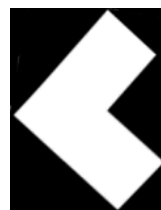


Town of Kenbridge, Virginia
Annual Comprehensive Financial Report
Year Ended June 30, 2022



Creedle, Jones
& Associates, P.C.
Certified Public Accountants

Town of Kenbridge, Virginia

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FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Kenbridge, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Kenbridge, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Kenbridge, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Kenbridge, Virginia, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Kenbridge, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, the Town adopted new accounting guidance, [GASB Statement No. 87, Leases](#). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Kenbridge, 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 judgement 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 Kenbridge, 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Kenbridge, Virginia's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 1–8, 65-67 on pages 68-76 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.

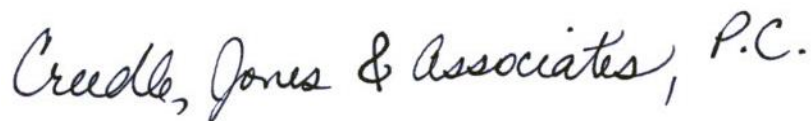
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kenbridge, Virginia's basic financial statements. The combining nonmajor fund financial statements and component unit statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and component unit statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and component unit statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2023, on our consideration of the Town of Kenbridge, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Kenbridge, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Kenbridge, Virginia's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Creedle, Jones & Associates, P.C." in a cursive, flowing script.

Creedle, Jones & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
May 11, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Kenbridge, Virginia presents the following discussion and analysis as an overview of the Town of Kenbridge, Virginia's financial activities for the fiscal year ending June 30, 2022. We encourage readers to read this discussion and analysis in conjunction with the Town's basic financial statements.

Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town's governmental activities exceeded its liabilities and deferred inflows of resources by \$1,808,971. Of this amount, the Town has an unrestricted balance of \$114,020. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$3,946,528 with an unrestricted deficit balance of \$(129,897).
- The Town's total net position decreased by \$113,195 during the current fiscal year. Of this amount, an increase of \$235,485 is related to governmental activities and a decrease of \$348,680 is attributed to business-type activities.
- As of June 30, 2022, the Town's Governmental Funds reported combined ending fund balances of \$296,212, a decrease of \$1,591 in comparison with the prior year. Approximately 81.49% of this amount is available for spending at the Town's discretion (unassigned fund balance).
- At the end of fiscal year 2022, the General Fund unassigned fund balance was \$241,395, or approximately 14.56% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those found in the private sector. They also report the Town's net position and how they have changed during the fiscal year.

Statement of Net Position: presents information on all of the Town's assets and liabilities. The difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources can be used as one way to measure the Town's financial health or financial condition. Over time, increases or decreases in the net position can be one indicator of whether the Town's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the Town's property tax base and the condition of Town facilities.

Statement of Activities: presents information using the accrual basis accounting method and shows how the Town's net position changed during the fiscal year. All of the current year's revenues and expenses are shown in the Statement of Activities, regardless of when cash is received or paid.

The government-wide financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the Town include general government administration, public safety, public works, parks, recreation and cultural, and community development. Public utilities represent the business-type activities.

Furthermore, the government-wide financial statements include a legally separate entity, the Industrial Development Authority of the Town of Kenbridge, Virginia, for which the Town is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported.

The Town has three types of funds:

Governmental Funds - Most of the Town's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial 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. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and ARPA Fund, which are considered to be major funds. Data from the other Town non-major funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements presented later in this report.

Proprietary Funds – The Town uses Enterprise Funds which operate in a manner similar to private business enterprises. Costs are recovered primarily through user charges. Proprietary Fund financial statements provide both long and short-term financial information.

Fiduciary Funds – The Town is the trustee, or fiduciary, for the Town's custodial funds. Custodial funds utilize the accrual basis of accounting described in the Governmental Fund presentation. Since by definition, these assets are being held for the benefit of a third party and cannot be used to support activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information such as budgetary comparison schedules and combining financial statements.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2022 and 2021

