 86,682	\$ 1,264,406	\$ 1,351,088
Accrued wages	37,392	13,351	50,743
Customers' deposits	63,444	223,941	287,385
Accrued interest payable	-	-	-
Revenue bonds payable - current portion	44,844	-	44,844
GO and revenue bonds - current portion	87,194	-	87,194
Compensated absences - current portion	101,086	30,451	131,537
Total current liabilities	<u>420,642</u>	<u>1,532,149</u>	<u>1,952,791</u>
Noncurrent liabilities:			
Revenue bonds payable - net of current portion	291,483	-	291,483
GO and revenue bonds - net of current portion	1,011,335	-	1,011,335
Compensated absences - net of current portion	33,697	10,151	43,848
Net pension liability	1,681,617	458,068	2,139,685
Total noncurrent liabilities	<u>3,018,132</u>	<u>468,219</u>	<u>3,486,351</u>
Total liabilities	<u>3,438,774</u>	<u>2,000,368</u>	<u>5,439,142</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	82,927	23,154	106,081
Total deferred inflows of resources	<u>82,927</u>	<u>23,154</u>	<u>106,081</u>
NET POSITION			
Net investment in capital assets	7,168,448	718,472	7,886,920
Unrestricted	1,342,468	3,803,286	5,145,754
Total net position	<u>8,510,916</u>	<u>4,521,758</u>	<u>13,032,674</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 12,032,617</u>	<u>\$ 6,545,280</u>	<u>\$ 18,577,897</u>

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

Town of Richlands, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2024

OPERATING REVENUES	Water and Sewer	Electric	Total
Charges for services:			
Charges for services	\$ 2,915,038	\$ 6,533,697	\$ 9,448,735
Contract work	1,279	3,182	4,461
Lab testing and septic treatment	555	-	555
Penalties and service charges	37,185	105,779	142,964
Connection fees	8,650	-	8,650
Utility pole permits	-	15,265	15,265
Miscellaneous	1,595	249	1,844
Total operating revenues	<u>2,964,302</u>	<u>6,658,172</u>	<u>9,622,474</u>
OPERATING EXPENSES			
Salaries, wages and fringes	1,501,592	395,558	1,897,150
Insurance	30,106	12,790	42,896
Audit and legal	86,559	47,354	133,913
Dues, memberships and training	6,937	21,235	28,172
Office supplies and postage	21,772	10,858	32,630
Telecommunications	6,065	1,776	7,841
Equipment and vehicle maintenance	39,247	15,175	54,422
Building repairs and maintenance	7,500	-	7,500
Supplies	256,235	59,162	315,397
Utilities	428,099	11,929	440,028
Heating oil/fuel	37,249	-	37,249
Miscellaneous	39,916	141,177	181,093
Plant parts and repairs	53,952	-	53,952
Maintenance, repairs and upgrades	20,949	86,181	107,130
Instrument calibration	1,274	-	1,274
Power purchased	-	6,222,644	6,222,644
Street lighting	-	3,392	3,392
Distribution	-	20,012	20,012
Outside sludge hauling	19,661	-	19,661
Engineering	212	-	212
Testing	9,784	520	10,304
Depreciation	521,860	74,439	596,299
Total operating expenses	<u>3,088,969</u>	<u>7,124,202</u>	<u>10,213,171</u>
Operating income (loss)	<u>(124,667)</u>	<u>(466,030)</u>	<u>(590,697)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	10,112	21,623	31,735
Miscellaneous	-	350	350
Total nonoperating revenues (expenses)	<u>10,112</u>	<u>21,973</u>	<u>32,085</u>
Income (loss) before contributions	<u>(114,555)</u>	<u>(444,057)</u>	<u>(558,612)</u>
Transfers out	<u>(367,847)</u>	<u>(183,891)</u>	<u>(551,738)</u>
Change in net position	<u>(482,402)</u>	<u>(627,948)</u>	<u>(1,110,350)</u>
Total net position - beginning	<u>8,993,318</u>	<u>5,149,706</u>	<u>14,143,024</u>
Total net position - ending	<u>\$ 8,510,916</u>	<u>\$ 4,521,758</u>	<u>\$ 13,032,674</u>

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

Town of Richlands, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

	<u>Water and Sewer</u>	<u>Electric</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,934,079	\$ 6,550,738	\$9,484,817
Payments to suppliers	(976,208)	(6,190,452)	(7,166,660)
Payments to and for employees	(1,426,542)	(382,792)	(1,809,334)
Net cash provided by (used for) operating activities	531,329	(22,506)	508,823
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	(367,847)	(183,891)	(551,738)
Net cash provided (used) by noncapital financing activities	(367,847)	(183,891)	(551,738)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	(304,895)	(79,598)	(384,493)
Proceeds from the sale of surplus	-	350	350
Principal payments on general obligation and revenue bonds	(132,040)	-	(132,040)
Proceeds from notes payable	-	-	-
Principal payments on notes payable	-	-	-
Capital contributions	-	-	-
Interest expense	-	-	-
Net cash provided by (used for) capital and related financing activities	(436,935)	(79,248)	(109,900)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	6,735	16,183	22,918
Net cash provided by (used for) investing activities	6,735	16,183	22,918
Net increase (decrease) in cash and cash equivalents	(266,718)	(269,462)	(536,180)
Cash and cash equivalents - beginning (including restricted of \$299,472)	2,267,702	4,896,603	7,164,305
Cash and cash equivalents - ending (including restricted of \$299,472)	\$ 2,000,984	\$ 4,627,141	\$ 6,628,125
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (124,667)	\$(466,030)	\$(590,697)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 521,860	\$74,439	\$596,299
(Increase) decrease in accounts receivable	(31,618)	(100,080)	(131,698)
(Increase) decrease in other receivables	55,387	-	55,387
(Increase) decrease in deferred outflows of resources	42,881	12,920	55,801
(Increase) decrease in prepaid items	(2,481)	(17,487)	(19,968)
Increase (decrease) in customer deposits	1,395	(7,354)	(5,959)
Increase (decrease) in accounts payable	36,403	481,240	517,643
Increase (decrease) in accrued wages	4,672	1,145	5,817
Increase (decrease) in compensated absences	27,220	8,935	36,155
Increase (decrease) in net pension liability	48,316	3,094	51,410
Increase (decrease) in deferred inflows of resources	(48,039)	(13,328)	(61,367)
Total adjustments	655,996	443,524	1,099,520
Net cash provided by (used for) operating activities	\$ 531,329	\$ (22,506)	\$ 508,823

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 1-Summary of Significant Accounting Policies:

The financial statements of the Town of Richlands, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

A. Financial reporting entity:

The Town is a municipal corporation governed by an elected seven-member Town Council. The accompanying financial statements present the government. Related organizations, if any, are described below.

Blended Component Units – None

Discretely Presented Component Units – None

Related Organizations – None

Jointly Governed Organizations – None

B. Government-wide and fund financial statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

Note 1-Summary of Significant Accounting Policies: (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation:

Budgetary Comparison Schedules demonstrate compliance with the adopted budget, which is an important component of a government's accountability to the public. Many citizens participate in one way or another 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. Many governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable 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 federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 1-Summary of Significant Accounting Policies: (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (Continued)

The Town reports the following major governmental fund:

The general fund is the Town's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. All general tax revenue and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the general fund.

The Town reports the following major proprietary funds:

Proprietary funds account for operations that are financed in a manner similar to private business enterprises. The proprietary funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary funds consist of enterprise funds.

The Town operates a sewage collection and treatment system and a water distribution system. The activities of the systems are accounted for in the water and sewer fund.

The Town operates an electric distribution system. The activities of the system are accounted for in the electric fund.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance:

1. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

2. Prepaid Expenses

Prepaid expenses are for payments made by the Town in the current fiscal year to provide services occurring in the subsequent fiscal year.

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." All other outstanding balances between funds are "advances to/from other funds." All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis.