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Assets						
Current assets	\$ 953,174	\$ 1,306,626	\$ 346,088	\$ 394,075	\$ 1,299,262	\$ 1,700,701
Capital assets (net)	2,817,294	2,842,965	8,941,965	8,849,916	11,759,259	11,692,881
Other assets	92,926	-	52,272	-	145,198	-
Total Assets	3,863,394	4,149,591	9,340,325	9,243,991	13,203,719	13,393,582
Deferred Outflows of Resources	64,928	79,183	36,517	44,540	101,445	123,723
Total Assets and Deferred Outflows of Resources	<u>\$3,928,322</u>	<u>\$ 4,228,774</u>	<u>\$ 9,376,842</u>	<u>\$ 9,288,531</u>	<u>\$ 13,305,164</u>	<u>\$ 13,517,305</u>
Liabilities						
Pooled cash deficit	\$ -	\$ -	\$ 166,948	\$ 186,855	\$ 166,948	\$ 186,855
Other liabilities	259,086	637,184	41,387	32,417	300,473	669,601
Long-term liabilities	1,467,139	1,835,370	5,141,917	4,772,739	6,609,056	6,608,109
Total Liabilities	1,726,225	2,472,554	5,350,252	4,992,011	7,076,477	7,464,565
Deferred Inflows of Resources	393,126	182,734	80,062	1,312	473,188	184,046
Net Position						
Net investment in capital assets	1,487,725	1,417,990	3,831,482	4,157,724	5,319,207	5,575,714
Restricted	207,226	625,290	244,943	201,109	452,169	826,399
Unrestricted (Deficit)	114,020	(469,794)	(129,897)	(63,625)	(15,877)	(533,419)
Total Net Position	<u>1,808,971</u>	<u>1,573,486</u>	<u>3,946,528</u>	<u>4,295,208</u>	<u>5,755,499</u>	<u>5,868,694</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$3,928,322</u>	<u>\$ 4,228,774</u>	<u>\$ 9,376,842</u>	<u>\$ 9,288,531</u>	<u>\$ 13,305,164</u>	<u>\$ 13,517,305</u>

Statement of Activities

The following table summarizes revenues and expenses for the primary government:

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2022 and 2021

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues						
Program Revenues						
Charges for services	\$ 136,456	\$ 131,606	\$ 615,609	\$ 575,848	\$ 752,065	\$ 707,454
Operating grants and contributions	530,715	100,484	11,740	5,923	542,455	106,407
General Revenues						
General property taxes, real and personal	461,316	531,912	-	-	461,316	531,912
Other taxes	351,997	354,879	-	-	351,997	354,879
Grants and contributions not restricted to specific programs	68,382	74,553	-	-	68,382	74,553
Unrestricted revenues from use of money and property	36,039	36,872	1,448	676	37,487	37,548
Miscellaneous	31,954	21,382	17,964	35,679	49,918	57,061
Total Revenues	<u>1,616,859</u>	<u>1,251,688</u>	<u>646,761</u>	<u>618,126</u>	<u>2,263,620</u>	<u>1,869,814</u>
Expenses						
General government administration	323,252	293,387	-	-	323,252	293,387
Public safety	389,013	381,130	-	-	389,013	381,130
Public works	604,462	452,408	-	-	604,462	452,408
Parks, recreation, and cultural	34,289	30,072	-	-	34,289	30,072
Community development	58,233	1,500	-	-	58,233	1,500
Water and sewer	-	-	781,062	775,821	781,062	775,821
Interest on long-term debt	58,865	66,421	127,639	104,962	186,504	171,383
Total Expenses	<u>1,468,114</u>	<u>1,224,918</u>	<u>908,701</u>	<u>880,783</u>	<u>2,376,815</u>	<u>2,105,701</u>
Change in Net Position Before Transfers	148,745	26,770	(261,940)	(262,657)	(113,195)	(235,887)
Transfers	86,740	89,789	(86,740)	(89,789)	-	-
Change in Net Position	235,485	116,559	(348,680)	(352,446)	(113,195)	(235,887)
Beginning Net Position	1,573,486	1,456,927	4,295,208	4,647,654	5,868,694	6,104,581
Ending Net Position	<u>\$ 1,808,971</u>	<u>\$ 1,573,486</u>	<u>\$ 3,946,528</u>	<u>\$ 4,295,208</u>	<u>\$ 5,755,499</u>	<u>\$ 5,868,694</u>

Governmental activities increased the Town's net position by \$235,485 for fiscal year 2022. Revenues from governmental activities totaled \$1,616,859. General property taxes, real and personal comprise the largest source of these revenues, totaling \$461,316 or 28.53% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$1,468,114. Public works was the Town's largest program with expenses totaling \$604,462. Public safety, which totals \$389,013, represents the second largest expense.

For the Town's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2022 and 2021

	<u>2022</u>		<u>2021</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 323,252	\$ (319,152)	\$ 293,387	\$ (291,137)
Public safety	389,013	(327,685)	381,130	(297,810)
Public works	604,462	(54,595)	452,408	(305,888)
Parks, recreation, and cultural	34,289	(34,289)	30,072	(30,072)
Community development	58,233	(6,357)	1,500	(1,500)
Interest on long-term debt	<u>58,865</u>	<u>(58,865)</u>	<u>66,421</u>	<u>(66,421)</u>
Total	<u>\$1,468,114</u>	<u>\$ (800,943)</u>	<u>\$ 1,224,918</u>	<u>\$ (992,828)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. 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 Town's governmental funds reported combined ending fund balances of \$296,212. The combined governmental fund balance decreased \$1,591 from the prior year.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$241,395. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 14.56% of total fund expenditures.

BUDGETARY HIGHLIGHTS

General Fund

The following table provides a comparison of original budget, final budget, and actual revenues and expenditures in the General Fund:

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2022 and 2021

	<u>2022</u>			<u>2021</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
General property taxes	\$ 479,215	\$ 479,215	\$ 505,471	\$ 449,450	\$ 449,450	\$ 477,372
Other	589,123	610,193	602,739	522,352	522,352	594,707
Intergovernmental	<u>124,023</u>	<u>121,743</u>	<u>180,459</u>	<u>161,398</u>	<u>161,398</u>	<u>175,037</u>
Total	1,192,361	1,211,151	1,288,669	1,133,200	1,133,200	1,247,116
Expenditures	<u>1,192,361</u>	<u>1,264,518</u>	<u>1,658,130</u>	<u>1,132,225</u>	<u>1,132,225</u>	<u>1,426,713</u>
Excess (Deficiency) of Revenues over Expenditures	-	(53,367)	(369,461)	975	975	(179,597)
Other Financing Sources (Uses)						
Issuance of debt	-	-	120,000	-	-	197,500
Operating transfers in (out)	<u>-</u>	<u>53,367</u>	<u>246,331</u>	<u>(975)</u>	<u>(975)</u>	<u>89,789</u>
Total	<u>-</u>	<u>53,367</u>	<u>366,331</u>	<u>(975)</u>	<u>(975)</u>	<u>287,289</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,130)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,692</u>

Actual revenues were more than final budget amounts by \$77,518, or 6.40%, while actual expenditures were \$393,612, or 31.13% more than final budget amounts due to debt service expenditures that occurred during the year.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2022, the Town's governmental activities net capital assets total \$2,817,294, which represents a net decrease of \$25,671 or 0.90% over the previous fiscal year-end balance. The business-type activities net capital assets total \$8,941,965 an increase of \$92,051 or 1.04% over the previous fiscal year.

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2021</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2022</u>
Land, land improvements, and easements	\$ 166,160	\$ -	\$ 166,160
Buildings and improvements	2,640,536	-	2,640,536
Infrastructure	1,152,257	-	1,152,257
Furniture, equipment, and vehicles	<u>1,178,349</u>	<u>147,900</u>	<u>1,326,249</u>
Total Capital Assets	5,137,302	147,900	5,285,202
Less: Accumulated depreciation	<u>(2,294,337)</u>	<u>(173,571)</u>	<u>(2,467,908)</u>
Total Capital Assets, Net	<u>\$ 2,842,965</u>	<u>\$ (25,671)</u>	<u>\$ 2,817,294</u>

Business-Type Activities

	<u>Balance July 1, 2021</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2022</u>
Land	\$ 65,589	\$ -	\$ 65,589
Land improvements and easements	-	41,000	41,000
Construction-in-progress	1,258,911	101,857	1,360,768
Infrastructure	10,994,135	-	10,994,135
Furniture, equipment, and vehicles	<u>226,845</u>	<u>274,697</u>	<u>501,542</u>
Total Capital Assets	12,545,480	417,554	12,963,034
Less: Accumulated depreciation	<u>(3,695,566)</u>	<u>(325,503)</u>	<u>(4,021,069)</u>
Total Capital Assets, Net	<u>\$ 8,849,914</u>	<u>\$ 92,051</u>	<u>\$ 8,941,965</u>

Long-Term Debt

As of June 30, 2022, the Town's long-term obligations total \$6,582,628.

	<u>Balance July 1, 2021</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2022</u>
Governmental Activities			
General Fund	\$ 1,737,205	\$ (286,980)	\$ 1,450,225
Total Governmental Activities	1,737,205	(286,980)	1,450,225
Business-Type Activities			
Water and Sewer Fund	<u>4,717,523</u>	<u>414,880</u>	<u>5,132,403</u>
Total Business-Type Activities	<u>4,717,523</u>	<u>414,880</u>	<u>5,132,403</u>
Total Primary Government	<u>\$ 6,454,728</u>	<u>\$ 127,900</u>	<u>\$ 6,582,628</u>

More detailed information on the Town's long-term obligations is presented in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2023 budget.

The average unemployment rate for the Town of Kenbridge, Virginia in June 2022, which uses Lunenburg County's rate, was 3.2%. This compares unfavorably to the state's rate of 2.9% and favorably to the national rate of 3.8%.