4. Allowance for Uncollectible Accounts

For the General Fund, the allowance amounted to approximately \$11,581 for real estate taxes, \$63,468 for personal property taxes, \$34,244 for garbage billings, and \$557,548 for EMS billings at June 30, 2024. For the Proprietary Funds, the allowance amounted to approximately \$61,305 for water and sewer billings and \$134,597 for electric billings at June 30, 2024.

5. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of December 31st. Taxes are payable in December of the following fiscal year. The Town bills and collects its own property taxes.

6. Use of Estimates

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance: (Continued)

7. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The Town accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

Property, plant, and equipment and infrastructure of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Plant, equipment, and system	10-50
Infrastructure	20-25
Machinery and equipment	3-20

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance: (Continued)

9. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and prepaid tax amounts and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, prepaid amounts are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

10. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance: (Continued)

11. Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision Retirement Plan and the additions to/deductions from the Political Subdivision Retirement Plan's fiduciary net position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Other Postemployment Benefits (OPEB)

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to § 9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Net Position

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

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

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance: (Continued)

13. Net Position (Continued)

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

14. Concentration of Credit Risk

The Town has a credit risk associated with water, sewer, and electric fund accounts receivable due to geographic proximity of the Town's customers. The risk is mitigated by the large number of customers and relatively low individual balances.

15. Fund Balance

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

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 1-Summary of Significant Accounting Policies: (Continued)

15. Fund Balance (Continued)

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.

The Town 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 the Town Council through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service, or for other purposes).

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. 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. The General fund has a legally adopted budget.
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 fund level. Only the Town Council can revise the appropriation for each fund. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units. The Town does not appropriate funds for the purchase of assets with debt financing unless the proceeds are received and disbursed directly by the Town. The Town does appropriate funds for the repayment of debt on financed assets.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the Town's accounting system.
9. Expenditures related to finance assets in which the Town will appropriate funds for the repayment of debt; however, funds are not appropriated for payments made by third parties

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 2-Stewardship, Compliance, and Accountability: (Continued)

B. Excess of expenditures over appropriations

For the year ending June 30, 202, expenditures exceed appropriations for the general fund by \$733,543, primarily due to additional capital projects and outlays. In the water/sewer fund there was a negative budget variance of \$557,386; however, once noncash depreciation of \$521,860 was eliminated, the variance was \$35,526, primarily due to salaries and wages. In the electric fund there was a negative budget variance of \$131,505; however, once noncash depreciation of \$ 74,439 was eliminated, the variance was \$57,066, primarily due to miscellaneous expenses.

C. Deficit fund balance

At June 30, 2024, no funds reported a negative fund balance; however, unrestricted net position for Governmental Activities was negative at year end.

Note 3-Deposits and Investments:

Deposits:

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

Investments:

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

The investments, as reported in the financial statements as of June 30, 2024, consist of nonnegotiable certificates of deposit with original maturity dates of 12 and 13 months, respectively, and have a balance of \$228,424 and \$337,999 at year end.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 4-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	General Fund	Water and Sewer Fund
<u>Local Government:</u>		
Tazewell County Public Service Authority	\$ -	\$ 765,963
<u>Commonwealth of Virginia:</u>		
Non-categorical aid	13,205	-
State sales tax	89,606	-
<u>Federal Government:</u>		
Categorical aid	711	-
Total	<u>\$ 103,522</u>	<u>\$ 765,963</u>

Note 5-Long-Term Obligations:

Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2024.

	Balance June 30, 2023	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2024
Direct borrowing and placement:				
Notes payable	506,935	-	(67,550)	439,385
Capital lease	78,921	-	(78,921)	-
Compensated absences	312,806	44,380	-	357,186
Net pension liability	5,253,820	-	(21,569)	5,232,251
Net OPEB liability	992,764	-	(65,845)	926,919
Total	<u>7,145,246</u>	<u>44,380</u>	<u>(233,885)</u>	<u>6,955,741</u>

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 5-Long-Term Obligations: (Continued)

Governmental Activities Obligations: (Continued)

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

Year Ending June 30,	Direct borrowing and placement	
	Principal	Interest
2025	\$ 69,171	\$ 10,540
2026	70,831	8,880
2027	72,531	7,180
2028	74,272	5,439
2029	76,054	3,656
2030	76,525	1,831
Totals	<u>\$ 439,385</u>	<u>\$ 37,525</u>

Details of long-term obligations:

Type/ Project	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Direct borrowing and placement:						
Notes payable	2.40%	Mar-20	2030	\$ 700,000	<u>\$ 439,385</u>	<u>\$ 39,171</u>
Other obligations:						
Compensated absences	n/a	n/a	n/a	n/a	357,185	267,889
Net pension liability	n/a	n/a	n/a	n/a	5,232,251	-
Net OPEB liability	n/a	n/a	n/a	n/a	926,919	-
Total other obligations					<u>\$ 6,516,355</u>	<u>\$ 267,889</u>
Total long-term obligations					<u>\$ 6,955,739</u>	<u>\$ 307,060</u>

Long-term obligations are typically liquidated by the general fund.

In the event of default, outstanding amounts on notes payable may become due and payable at the option of the lender.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 5-Long-Term Obligations: (Continued)

Business-type Activities Obligations:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2024.

	Balance June 30, 2023	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2024
Direct borrowings and placements:				
GO and revenue bonds	\$ 1,185,724	\$ -	\$ (87,196)	\$ 1,098,528
Revenue bond	381,171	-	(44,844)	336,327
Compensated absences	139,229	36,156	-	175,385
Net pension liability	2,088,275	51,410	-	2,139,685
Total	<u>\$ 3,794,399</u>	<u>\$ 87,566</u>	<u>\$ (132,040)</u>	<u>\$ 3,749,925</u>

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

Year Ending June 30,	Direct borrowing and placement Principal	Interest
2025	\$ 132,038	\$ -
2026	132,038	-
2027	132,038	-
2028	132,038	-
2029	132,038	-
2030-2034	530,582	-
2035-2038	244,083	-
Totals	<u>\$ 1,434,855</u>	<u>\$ -</u>

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 5-Long-Term Obligations: (Continued)

Business-type Activities Obligations: (Continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Direct Borrowings and Placements;						
Revenue Bond:						
Wastewater Series 2010	0.00%	2010	2024	\$ 1,121,250	\$ 336,327	\$ 44,844
General Obligation and Revenue Bonds:						
Series 2000	0.00%	2000	2031	175,000	40,833	5,833
Series 2005	0.00%	2005	2037	2,002,799	867,880	66,760
Series 2006	0.00%	2006	2037	438,037	189,815	14,601
Note Payable	3.75%	2020	2022	1,200,000	-	-
Total Direct Borrowings and Placements					<u>\$ 1,434,855</u>	<u>\$ 132,038</u>
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 175,385	\$ 131,539
Net Pension Liability	n/a	n/a	n/a	n/a	2,139,685	-
Total Other Obligations					<u>\$ 2,315,070</u>	<u>\$ 131,539</u>
Total Long-term Obligations					<u>\$ 3,749,925</u>	<u>\$ 263,577</u>

Revenue bonds are secured by revenue of the water/sewer fund.

The Town's general obligation bonds are subject to the State intercept program under which State funds may be withheld and remitted to bond holders upon the event of default.

In the event of default, outstanding amounts on bonds (all types) and notes payable may become due and payable at the option of the bondholder(s) and lender.

Other obligations of the electric and water/sewer fund are typically liquidated by those funds.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 6-Pension Plan:

Plan Description

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by a VRS Retirement Plan upon employment. This 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 different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 6-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Same as Plan 1.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty-covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan.</p>

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 6-Pension Plan: (Continued)

Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 1 or ORP.</p>	<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 2 or ORP.</p>	<p>They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions</p> <p>Employees contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions</p> <p>Same as Plan 1.</p>	<p>Retirement Contributions</p> <p>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 6-Pension Plan: (Continued)

Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Service Credit Same as Plan 1.</p>	<p>Service Credit <i>Defined Benefit Component:</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <i>Defined Contributions Component:</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p>

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 6-Pension Plan: (Continued)

Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting - continued</p>	<p>Vesting - continued</p>	<p>Vesting – continued <i>Defined Contributions Component:</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distributions not required, except as governed by law until age 73.</p>
<p>Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit Defined Benefit Component: See definition under Plan 1.</p> <p>Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 6-Pension Plan: (Continued)

Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.	Service Retirement Multiplier <i>Defined Benefit Component:</i> VRS: The retirement multiplier for the defined benefit component 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.
Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Political subdivision hazardous duty employees: Same as Plan 1.	Political subdivision hazardous duty employees: Not applicable. <i>Defined Contribution Component:</i> Not applicable.
Normal Retirement Age VRS: Age 65.	Normal Retirement Age VRS: Normal Social Security retirement age.	Normal Retirement Age <i>Defined Benefit Component:</i> VRS: Same as Plan 2.
Political subdivision hazardous duty employees: Age 60.	Political subdivision hazardous duty employees: Same as Plan 1.	Political subdivision hazardous duty employees: Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 6-Pension Plan: (Continued)

Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. Political subdivision hazardous duty employees: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equals 90. Political subdivision hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90. Political subdivision hazardous duty employees: Not applicable <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. Political subdivision hazardous duty employees: Age 50 with at least five years of service credit.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit. Political subdivision hazardous duty employees: Same as Plan 1.	Earliest Reduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Age 60 with at least five years (60 months) of service credit. Political subdivision hazardous duty employees: Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPIU and half of any additional increase (up to 2%), for a maximum COLA of 3%.	Cost-of-Living Adjustment (COLA)in Retirement <i>Defined Benefit Component:</i> Same as Plan 2. <i>Defined Contribution Component:</i> Not applicable.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 6-Pension Plan: (Continued)

Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement - continued Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p>Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. • The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement - continued Eligibility: Same as Plan 1.</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement - continued Eligibility: Same as Plan 1 and Plan 2.</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.</p>

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 6-Pension Plan: (Continued)

Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active-duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <i>Defined Benefit Component:</i> Same as Plan 1, with the following exception: • Hybrid Retirement Plan members are ineligible for ported service. <i>Defined Contribution Component:</i> Not applicable.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 6-Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2023, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	40
Inactive members:	
Vested inactive members	3
Non-vested inactive members	9
Active elsewhere in VRS	<u>11</u>
Total inactive members	23
Active members	<u>79</u>
Total covered employees	<u><u>142</u></u>

Contributions

The contribution requirement for active employees is governed by § 51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Town's contractually required employer contribution rate for the year ended June 30, 2024, was 23.80% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$762,656 and \$711,558 for the years ended June 30, 2024, and June 30, 2023, respectively.

Net Pension Liability

The net pension liability (NPL) 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 the Town, the net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022, rolled forward to the measurement date of June 30, 2023.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 6-Pension Plan: (Continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

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

Actuarial Assumptions – General Employees (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 6-Pension Plan: (Continued)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2022, 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, 2021. 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, postretirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each 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 Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023:.

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 6-Pension Plan: (Continued)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2022, 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, 2021. 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, postretirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 6-Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34%	6.14%	2.09%
Fixed Income	15%	2.56%	0.38%
Credit Strategies	14%	5.60%	0.78%
Real Assets	14%	5.02%	0.70%
Private Equity	16%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4%	4.50%	0.18%
PIP - Private Investment Partnership	2%	7.18%	0.14%
Cash	1%	1.20%	0.01%
Total	<u>100%</u>		<u>5.75%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>8.25%</u>

* The above allocation provides a one-year expected return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

* On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 6-Pension Plan: (Continued)

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, 2022, actuarial valuations, whichever was greater. From July 1, 2023, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2022	\$ 15,759,863	\$ 8,417,767	\$ 7,342,096
Changes for the year:			
Service cost	\$ 297,735	\$ -	\$ 297,735
Interest	1,052,712	-	1,052,712
Benefit changes	-	-	-
Differences between expected and actual experience	51,132	-	51,132
Assumption changes	-	-	-
Contributions - employer	-	693,742	(693,742)
Contributions - employee	-	139,845	(139,845)
Net investment income	-	543,267	(543,267)
Benefit payments	(909,331)	(909,331)	-
Refunds of employee contributions	(14,390)	(14,390)	-
Administrative expenses	-	(5,334)	5,334
Other changes	-	220	(220)
Net changes	\$ 477,858	\$ 448,019	\$ 29,839
Balances at June 30, 2023	\$ 16,237,721	\$ 8,865,786	\$ 7,371,935

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 6-Pension Plan: (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town using the discount rate of 6.75%, as well as what the Town's 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:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town Net Pension Liability	\$ 9,466,745	\$ 7,371,935	\$ 5,661,839

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

For the year ended June 30, 2024, the Town recognized pension expense of \$770,084. At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 136,529	\$ 254,781
Change in assumptions	210,858	-
Net difference between projected and actual earnings on pension plan investments	-	123,819
Employer contributions subsequent to the measurement date	762,656	-
Total	\$ 1,110,043	\$ 378,600

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 6-Pension Plan: (Continued)

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

\$762,656 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2025. 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>	
2025	\$ 22,727
2026	(135,606)
2027	73,533
2028	8,133
2029	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Annual Report. A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 7-Line of Duty Act (LODA) Program:

Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 7-Line of Duty Act (LODA) Program: (Continued)

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

Eligible Employees

The eligible employees of the LODA Program include paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under VRS, SPORS, or VaLORS.

Benefit Amounts

The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:

- *Death:* The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:
 - \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.
 - \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
 - An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.
- *Health Insurance:* The Line of Duty Act program provides health insurance benefits:
 - The health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members.

Contributions

The contribution requirements for the LODA Program are governed by § 9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2024, was \$830.00 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021, and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$36,683 and \$36,128 for the years ended June 30, 2024, and June 30, 2023, respectively.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 7-Line of Duty Act (LODA) Program: (Continued)

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

At June 30, 2024, the entity reported a liability of \$926,919 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2023, and the total LODA OPEB Liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2023, relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2023, the entity's proportion was 0.23121% as compared to 0.27614% at June 30, 2022.

For the year ended June 30, 2024, the entity recognized LODA OPEB expense of \$104,516. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 49,443	\$ 174,538
Net difference between projected and actual earnings on LODA OPEB program investments	-	2,712
Change in assumptions	205,880	191,136
Changes in proportionate share	27,752	192,909
Employer contributions subsequent to the measurement date	38,180	-
Total	<u>\$ 321,255</u>	<u>\$ 561,295</u>

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 7-Line of Duty Act (LODA) Program: (Continued)

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB (Continued)

\$38,180 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2025	\$ (24,306)
2026	(24,221)
2027	(20,067)
2028	(26,469)
2029	(37,313)
Thereafter	(145,846)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2022, 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, 2023.

Inflation	2.50%
Salary increase, including inflation- Locality employees	N/A
Medical cost trend rates assumption- Under age 65	7.00% - 4.75%
Ages 65 and older	5.375% - 4.75%
Year of ultimate trend rate Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	3.86%, including inflation*

*Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.86% was used since it approximates the risk-free rate of return.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 7-Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, postretirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 7-Line of Duty Act (LODA) Program: (Continued)

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2023, NOL amounts for the Line of Duty Act Program (LODA) are as follows (amounts expressed in thousands):

Total LODA OPEB Liability	\$406,211
Plan Fiduciary Net Position	<u>5,311</u>
LODA Net OPEB Liability (Asset)	<u>\$400,900</u>

Plan fiduciary Net Position as a Percentage of the Total LODA OPEB Liability 1.31%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.86% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments' 6.75% assumption. Instead, the assumed annual rate of return of 3.86% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Fidelity Fixed Income General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2023.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.86%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 7-Line of Duty Act (LODA) Program: (Continued)

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.86%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower 2.86% or one percentage point higher 4.86% than the current rate:

	1.00% Decrease 1.21%	Current Discount Rate 2.21%	1.00% Increase 3.21%
Covered Employers Proportionate Share of the LODA Net OPEB Liability	\$ 1,039,297	\$ 926,919	\$ 831,849

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using health care trend rate of 7.00% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	1.00% Decrease 6.00% decreasing to 3.75%	Current Discount Rate 7.00% decreasing to 4.75%	1.00% Increase 8.00% decreasing to 5.75%
Covered Employers Proportionate Share of the LODA Net OPEB Liability	\$ 786,059	\$ 926,919	\$ 1,101,467

LODA OPEB Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 8-Unearned Revenue:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned revenue totaling \$2,047,905 is comprised of the following:

Miscellaneous – Funding received in advance and carried over for use in the next fiscal year from the Department of Transportation totaling \$2,047,905.