The estimate in April 2020 by the University of Virginia Weldon Cooper Center is a population of 1,112.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2023, which accounts for most of the Town's operational costs. The fiscal year 2023 adopted budget anticipates General Fund revenues and expenditures to be \$1,299,494, a 2.77% increase over the fiscal year 2022 final budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Town Manager, Town of Kenbridge, Virginia, 511 East Fifth Avenue, P.O. Box 478, Kenbridge, Virginia 23944, telephone 434-676-2452 or visit the Town's website at www.kenbridgeva.net.

BASIC FINANCIAL STATEMENTS



Town of Kenbridge, Virginia

Statement of Net Position

At June 30, 2022

	Primary Government			Component
	Governmental	Business-Type	Total	Unit - IDA
	Activities	Activities		
Assets				
Current Assets				
Cash and investments	\$ 247,346	\$ 19,706	\$ 267,052	\$ 191,203
Cash - restricted	207,226	244,943	452,169	-
Receivables, net	419,603	81,439	501,042	-
Due from other governments	51,876	-	51,876	-
Inventory	27,123	-	27,123	-
Total Current Assets	953,174	346,088	1,299,262	191,203
Capital Assets				
Land	166,160	65,589	231,749	-
Land improvements and easements	-	41,000	41,000	-
Construction-in-progress	-	1,360,768	1,360,768	-
Other capital assets, net of accumulated depreciation	2,651,134	7,474,608	10,125,742	-
Capital Assets, Net	2,817,294	8,941,965	11,759,259	-
Other Assets				
Net pension asset	91,591	51,520	143,111	-
Net OPEB asset	1,335	752	2,087	-
Total Other Assets	92,926	52,272	145,198	-
Total Assets	3,863,394	9,340,325	13,203,719	191,203
Deferred Outflows of Resources				
Pension	57,937	32,588	90,525	-
OPEB	6,991	3,929	10,920	-
Total Deferred Outflows of Resources	64,928	36,517	101,445	-
Total Assets and Deferred Outflows of Resources	\$ 3,928,322	\$ 9,376,842	\$ 13,305,164	\$ 191,203
Liabilities				
Current Liabilities				
Pooled cash deficit	\$ -	\$ 166,948	\$ 166,948	\$ -
Accounts payable and accrued expenses	56,770	20,695	77,465	-
Customer deposits	-	20,692	20,692	-
Unearned grants	202,316	-	202,316	-
Total Current Liabilities	259,086	208,335	467,421	-
Long-Term Liabilities				
<i>Due within one year</i>				
Bonds, loans, other	175,073	1,949,784	2,124,857	-
<i>Due in more than one year</i>				
Bonds, loans, other	1,226,323	3,161,705	4,388,028	-
Compensated absences	48,829	20,914	69,743	-
Net OPEB liabilities	16,914	9,514	26,428	-
Total Long-Term Liabilities	1,467,139	5,141,917	6,609,056	-
Total Liabilities	1,726,225	5,350,252	7,076,477	-
Deferred Inflows of Resources				
Pension	132,802	74,702	207,504	-
OPEB	9,530	5,360	14,890	-
Unavailable revenue - property taxes	250,794	-	250,794	-
Total Deferred Inflows of Resources	393,126	80,062	473,188	-
Net Position				
Net investment in capital assets	1,487,725	3,831,482	5,319,207	-
Restricted	207,226	244,943	452,169	-
Unrestricted (Deficit)	114,020	(129,897)	(15,877)	191,203
Total Net Position	1,808,971	3,946,528	5,755,499	191,203
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 3,928,322	\$ 9,376,842	\$ 13,305,164	\$ 191,203