Note 9-Unavailable Revenue:

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available under the accrual basis, assessments for future periods are deferred. Unavailable revenue totaling \$124,938 is comprised of the following:

Property Taxes - Property tax revenue representing uncollected tax billings not available for funding current expenditures of \$107,222.

Prepaid Property Taxes – Property taxes due subsequent to June 30, 2024, but paid in advance by the taxpayers totaled \$17,716.

Note 10-Restricted Fund Balance/Net Position:

Fund balance and net position were restricted for the following purposes at year end:

Purpose	Amount
Bick Creek Payments	\$ 62,474
Public Safety Funds	48,672
Fire Program Funds	84,411
Restricted Donations	41,313
Asset Forfeiture/Policing Funds	38,566
Total	<u>\$ 275,436</u>

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 11-Capital Assets:

Capital asset activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,424,895	\$ -	\$ -	\$ 1,424,895
Construction in progress	29,604	56,165	(85,769)	-
Total capital assets not being depreciated	<u>\$ 1,454,499</u>	<u>\$ 56,165</u>	<u>\$ (85,769)</u>	<u>\$ 1,424,895</u>
Capital assets, being depreciated:				
Buildings and system	\$ 4,364,501	\$ 372,315	\$ -	\$ 4,736,816
Infrastructure	9,605,346	747,529	-	10,352,875
Machinery and equipment	9,003,598	843,327	(905,936)	8,940,989
Total capital assets being depreciated	<u>\$ 22,973,445</u>	<u>\$ 1,963,171</u>	<u>\$ (905,936)</u>	<u>\$ 24,030,680</u>
Accumulated depreciation:				
Buildings and system	\$ (2,275,379)	\$ (141,832)	\$ -	\$ (2,417,211)
Infrastructure	(5,341,194)	(352,707)	-	(5,693,901)
Machinery and equipment	(7,193,333)	(430,006)	905,936	(6,717,403)
Total accumulated depreciation	<u>\$ (14,809,906)</u>	<u>\$ (924,545)</u>	<u>\$ 905,936</u>	<u>\$ (14,828,515)</u>
Total capital assets being depreciated, net	<u>\$ 8,163,539</u>	<u>\$ 1,038,626</u>	<u>\$ -</u>	<u>\$ 9,202,165</u>
Governmental activities capital assets, net	<u><u>\$ 9,618,038</u></u>	<u><u>\$ 1,094,791</u></u>	<u><u>\$ (85,769)</u></u>	<u><u>\$ 10,627,060</u></u>

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 11-Capital Assets: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 517,913	\$ -	\$ -	\$ 517,913
Construction in progress	1,138,162	57,323	-	1,195,485
Total capital assets not being depreciated	<u>\$ 1,656,075</u>	<u>\$ 57,323</u>	<u>\$ -</u>	<u>\$ 1,713,398</u>
Capital assets, being depreciated:				
Utility plant and buildings in service	22,447,804	140,886	-	22,588,690
Machinery and equipment	3,052,906	186,284	(113,523)	3,125,667
Total capital assets being depreciated	<u>\$ 25,500,710</u>	<u>\$ 327,170</u>	<u>\$ (113,523)</u>	<u>\$ 25,714,357</u>
Accumulated depreciation:				
Utility plant and buildings in service	(15,325,503)	(478,762)	-	(15,804,265)
Machinery and equipment	(2,297,703)	(117,537)	113,523	(2,301,717)
Total accumulated depreciation	<u>\$ (17,623,206)</u>	<u>\$ (596,299)</u>	<u>\$ 113,523</u>	<u>\$ (18,105,982)</u>
Total capital assets being depreciated, net	<u>\$ 7,877,504</u>	<u>\$ (269,129)</u>	<u>\$ -</u>	<u>\$ 7,608,375</u>
Business-type activities capital assets, net	<u><u>\$ 9,533,579</u></u>	<u><u>\$ (211,806)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,321,773</u></u>

Depreciation expense was charged to functions/programs of the Town as follows:

Governmental activities:	
General government administration	\$ 98,707
Public safety	246,791
Public works	486,565
Parks and recreation	88,779
Community development	3,703
Total depreciation expense - governmental activities	<u>\$ 924,545</u>
Business - type activities:	
Water and sewer	\$ 521,860
Electric	74,439
Total depreciation expense - business-type activities	<u>\$ 596,299</u>

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 12-Interfund Activity:

Interfund transfers for the year ended June 30, 2024, consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	\$ 551,738	\$ -
Water and Sewer Fund	-	(367,847)
Electric Fund	-	(183,891)
Total	\$ 551,738	\$ (551,738)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the one fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

There were no interfund obligations at June 30, 2024.

Note 13-Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates with other localities in a public entity risk pool for their coverage of property, general liability and auto insurance with the Virginia Risk Sharing Association (Pool). Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Pool contributions and assessments into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available resources, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 14-Contingent Liabilities:

Grant funds are subject to audit by the funding agencies to determine compliance with various grant requirements. Should any expenditure be disallowed, they must be refunded to the granting agencies. Any liability for reimbursement, which may arise as the result of these audits is believed to be immaterial.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 15–Electric Power Agreement:

The Town is a participant in American Municipal Power-Ohio, Inc. (AMP-Ohio), a nonprofit corporation, organized to own and operate facilities for the generation, transmission, and distribution of electrical power. Other participants in AMP-Ohio are political subdivisions which operate electric systems in Ohio, Michigan, Pennsylvania, Virginia, and West Virginia. As a participant, the Town has agreed to purchase specified kilowatts of power at AMP-Ohio's incurred cost through December 31, 2057. In accordance with this agreement the Town remits funds to an escrow account for the payment of power bills.

Note 16–Pledged Revenues:

The Town has pledged future water and sewer customer revenues to repay water and wastewater revenue bonds. Proceeds from the bonds provided financing for the construction of the water and sewer systems.

Note 17–Electric Rate Stabilization Plan:

The Town entered into a rate stabilization plan with American Municipal Power, Inc. to reduce the effects of volatility in energy markets. As of June 30, 2024, the Town carried a balance of \$318,820 in an escrow account maintained for the Town's benefit. This amount has been reported in the financial statements as a prepaid item.

Note 18–Service Agreements:

On September 3, 2003, the Town and Tazewell County Public Service Authority (TCPSA) entered into an agreement to share the costs of construction and operation of a water transmission facility known as Kent's Ridge Road Project. The project was financed by two thirty-year, interest-free loans from the Virginia Resources Authority (VRA). The loans are secured by a pledge of revenues from the Town's water and wastewater systems and by a pledge of the Town's full faith and credit. Also, the County of Tazewell, Virginia has undertaken, to the extent permitted by law, a non-binding but moral obligation to pay such amounts as may be needed, with respect to the notes, for the payment of principal and interest pursuant to the terms of the agreement. The Town has recorded an amount due from the TCPSA of \$882,228 at year end for their share of debt service payments.

The Town has also entered into separate agreements with the TCPSA and Town of Cedar Bluff, Virginia to provide water treatment. The agreements allocate operating costs and the cost of construction based on usage (or an estimate thereof).

The Town; Town of Cedar Bluff, Virginia; and Tazewell County Public Service Authority (TCPSA) entered into an agreement dated March 15, 1989, whereby each of the parties would participate in the allocation of capacity and costs with respect to the design, construction, operation and maintenance of a regional wastewater treatment facility. The Town is responsible for the operation of the facility. The Town is also responsible for budgeting and financing subject to agreed upon procedures by the three participants. Monthly user charges are paid by the participants for their share of the cost of the project and are recognized as charges for services in the accompanying financial statements.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2024

Note 18-Service Agreements: (Continued)

Payments received by the Town during the fiscal year for the aforementioned agreements are as follows:

Entity	Amounts
Town of Cedar Bluff	\$ 157,908
Tazewell County PSA	715,539
Tazewell County PSA - loan payments	55,605
Total	<u>\$ 929,052</u>

Note 19-Subsequent Events:

Subsequent events have been evaluated as of February 21, 2025, which is the date the financial statements were available to be issued.