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

Town of Kenbridge, Virginia
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit - IDA
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government							
Governmental Activities							
General government administration	\$ 323,252	\$ 4,100	\$ -	\$ (319,152)		\$ (319,152)	
Public safety	389,013	1,127	60,201	(327,685)		(327,685)	
Public works	604,462	131,229	418,638	(54,595)		(54,595)	
Parks, recreation, and cultural	34,289	-	-	(34,289)		(34,289)	
Community development	58,233	-	51,876	(6,357)		(6,357)	
Interest on long-term debt	58,865	-	-	(58,865)		(58,865)	
Total Governmental Activities	1,468,114	136,456	530,715	(800,943)		(800,943)	
Business-Type Activities							
Enterprise Funds	908,701	615,609	11,740		\$ (281,352)	(281,352)	
Total Business-Type Activities	908,701	615,609	11,740		(281,352)	(281,352)	
Component Unit - IDA							
Expenses	-	-	-	-	-		\$ -
Total Component Unit - IDA	-	-	-	-	-		-
Total Primary Government	\$ 2,376,815	\$ 752,065	\$ 542,455	(800,943)	(281,352)	(1,082,295)	-
General Revenues							
Taxes							
General property taxes, real and personal				461,316	-	461,316	-
Other local taxes				351,997	-	351,997	-
Grants and contributions not restricted to specific programs				68,382	-	68,382	-
Unrestricted revenues from use of money and property				36,039	1,448	37,487	287
Miscellaneous				31,954	17,964	49,918	-
Transfers in (out)				86,740	(86,740)	-	-
Total General Revenues and Transfers				1,036,428	(67,328)	969,100	287
Change in Net Position				235,485	(348,680)	(113,195)	287
Net Position - Beginning of Year				1,573,486	4,295,208	5,868,694	190,916
Net Position - End of Year				\$ 1,808,971	\$ 3,946,528	\$ 5,755,499	\$ 191,203

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

Town of Kenbridge, Virginia

Balance Sheet

Governmental Funds

At June 30, 2022

	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ 224,562	\$ -	\$ 22,784	\$ 247,346
Cash - restricted	4,334	202,892	-	207,226
Property taxes receivable, net	390,598	-	-	390,598
Accounts receivable	29,005	-	-	29,005
Due from other governments	51,876	-	-	51,876
Inventory	<u>27,123</u>	<u>-</u>	<u>-</u>	<u>27,123</u>
Total Assets	<u>\$ 727,498</u>	<u>\$ 202,892</u>	<u>\$ 22,784</u>	<u>\$ 953,174</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 56,770	\$ -	\$ -	\$ 56,770
Unearned grants	<u>-</u>	<u>202,316</u>	<u>-</u>	<u>202,316</u>
Total Liabilities	56,770	202,316	-	259,086
Deferred Inflows of Resources				
Unavailable revenue - property taxes	<u>397,876</u>	<u>-</u>	<u>-</u>	<u>397,876</u>
Total Deferred Inflows of Resources	397,876	-	-	397,876
Fund Balance				
Nonspendable	27,123	-	-	27,123
Restricted	4,334	576	-	4,910
Assigned	-	-	22,784	22,784
Unassigned	<u>241,395</u>	<u>-</u>	<u>-</u>	<u>241,395</u>
Total Fund Balance	<u>272,852</u>	<u>576</u>	<u>22,784</u>	<u>296,212</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 727,498</u>	<u>\$ 202,892</u>	<u>\$ 22,784</u>	<u>\$ 953,174</u>

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

Town of Kenbridge, Virginia

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

At June 30, 2022

Total Fund Balances for Governmental Funds	\$ 296,212
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Total net position reported for governmental activities in the Statement of Net Position is different because:

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

Land, land improvements, and easements	\$ 166,160
Buildings and improvements, net of accumulated depreciation	1,708,553
Infrastructure, net of accumulated depreciation	644,883
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>297,698</u>

Total Capital Assets	2,817,294
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Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds statement.

Unavailable revenue - property taxes	147,082
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Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	57,937
Deferred inflows of resources related to pensions	(132,802)
Deferred outflows of resources related to OPEB	6,991
Deferred inflows of resources related to OPEB	<u>(9,530)</u>

Total Deferred Outflows and Inflows of Resources	(77,404)
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Liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Bonds and notes payable	(1,401,396)
Net pension (liability) asset	91,591
OPEB (obligation) asset	(15,579)
Compensated absences	<u>(48,829)</u>

Total	<u>(1,374,213)</u>
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Total Net Position of Governmental Activities	<u>\$ 1,808,971</u>
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The accompanying notes to the financial statements are an integral part of this statement.

Town of Kenbridge, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2022

	General Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 505,471	\$ -	\$ -	\$ 505,471
Other local taxes	351,997	-	-	351,997
Fines and forfeitures	1,127	-	-	1,127
Permits, fees, and licenses	4,100	-	-	4,100
Use of money and property	35,025	574	440	36,039
Charges for services	131,229	-	-	131,229
Miscellaneous	27,480	-	4,474	31,954
Recovered costs	51,781	-	-	51,781
<i>Intergovernmental</i>				
Revenue from the Commonwealth of Virginia	127,226	-	-	127,226
Revenue from the Federal Government	53,233	418,638	-	471,871
Total Revenues	1,288,669	419,212	4,914	1,712,795
Expenditures				
General government administration	307,466	25	-	307,491
Public safety	381,284	-	-	381,284
Public works	426,727	259,023	-	685,750
Parks, recreation, and cultural	12,649	-	3,948	16,597
Community development	58,233	-	-	58,233
Debt service	471,771	-	-	471,771
Total Expenditures	1,658,130	259,048	3,948	1,921,126
Excess (Deficiency) of Revenues Over Expenditures	(369,461)	160,164	966	(208,331)
Other Financing Sources (Uses)				
Issuance of debt	120,000	-	-	120,000
Operating transfers in (out)	246,331	(159,591)	-	86,740
Total Other Financing Sources (Uses)	366,331	(159,591)	-	206,740
Net Change in Fund Balance	(3,130)	573	966	(1,591)
Fund Balance - Beginning of Year	275,982	3	21,818	297,803
Fund Balance - End of Year	\$ 272,852	\$ 576	\$ 22,784	\$ 296,212