Note 20-Upcoming Pronouncements:

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

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

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

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

Required Supplementary Information

Town of Richlands, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 799,000	\$ 799,000	\$ 675,721	\$ (123,279)
Other local taxes	2,667,750	2,667,750	2,949,657	281,907
Permits, privilege fees, and regulatory licenses	1,000	1,000	1,390	390
Fines and forfeitures	31,100	31,100	39,164	8,064
Revenue from the use of money and property	5,000	5,000	8,309	3,309
Charges for services	1,340,350	1,340,350	1,279,565	(60,785)
Miscellaneous	33,500	33,500	228,026	194,526
Recovered costs	270,500	270,500	317,884	47,384
Intergovernmental	1,680,803	1,680,803	2,029,945	349,142
Total revenues	<u>6,829,003</u>	<u>6,829,003</u>	<u>7,529,661</u>	<u>700,658</u>
EXPENDITURES				
Current:				
General government administration	1,390,292	1,390,292	1,231,745	158,547
Public safety	3,232,331	3,232,331	3,226,472	5,859
Public works	1,711,489	1,711,489	1,665,357	46,132
Parks, recreation, and cultural	272,116	272,116	335,865	(63,749)
Community development	80,985	80,985	37,682	43,303
Nondepartmental	3,000	3,000	2,564	436
Capital projects and outlays	1,008,000	1,008,000	1,853,075	(845,075)
Debt service:				
Principal retirement	65,000	65,000	146,473	(81,473)
Interest and other fiscal charges	15,508	15,508	14,066	1,442
Total expenditures	<u>7,778,721</u>	<u>7,778,721</u>	<u>8,513,299</u>	<u>(734,578)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(949,718)</u>	<u>(949,718)</u>	<u>(983,638)</u>	<u>(33,920)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	545,500	545,500	551,737	6,237
Issuance of capital leases	-	-	-	-
Sale of capital assets	20,000	20,000	78,225	58,225
Total other financing sources (uses)	<u>565,500</u>	<u>565,500</u>	<u>629,962</u>	<u>64,462</u>
Net change in fund balances	(384,218)	(384,218)	(353,676)	30,542
Fund balances - beginning	-	-	4,271,176	4,271,176
Fund balances - ending	<u>\$ (384,218)</u>	<u>\$ (384,218)</u>	<u>\$ 3,917,500</u>	<u>\$ 4,301,718</u>

Town of Richlands, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Pension Plan
For the Plan Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service cost	\$ 297,735	\$ 291,420	\$ 309,910	\$ 299,881	\$ 261,942	\$ 243,691	\$ 254,948	\$ 248,209	\$ 233,924	\$ 228,999
Interest	1,052,712	1,047,508	974,522	926,577	894,632	868,052	856,598	794,150	790,952	759,699
Differences between expected and actual experience	51,132	(366,380)	(108,718)	382,012	228,801	(9,905)	(186,039)	367,567	(408,168)	-
Changes of assumptions	-	-	502,438	-	395,344	-	(156,273)	-	-	-
Benefit payments	(909,331)	(879,794)	(896,808)	(899,546)	(768,670)	(675,568)	(535,639)	(499,997)	(642,038)	(442,432)
Refund of contributions	(14,390)	-	-	-	-	-	-	-	-	-
Net change in total pension liability	477,858	92,754	781,344	708,924	1,012,049	426,270	233,595	909,929	(25,330)	546,266
Total pension liability - beginning	15,759,863	15,667,109	14,885,765	14,176,841	13,164,792	12,738,522	12,504,927	11,594,998	11,620,328	11,074,062
Total pension liability - ending (a)	<u>\$ 16,237,721</u>	<u>\$ 15,759,863</u>	<u>\$ 15,667,109</u>	<u>\$ 14,885,765</u>	<u>\$ 14,176,841</u>	<u>\$ 13,164,792</u>	<u>\$ 12,738,522</u>	<u>\$ 12,504,927</u>	<u>\$ 11,594,998</u>	<u>\$ 11,620,328</u>
Plan fiduciary net position										
Contributions - employer	\$ 693,742	\$ 664,248	\$ 676,426	\$ 653,595	\$ 601,271	\$ 573,053	\$ 548,986	\$ 592,036	\$ 556,985	\$ 499,158
Contributions - employee	139,845	142,362	145,667	150,529	139,528	132,681	128,023	126,916	120,115	119,403
Net investment income	543,267	(10,918)	1,838,404	132,137	421,049	434,183	633,234	92,686	205,782	599,476
Benefit payments	(909,331)	(879,794)	(896,808)	(899,546)	(768,670)	(675,568)	(535,639)	(499,997)	(642,038)	(442,432)
Refund of contributions	(14,390)	-	-	-	-	-	-	-	-	-
Administrative charges	(5,334)	(5,215)	(4,504)	(4,263)	(4,044)	(3,629)	(3,447)	(2,781)	(2,752)	(3,098)
Other	220	198	175	(152)	(268)	(393)	(573)	(37)	(46)	32
Net change in plan fiduciary net position	448,019	(89,119)	1,759,360	32,300	388,866	460,327	770,584	308,823	238,046	772,539
Plan fiduciary net position - beginning	8,417,767	8,506,886	6,747,526	6,715,226	6,326,360	5,866,033	5,095,449	4,786,626	4,548,580	3,776,041
Plan fiduciary net position - ending (b)	<u>\$ 8,865,786</u>	<u>\$ 8,417,767</u>	<u>\$ 8,506,886</u>	<u>\$ 6,747,526</u>	<u>\$ 6,715,226</u>	<u>\$ 6,326,360</u>	<u>\$ 5,866,033</u>	<u>\$ 5,095,449</u>	<u>\$ 4,786,626</u>	<u>\$ 4,548,580</u>
Town's net pension liability - ending (a) - (b)	\$ 7,371,935	\$ 7,342,096	\$ 7,160,223	\$ 8,138,239	\$ 7,461,615	\$ 6,838,432	\$ 6,872,489	\$ 7,409,478	\$ 6,808,372	\$ 7,071,748
Plan fiduciary net position as a percentage of the total pension liability	54.60%	53.41%	54.30%	45.33%	47.37%	48.06%	46.05%	40.75%	41.28%	39.14%
Covered payroll	\$ 3,204,438	\$ 2,989,738	\$ 3,042,640	\$ 3,307,974	\$ 2,893,205	\$ 2,726,708	\$ 2,611,141	\$ 2,594,810	\$ 2,433,045	\$ 2,391,408
Town's net pension liability as a percentage of covered payroll	230.05%	245.58%	235.33%	246.02%	257.90%	250.79%	263.20%	285.55%	279.83%	295.71%

Town of Richlands, Virginia
Schedule of Employer Contributions
Pension Plan
For the Years Ended June 30, 2015, through June 30, 2024

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2024	\$ 762,656	\$ 762,656	\$ -	\$ 3,204,438	23.80%
2023	711,558	711,558	-	2,989,738	23.80%
2022	682,160	682,160	-	3,042,640	22.42%
2021	676,426	676,426	-	3,082,539	21.94%
2020	653,595	653,595	-	3,307,974	19.76%
2019	601,271	601,271	-	2,893,205	20.78%
2018	573,053	573,053	-	2,726,708	21.02%
2017	548,986	548,986	-	2,611,141	21.02%
2016	592,036	592,036	-	2,594,810	22.82%
2015	556,985	556,985	-	2,433,045	22.89%

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

Town of Richlands, Virginia
Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2024

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2022, 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, 2021. 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each 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

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No Change
Salary Scale	No change
Line of Duty Disability	No Change
Discount Rate	No Change

Town of Richlands, Virginia
Schedule of Employer's Share of Net LODA OPEB Liability
Line of Duty Act (LODA) Program
For the Measurement Dates of June 30, 2017, through June 30, 2023

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll* (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2023	0.23121%	\$ 926,919	\$ 1,474,015	62.88%	1.87%
2022	0.26232%	\$ 992,764	\$ 1,568,645	63.29%	1.87%
2021	0.27614%	1,217,754	1,494,696	81.47%	1.68%
2020	0.27524%	1,152,748	1,479,088	77.94%	1.02%
2019	0.28920%	1,037,717	1,426,561	72.74%	0.79%
2018	0.28230%	885,000	1,369,285	64.63%	0.60%
2017	0.26300%	691,000	1,312,173	52.66%	1.30%

Schedule is intended to show information for 10 years. Since 2023 is the seventh year for this presentation, there are only seven years available. However, additional years will be included as they become available.

The contributions for the Line of Duty Act Program are based on the number of participants in the program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.

Town of Richlands, Virginia
Schedule of Employer Contributions
Line of Duty Act (LODA) Program
For the Years Ended June 30, 2017, through June 30, 2024

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2024	\$ 36,128	\$ 36,128	\$ -	\$ 1,474,015	2.45%
2023	30,683	30,683	-	1,568,645	1.96%
2022	36,128	36,128	-	1,494,696	2.42%
2021	38,017	38,017	-	1,482,204	2.56%
2020	37,406	37,406	-	1,479,088	2.53%
2019	38,817	38,817	-	1,426,561	2.72%
2018	30,071	30,071	-	1,369,285	2.20%
2017	28,369	28,369	-	1,312,173	2.16%

*The contributions for the Line of Duty Act Program are based on the number of participants in the program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.

Town of Richlands, Virginia
Notes to Required Supplementary Information
Line of Duty Act (LODA) Program
For the Year Ended June 30, 2024

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Other Supplementary Information

Supporting Schedules

Town of Richlands, Virginia
Schedule of Revenues – Budget and Actual
Governmental Fund
For the Year Ended June 30, 2024

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 576,000	\$ 576,000	\$ 585,657	\$ 9,657
Personal property taxes	156,000	156,000	24,636	(131,364)
Real and personal public service corporation taxes	46,000	46,000	40,840	(5,160)
Mobile home taxes	8,000	8,000	7,914	(86)
Penalties and Interest	13,000	13,000	16,674	3,674
Total general property taxes	<u>\$ 799,000</u>	<u>\$ 799,000</u>	<u>\$ 675,721</u>	<u>\$ (123,279)</u>
Other local taxes:				
Local sales and use taxes	\$ 572,250	\$ 572,250	\$ 537,010	\$ (35,240)
Consumers utility tax	270,000	270,000	227,823	(42,177)
Local consumption tax	16,000	16,000	18,580	2,580
Business license taxes	500,000	500,000	565,948	65,948
Motor vehicle licenses	30,000	30,000	37,660	7,660
Bank stock taxes	173,000	173,000	290,019	117,019
Tobacco taxes	200,000	200,000	206,250	6,250
Meals taxes	906,500	906,500	1,066,367	159,867
Total other local taxes	<u>\$ 2,667,750</u>	<u>\$ 2,667,750</u>	<u>\$ 2,949,657</u>	<u>\$ 281,907</u>
Permits, privilege fees, and regulatory licenses:				
Zoning permits	\$ 1,000	\$ 1,000	\$ 1,390	\$ 390
Total permits, privilege fees, and regulatory licenses	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 1,390</u>	<u>\$ 390</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,600	\$ 30,600	\$ 36,592	\$ 5,992
E-citation fees	500	500	2,572	2,072
Total fines and forfeitures	<u>\$ 31,100</u>	<u>\$ 31,100</u>	<u>\$ 39,164</u>	<u>\$ 8,064</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 5,000	\$ 5,000	\$ 8,309	\$ 3,309
Revenue from use of property	-	-	-	-
Total revenue from use of money and property	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 8,309</u>	<u>\$ 3,309</u>

Town of Richlands, Virginia
Schedule of Revenues – Budget and Actual
Governmental Fund
For the Year Ended June 30, 2024

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Revenue from local sources: (continued)				
Charges for services:				
Contract work - Streets	\$ 2,000	\$ 2,000	\$ 6,333	\$ 4,333
Rescue squad billings	706,000	706,000	706,546	546
Swimming pool fees	12,000	12,000	15,183	3,183
Concession collections	15,000	15,000	27,289	12,289
Basketball fees	7,500	7,500	22,387	14,887
Volleyball fees	8,000	8,000	10,357	2,357
Outdoor tennis fees	100	100	108	8
Membership fees	250	250	1,340	1,090
Room rental	2,000	2,000	3,755	1,755
Miscellaneous recreation fees	2,500	2,500	6,684	4,184
Convenience fees	5,000	5,000	1,773	(3,227)
Garbage collections	580,000	580,000	477,810	(102,190)
Total charges for services	<u>\$ 1,340,350</u>	<u>\$ 1,340,350</u>	<u>\$ 1,279,565</u>	<u>\$ (60,785)</u>
Miscellaneous:				
Miscellaneous	\$ 14,000	\$ 14,000	\$ 135,168	\$ 121,168
Downtown and community development	-	-	65,730	65,730
Gifts and donations	-	-	1,000	1,000
Gifts and donations - Fire	3,000	3,000	7,416	4,416
Gifts and donations - Recreation	5,000	5,000	-	(5,000)
Gifts and donations - Police	10,000	10,000	12,704	2,704
Gifts and donations - Rescue	1,500	1,500	6,008	4,508
Total miscellaneous	<u>\$ 33,500</u>	<u>\$ 33,500</u>	<u>\$ 228,026</u>	<u>\$ 194,526</u>
Recovered costs:				
County of Tazewell - fire program	\$ 270,000	\$ 270,000	\$ 300,000	\$ 30,000
Returned check fees	500	500	1,740	1,240
Restitution	-	-	16,144	16,144
Total recovered costs	<u>\$ 270,500</u>	<u>\$ 270,500</u>	<u>\$ 317,884</u>	<u>\$ 47,384</u>
Total revenue from local sources	<u>\$ 5,148,200</u>	<u>\$ 5,148,200</u>	<u>\$ 5,499,716</u>	<u>\$ 351,516</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 2,000	\$ 2,000	\$ 1,125	\$ (875)
Motor vehicles carrier's tax	4,500	4,500	3,619	(881)
Railroad rolling stock tax	-	-	11,451	11,451
Total noncategorical aid	<u>\$ 6,500</u>	<u>\$ 6,500</u>	<u>\$ 16,195</u>	<u>\$ 9,695</u>

Town of Richlands, Virginia
Schedule of Revenues – Budget and Actual
Governmental Fund
For the Year Ended June 30, 2024

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Revenue from the Commonwealth: (continued)				
Categorical aid:				
Other categorical aid:				
Litter control grant	\$ 3,000	\$3,000	\$ 5,917	\$ 2,917
Street maintenance	1,354,716	1,354,716	1,269,826	(84,890)
Law enforcement grant	150,000	150,000	171,945	21,945
Drug enforcement	76,087	76,087	76,087	-
EMS grants	-	-	61,857	61,857
Fire grants	22,500	22,500	24,387	1,887
Other state revenue	14,500	14,500	105,208	90,708
Total categorical aid	<u>\$1,620,803</u>	<u>\$1,620,803</u>	<u>\$1,715,227</u>	<u>\$94,424</u>
Total categorical aid	<u>\$1,620,803</u>	<u>\$1,620,803</u>	<u>\$1,715,227</u>	<u>\$94,424</u>
Total revenue from the Commonwealth	<u>\$1,627,303</u>	<u>\$1,627,303</u>	<u>\$1,731,422</u>	<u>\$104,119</u>
Revenue from the federal government:				
Categorical aid:				
Police grants	\$ 34,500	\$ 34,500	\$286,911	\$ 252,411
High intensity drug trafficking areas grant	19,000	19,000	11,612	(7,388)
Total categorical aid	<u>\$ 53,500</u>	<u>\$ 53,500</u>	<u>\$ 298,523</u>	<u>\$ 245,023</u>
Total revenue from the federal government	<u>\$ 53,500</u>	<u>\$ 53,500</u>	<u>\$ 298,523</u>	<u>\$ 245,023</u>
Other financing sources:				
Net transfers in (out)	\$ 545,500	\$ 545,500	\$551,737	\$ 6,237
Sale of capital assets	20,000	20,000	78,225	58,225
Total other financing sources	<u>\$ 565,500</u>	<u>\$ 565,500</u>	<u>\$ 629,962</u>	<u>\$ 64,462</u>
Total General Fund	<u><u>\$ 7,394,503</u></u>	<u><u>\$ 7,394,503</u></u>	<u><u>\$ 8,159,623</u></u>	<u><u>\$ 765,120</u></u>