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

Town of Kenbridge, Virginia

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

Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds \$ (1,591)

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

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 as depreciation expense.

Net capital outlays and disposition of assets	\$ 147,900	
Depreciation	<u>(173,571)</u>	(25,671)

Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (44,155)

Bonds, long-term purchase obligations, and lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.

Issuance of long-term debt	(120,000)	
Repayments on debt (less conduit debt of IDA)	<u>412,906</u>	
Net Adjustment		292,906

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. Changes in the following accounts are as follows:

Net pension asset	165,469	
Deferred inflows - pension	(132,802)	
Deferred inflows - OPEB	(7,198)	
Deferred outflows - pension	(14,422)	
Deferred outflows - OPEB	167	
Other postemployment benefits	<u>8,708</u>	
Net Adjustment		19,922

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following:

Compensated absences	<u>(5,926)</u>	
Net Adjustment		<u>(5,926)</u>

Change in Net Position of Governmental Activities \$ 235,485

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

Town of Kenbridge, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2022

	<u>Business-Type Activities - Enterprise Funds</u>				
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Pump Station Fund</u>	<u>Sewer Project Fund</u>	<u>Total</u>
Assets					
Current Assets					
Cash and investments	\$ -	\$ -	\$ 501	\$ 19,205	\$ 19,706
Cash and investments - restricted	3,676	241,267	-	-	244,943
Accounts receivable (net of allowance for bad debts)	29,193	52,246	-	-	81,439
Total Current Assets	32,869	293,513	501	19,205	346,088
Capital Assets					
Land	4,010	61,579	-	-	65,589
Land improvements and easements	-	-	-	41,000	41,000
Infrastructure and equipment	712,200	10,453,517	-	329,960	11,495,677
Construction-in-progress	-	-	-	1,360,768	1,360,768
Less: Accumulated depreciation	(534,429)	(3,448,040)	-	(38,600)	(4,021,069)
Total Capital Assets	181,781	7,067,056	-	1,693,128	8,941,965
Other Assets					
Net pension asset	25,760	25,760	-	-	51,520
Net OPEB asset	376	376	-	-	752
Total Other Assets	26,136	26,136	-	-	52,272
Total Assets	240,786	7,386,705	501	1,712,333	9,340,325
Deferred Outflows of Resources					
Pension	16,294	16,294	-	-	32,588
OPEB	1,966	1,963	-	-	3,929
Total Deferred Outflows of Resources	18,260	18,257	-	-	36,517
Total Assets and Deferred Outflows of Resources	<u>\$ 259,046</u>	<u>\$ 7,404,962</u>	<u>\$ 501</u>	<u>\$ 1,712,333</u>	<u>\$ 9,376,842</u>
Liabilities					
Current Liabilities					
Pooled cash deficit	\$ 26,888	\$ 140,060	\$ -	\$ -	\$ 166,948
Accounts payable and accrued liabilities	10,379	10,316	-	-	20,695
Current portion of long-term debt	1,006	70,027	-	1,878,751	1,949,784
Total Current Liabilities	38,273	220,403	-	1,878,751	2,137,427
Noncurrent Liabilities					
Customer deposits	20,692	-	-	-	20,692
Net OPEB liability	4,757	4,757	-	-	9,514
Compensated absences, net of current portion	9,053	11,861	-	-	20,914
Long-term debt, net of current portion	-	3,161,705	-	-	3,161,705
Total Noncurrent Liabilities	34,502	3,178,323	-	-	3,212,825
Total Liabilities	72,775	3,398,726	-	1,878,751	5,350,252
Deferred Inflows of Resources					
Pension	37,351	37,351	-	-	74,702
OPEB	2,680	2,680	-	-	5,360
Total Deferred Inflows of Resources	40,031	40,031	-	-	80,062
Net Position					
Net investment in capital assets (Deficit)	181,781	3,835,324	-	(185,623)	3,831,482
Restricted	3,676	241,267	-	-	244,943
Unrestricted (Deficit)	(39,217)	(110,386)	501	19,205	(129,897)
Total Net Position (Deficit)	146,240	3,966,205	501	(166,418)	3,946,528
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 259,046</u>	<u>\$ 7,404,962</u>	<u>\$ 501</u>	<u>\$ 1,712,333</u>	<u>\$ 9,376,842</u>