Town of Richlands, Virginia
Schedule of Expenditures – Budget and Actual
Governmental Fund
For the Year Ended June 30, 2024

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund:				
General government administration:				
General and financial administration:				
Town Council	\$ 267,745	\$ 267,745	\$ 160,213	\$ 107,532
Administration	937,045	937,045	908,607	28,438
Information technology	185,502	185,502	162,925	22,577
Total general government administration	<u>\$ 1,390,292</u>	<u>\$ 1,390,292</u>	<u>\$ 1,231,745</u>	<u>\$ 158,547</u>
Total general government administration	<u>\$ 1,390,292</u>	<u>\$ 1,390,292</u>	<u>\$ 1,231,745</u>	<u>\$ 158,547</u>
Public safety:				
Law enforcement and traffic control:				
Police grants	\$ 56,054	\$ 56,054	\$ 112,721	\$ (56,667)
Drug task force	94,630	94,630	38,062	56,568
Police department	2,086,065	2,086,065	2,015,733	70,332
Asset forfeiture	-	-	3,962	(3,962)
Total law enforcement and traffic control	<u>\$ 2,236,749</u>	<u>\$ 2,236,749</u>	<u>\$ 2,170,478</u>	<u>\$ 66,271</u>
Fire and rescue services:				
Fire Department	\$ 158,636	\$ 158,636	\$ 186,373	\$ (27,737)
Rescue Squad	836,946	836,946	869,621	(32,675)
Total fire and rescue services	<u>\$ 995,582</u>	<u>\$ 995,582</u>	<u>\$ 1,055,994</u>	<u>\$ (60,412)</u>
Total public safety	<u>\$ 3,232,331</u>	<u>\$ 3,232,331</u>	<u>\$ 3,226,472</u>	<u>\$ 5,859</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,190,350	\$ 1,190,350	\$ 1,206,320	\$ (15,970)
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 1,190,350</u>	<u>\$ 1,190,350</u>	<u>\$ 1,206,320</u>	<u>\$ (15,970)</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 521,139	\$ 521,139	\$ 459,037	\$ 62,102
Total sanitation and waste removal	<u>\$ 521,139</u>	<u>\$ 521,139</u>	<u>\$ 459,037</u>	<u>\$ 62,102</u>
Total public works	<u>\$ 1,711,489</u>	<u>\$ 1,711,489</u>	<u>\$ 1,665,357</u>	<u>\$ 46,132</u>
Parks, recreation, and cultural:				
Cultural enrichment:				
Recreation	\$ 260,541	\$ 260,541	\$ 267,582	\$ (7,041)
Total cultural enrichment	<u>\$ 260,541</u>	<u>\$ 260,541</u>	<u>\$ 267,582</u>	<u>\$ (7,041)</u>
Library:				
Library	\$ 11,575	\$ 11,575	\$ 68,283	\$ (56,708)
Total library	<u>\$ 11,575</u>	<u>\$ 11,575</u>	<u>\$ 68,283</u>	<u>\$ (56,708)</u>
Total parks, recreation, and cultural	<u>\$ 272,116</u>	<u>\$ 272,116</u>	<u>\$ 335,865</u>	<u>\$ (63,749)</u>

Town of Richlands, Virginia
Schedule of Expenditures – Budget and Actual
Governmental Fund
For the Year Ended June 30, 2024

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Community development:				
Planning and community development:				
Downtown activities	\$ 80,985	\$ 80,985	\$ 37,682	\$ 43,303
Total planning and community development	<u>\$ 80,985</u>	<u>\$ 80,985</u>	<u>\$ 37,682</u>	<u>\$ 43,303</u>
Total community development	<u>\$ 80,985</u>	<u>\$ 80,985</u>	<u>\$ 37,682</u>	<u>\$ 43,303</u>
Nondepartmental:				
Total nondepartmental	\$ 3,000	\$ 3,000	\$ 2,564	\$ 436
	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 2,564</u>	<u>\$ 436</u>
Capital projects/outlays:				
Capital projects and capital outlays	\$ 1,008,000	\$ 1,008,000	\$ 1,853,075	\$ (845,075)
Total capital projects	<u>\$ 1,008,000</u>	<u>\$ 1,008,000</u>	<u>\$ 1,853,075</u>	<u>\$ (845,075)</u>
Debt service:				
Principal retirement	\$ 65,000	\$ 65,000	\$ 146,473	\$ (81,473)
Interest and other fiscal charges	15,508	15,508	14,066	1,442
Total debt service	<u>\$ 80,508</u>	<u>\$ 80,508</u>	<u>\$ 160,539</u>	<u>\$ (80,031)</u>
Total General Fund	<u><u>\$ 7,778,721</u></u>	<u><u>\$ 7,778,721</u></u>	<u><u>\$ 8,513,299</u></u>	<u><u>\$ (734,578)</u></u>

Statistical Information

Town of Richlands, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years

Table 1

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Water and Sewer	Electric	Total
2014-15	\$ 269,723	\$ 2,645,744	\$ 1,595,057	\$ 343,926	\$ 52,705	\$ 4,949	\$ 2,408,886	\$ 6,094,861	\$ 13,415,851
2015-16	292,353	2,749,662	1,719,756	379,405	27,499	2,628	2,465,129	6,005,247	13,641,679
2016-17	333,731	2,828,938	1,773,908	377,855	25,850	3,873	2,489,894	6,091,102	13,925,151
2017-18	235,766	2,795,730	2,200,116	403,439	30,235	226	2,719,717	6,780,758	15,165,987
2018-19	343,375	2,764,887	1,802,564	491,984	53,940	-	2,790,540	6,486,240	14,733,530
2019-20	470,072	3,030,837	1,960,923	464,361	88,556	-	3,024,508	6,655,149	15,694,406
2020-21	1,258,099	2,851,043	1,963,818	350,199	145,290	22,699	2,781,476	6,176,555	15,549,179
2021-22	1,172,424	3,623,021	2,131,224	357,273	62,423	16,914	2,885,959	5,758,956	16,008,194
2022-23	1,139,835	3,433,823	2,030,602	498,853	27,605	17,174	2,877,446	6,479,542	16,504,880
2023-24	1,339,275	3,521,478	2,120,870	421,325	30,908	13,877	3,088,969	7,124,202	17,660,904

Table 2

Town of Richlands, Virginia
Government-Wide Revenues
Last Ten Fiscal Years

Program Revenues				General Revenues					
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2014-15	\$ 9,550,616	\$ 980,826	\$ 31,432	\$ 478,340	\$ 2,035,854	\$ 13,880	\$ 130,668	\$ 16,754	\$ 13,238,370
2015-16	9,066,108	1,319,735	1,225	467,740	2,014,265	14,016	170,664	22,046	13,075,799
2016-17	9,416,956	1,105,238	33,838	485,587	1,961,647	13,769	103,080	15,893	13,136,008
2017-18	10,185,432	1,458,570	364,500	538,056	2,044,120	16,787	61,537	4,954	14,673,956
2018-19	10,813,722	1,048,098	-	497,664	2,207,338	22,729	104,766	15,515	14,709,832
2019-20	10,307,589	1,157,222	88,697	485,528	2,109,952	24,087	96,128	15,358	14,284,561
2020-21	10,321,161	1,450,816	-	492,385	2,378,573	18,779	144,429	49,294	14,855,437
2021-22	11,136,169	4,228,150	-	745,445	2,614,154	6,543	234,666	9,005	18,974,132
2022-23	11,149,740	4,038,164	-	738,118	2,793,540	17,898	224,576	7,510	18,969,546
2023-24	10,940,750	2,331,634	-	698,293	2,949,657	40,044	308,444	16,196	17,285,018

Town of Richlands, Virginia
General Governmental Expenditures by Function
Last Ten Fiscal Years

Table 3

Fiscal Year	General and Financial Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total (1)
2014-15	\$ 267,560	\$ 2,535,244	\$ 1,311,842	\$ 300,353	\$ 52,705	\$ -	\$ 55,365	\$ 4,523,069
2015-16	280,546	2,681,036	1,367,609	341,942	27,499	113,910	95,376	4,907,918
2016-17	316,937	2,631,827	1,226,139	323,389	25,850	-	92,806	4,616,948
2017-18	285,390	2,704,981	1,883,504	356,127	30,235	-	38,681	5,298,918
2018-19	295,268	2,806,069	1,483,770	462,720	54,309	-	7,260	5,109,396
2019-20	350,447	2,998,785	1,512,717	343,549	88,556	-	7,260	5,301,314
2020-21	968,909	3,084,616	1,561,742	282,590	145,102	677	98,970	6,142,606
2021-22	944,194	3,125,386	1,532,950	256,164	58,804	2,944	212,576	6,133,018
2022-23	989,074	3,194,148	1,527,171	411,105	27,605	2,244	160,539	6,311,886
2023-24	1,231,745	3,226,472	1,665,357	335,865	37,682	2,564	160,539	6,660,224

(1) Excludes Capital Projects

Table 4

Town of Richlands, Virginia
General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2014-15	\$ 481,056	\$ 2,035,854	\$ 1,755	\$ 99,052	\$ 9,139	\$ 1,072,943	\$ 126,508	\$ 139,441	\$ 1,029,012	\$ 4,994,760
2015-16	467,433	2,014,265	1,280	107,308	9,238	1,122,305	164,755	73,104	1,343,006	5,302,694
2016-17	484,317	1,961,647	1,290	93,918	7,985	965,461	101,516	77,446	1,144,891	4,838,471
2017-18	558,985	2,044,120	1,265	66,354	8,219	1,015,274	59,575	82,917	1,818,102	5,654,811
2018-19	466,610	2,207,338	1,145	49,339	10,125	1,240,329	102,805	89,681	1,063,613	5,230,985
2019-20	499,413	2,109,952	1,295	38,418	13,351	1,061,344	94,127	104,752	1,172,580	5,095,232
2020-21	489,769	2,378,573	1,600	25,073	14,239	1,135,608	116,400	284,236	1,500,110	5,945,608
2021-22	733,349	2,614,155	1,140	29,074	2,307	1,221,681	158,453	287,146	3,940,009	8,987,314
2022-23	739,800	2,793,540	1,485	52,297	3,523	1,247,794	204,747	280,776	3,764,898	9,088,860
2023-24	675,721	2,949,657	1,390	39,164	8,309	1,279,565	228,026	317,884	2,029,945	7,529,661

Table 5

Town of Richlands, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2014-15	\$ 453,872	\$ 431,469	95.06%	\$ 28,133	\$ 459,602	101.26%
2015-16	455,304	426,994	93.78%	21,212	448,206	98.44%
2016-17	458,300	428,053	93.40%	27,776	455,829	99.46%
2017-18	469,457	452,063	96.29%	60,038	512,101	109.08%
2018-19	463,375	381,222	82.27%	46,711	427,933	92.35%
2019-20	465,547	454,496	97.63%	27,445	481,941	103.52%
2020-21	467,391	452,241	96.76%	27,492	479,733	102.64%
2021-22	563,866	530,657	94.11%	12,600	543,257	96.35%
2022-23	571,053	539,504	94.48%	26,430	565,934	99.10%
2023-24	565,216	522,270	92.40%	64,414	586,684	103.80%

(1) Exclusive of penalties and interest

(2) Delinquent taxes include only amounts that have been delinquent less than three years

Table 6

Town of Richlands, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate/ Mobile Homes	Public Service Corporation	Total
2014-15	\$ 275,127,700	\$ 10,719,704	\$ 285,847,404
2015-16	275,640,700	11,200,407	286,841,107
2016-17	276,450,600	12,692,299	289,142,899
2017-18	276,560,400	19,530,975	296,091,375
2018-19	271,870,300	20,337,852	292,208,152
2019-20	271,417,800	22,100,928	293,518,728
2020-21	271,804,900	23,053,429	294,858,329
2021-22	275,430,500	22,806,548	298,237,048
2022-23	275,181,100	20,616,338	295,797,438
2023-24	274,477,100	15,782,999	290,260,099

Town of Richlands, Virginia
Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)
2014-15	0.16
2015-16	0.16
2016-17	0.16
2017-18	0.16
2018-19	0.16
2019-20	0.16
2020-21	0.16
2021-22	0.21
2022-23	0.21
2023-24	0.21

(1) Per \$100 of assessed value

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands)	Gross and Net Bonded Debt (2)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2014-15	5,823	\$ 285,847	\$ 1,849,899	0.65%	318
2015-16	5,823	286,841	1,762,704	0.61%	303
2016-17	5,823	289,143	1,675,511	0.58%	288
2017-18	5,823	296,091	1,588,315	0.54%	273
2018-19	5,265	292,208	1,501,121	0.51%	285
2019-20	5,265	293,519	1,447,308	0.49%	275
2020-21	5,261	294,858	1,360,113	0.46%	259
2021-22	5,189	298,237	1,272,918	0.43%	245
2022-23	5,189	295,797	1,185,724	0.40%	229
2023-24	5,095	295,797	1,098,528	0.37%	216

(1) U.S. Census Bureau

(2) Includes all long-term general obligation bonded debt and bonded anticipation notes. Excludes revenue bonds, notes payable, capital leases, and compensated absences.

Town of Richlands, Virginia
Computation of Legal Debt Margin
At June 30, 2024

Total assessed value of taxed real property	\$ 271,247,300
Debt limit - 10 percent of total assessed value	27,124,730
Amount of debt applicable to debt limit	<u>(1,098,528)</u>
Legal debt margin	<u>\$ 26,026,202</u>

Compliance Section

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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 Members of the Town Council
Town of Richlands, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Richlands, Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Richlands, Virginia's basic financial statements and have issued our report thereon dated February 21, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Richlands, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Richlands, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Richlands, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Richlands, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2024-001.

The Town of Richlands, Virginia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Richlands, Virginia's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town of Richlands, Virginia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Lucker, Brandenburg & Company, PLLC

Lebanon, Virginia
February 21, 2025

Town of Richlands, Virginia
Schedule of Findings and Responses
For the Year Ended June 30, 2024

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)	Yes
Were there any significant deficiencies in internal control reported at the financial statement Level (GAGAS)?	None reported
Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes

Section II – Financial Statement Findings

2024-001

(Material Weakness)

Criteria:	The State Highway Funds are intended to be expended in the year in which they are received. Recipients should have internal controls in place to ensure that funds are expended in the time period intended.
Condition:	At June 30,2024, the Town had accumulated deferred revenue of \$2.048 million of State Highway Funds. These funds accumulated as a result of budgeted underspending in the grant over several years. While the Town has a process for tracking the spent and unspent portions of the grant, they failed to incorporate this information into the budget process.
Effect of Conditions:	The Town is out of compliance with the terms of the grant. There is a reasonable possibility that a material misstatement of the financial statements could occur if the funds are disallowed by the grant.
Recommendation:	The Town should incorporate the status of the unspent funds into budget planning in future years. The Town should identify projects that qualify under the program and expend the accumulated funds as soon as practicable.
Management’s Response:	Management is in the process of identifying projects and contracting for their completion. The status of unspent funds will be considered as a part of future budgeting processes.

Prior Year Findings

2023-001	In the prior period the Town had significant deferred revenue as a result of budgeted underspending of State Highway Funds. This finding recurs in the current year audit as finding 2024-001.
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