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

Town of Kenbridge, Virginia

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

Year Ended June 30, 2022

	<u>Business-Type Activities - Enterprise Funds</u>				
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Pump Station Fund</u>	<u>Sewer Project Fund</u>	<u>Total</u>
Operating Revenues					
Charges for services	\$ 169,351	\$ 428,409	\$ -	\$ -	\$ 597,760
Penalties	14,190	-	-	-	14,190
Other charges	715	2,944	-	-	3,659
Other operating grants	-	-	-	11,740	11,740
Total Operating Revenues	184,256	431,353	-	11,740	627,349
Operating Expenses					
Salaries and wages	71,984	97,388	-	-	169,372
Fringe benefits	19,118	46,151	-	-	65,269
Utilities and telephone	20,290	38,957	-	-	59,247
Materials and maintenance	40,865	45,994	-	22,522	109,381
Insurance	5,193	5,196	-	-	10,389
Depreciation	19,952	267,119	-	38,432	325,503
Chemicals, lab testing and professional fees	31,583	5,627	-	75	37,285
Contingencies and miscellaneous	3,547	1,069	-	-	4,616
Total Operating Expenses	212,532	507,501	-	61,029	781,062
Operating Income (Loss)	(28,276)	(76,148)	-	(49,289)	(153,713)
Nonoperating Revenues (Expenses)					
Insurance reimbursements	-	17,964	-	-	17,964
Interest income	-	1,447	1	-	1,448
Interest expense	-	(65,342)	-	(62,297)	(127,639)
Total Nonoperating Revenues (Expenses)	-	(45,931)	1	(62,297)	(108,227)
Income (Loss) Before Operating Transfers	(28,276)	(122,079)	1	(111,586)	(261,940)
Operating Transfers In (Out)	-	-	-	(86,740)	(86,740)
Net Operating Transfers	-	-	-	(86,740)	(86,740)
Change in Net Position	(28,276)	(122,079)	1	(198,326)	(348,680)
Total Net Position - Beginning of Year	174,516	4,088,284	500	31,908	4,295,208
Total Net Position (Deficit) - End of Year	<u>\$ 146,240</u>	<u>\$ 3,966,205</u>	<u>\$ 501</u>	<u>\$ (166,418)</u>	<u>\$ 3,946,528</u>

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

Town of Kenbridge, Virginia

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2022

	<u>Business-Type Activities - Enterprise Funds</u>				
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Pump Station Fund</u>	<u>Sewer Project Fund</u>	<u>Total</u>
Cash Flows from Operating Activities					
Receipts from customers	\$ 186,793	\$ 429,217	\$ -	\$ -	\$ 616,010
Other operating grants	-	-	-	11,740	11,740
Payments to personnel and related expenses	(98,791)	(150,606)	-	-	(249,397)
Payments to suppliers	(88,002)	(121,788)	-	(22,597)	(232,387)
Net Cash Provided by (Used in) Operating Activities	-	156,823	-	(10,857)	145,966
Cash Flows from Noncapital Financing Activities					
Transfer from (to) other funds	-	-	-	(86,740)	(86,740)
Net Cash Provided by (Used in) Noncapital Financing Activities	-	-	-	(86,740)	(86,740)
Cash Flows from Capital and Related Financing Activities					
Insurance reimbursements	-	17,964	-	-	17,964
Purchase of capital assets	-	-	-	(417,554)	(417,554)
Proceeds from long-term debt	-	-	-	485,792	485,792
Principal paid on capital debt	-	(67,354)	-	-	(67,354)
Interest paid on capital debt	-	(65,342)	-	(62,297)	(127,639)
Net Cash Provided by (Used in) Capital and Related Financing Activities	-	(114,732)	-	5,941	(108,791)
Cash Flows from Investing Activities					
Interest income	-	1,447	1	-	1,448
Net Cash Provided by Investing Activities	-	1,447	1	-	1,448
Net Increase (Decrease) in Cash	-	43,538	1	(91,656)	(48,117)
Cash - Beginning of Year	3,676	197,729	500	110,861	312,766
Cash - End of Year	<u>\$ 3,676</u>	<u>\$ 241,267</u>	<u>\$ 501</u>	<u>\$ 19,205</u>	<u>\$ 264,649</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	\$ (28,276)	\$ (76,148)	\$ -	\$ (49,289)	\$ (153,713)
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</i>					
Depreciation expense	19,952	267,119	-	38,432	325,503
<i>Changes in assets and liabilities</i>					
Receivables, net	2,005	(2,136)	-	-	(131)
Accounts payable and accrued expenses	427	8,011	-	-	8,438
Pooled cash deficit	13,049	(32,956)	-	-	(19,907)
Customer deposits	532	-	-	-	532
Compensated absences	(2,088)	(1,470)	-	-	(3,558)
Deferred outflows - pension liability	4,057	4,057	-	-	8,114
Deferred outflows - OPEB	(47)	(44)	-	-	(91)
Net pension	(46,538)	(46,538)	-	-	(93,076)
Net OPEB	(2,449)	(2,449)	-	-	(4,898)
Deferred inflows - pension liability	37,351	37,351	-	-	74,702
Deferred inflows - OPEB	2,025	2,026	-	-	4,051
Net Cash Provided by (Used in) Operating Activities	<u>\$ -</u>	<u>\$ 156,823</u>	<u>\$ -</u>	<u>\$ (10,857)</u>	<u>\$ 145,966</u>

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

Town of Kenbridge, Virginia

Statement of Fiduciary Net Position

Year Ended June 30, 2022

Custodial Fund

**Kenbridge Recreation
Commission**

Assets

Cash	\$	<u>2,812</u>
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Total Assets	\$	<u><u>2,812</u></u>
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Liabilities

Amounts held for others	\$	<u>2,812</u>
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Total Liabilities	\$	<u><u>2,812</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

Town of Kenbridge, Virginia

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2022

	<u>Custodial Fund</u>
	<u>Kenbridge Recreation Commission</u>
Additions	
Donations	\$ 14,213
Interest	11
Miscellaneous	<u>5,102</u>
Total Additions	19,326
Deductions	
Program and administrative expenses	<u>24,017</u>
Total Deductions	<u>24,017</u>
Net Increase (Decrease) in Fiduciary Net Position	(4,691)
Net Position - Beginning	<u>7,503</u>
Net Position - Ending	<u><u>\$ 2,812</u></u>

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

Town of Kenbridge, Virginia

Notes to the Financial Statements

Year Ended June 30, 2022

1 Summary of Significant Accounting Policies

Narrative Profile

The Town of Kenbridge, Virginia (the "Town"), which was founded in 1937, has a population of approximately 1,112 living within an area of 2.0 square miles. The Town is located in the southern end of Lunenburg County, Virginia. The Town is governed by a Town Manager, a Town Mayor, and a six-member Town Council with each serving administrative and legislative functions.

The Town engages in a comprehensive range of municipal services, including general government administration, public safety, public works, parks, recreation, and cultural, and community development activities.

The financial statements of the Town have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below:

1-A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Town of Kenbridge, Virginia (the primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

Individual Component Unit Disclosures

Discretely Presented Component Unit

Industrial Development Authority of the Town of Kenbridge, Virginia

The Authority is a separate and distinct entity from the Town of Kenbridge, Virginia and is, in accordance with the Act, a political subdivision of the Commonwealth of Virginia.

The Board who is appointed by the Town Council of the Town of Kenbridge, Virginia governs the Authority. The directors are to serve staggered terms of four years each.

The Authority is a component unit of the financial reporting entity of the Town of Kenbridge, Virginia.

Exclusions from the Reporting Entity

Jointly Governed Organizations

Jointly governed organizations are regional governments or other multi-governmental arrangements that are governed by representation from each of the governments that create the organizations, and the participants do not retain an ongoing financial interest or responsibility in the organization.

There are no jointly governed organizations at this time.

1-B. Financial Reporting Model

The Town's Annual Comprehensive Financial Report includes management's discussion and analysis, the basic financial statements, and required and other supplementary information, described as follows:

Management's Discussion and Analysis – The basic financial statements are accompanied by a narrative introduction as well as an analytical overview of the Town's financial activities.

Government-wide Financial Statements – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the Town as a whole. The primary government and the component unit are presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the Town's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The fiduciary funds of the primary government are not included in the government-wide financial statements.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the Town and its discretely presented component unit at year end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each identifiable activity of the business-type activities of the Town. Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The Town does not allocate indirect expenses to functions in the Statement of Activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not considered to be program revenues are reported as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the Town.

Fund Financial Statements – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. Fund financial statements are provided for governmental, proprietary, and fiduciary funds.

Major individual governmental and proprietary funds are reported in separate columns.

Reconciliation of Government-wide and Fund Financial Statements – Since the governmental funds financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total governmental activities net position as shown on the government-wide Statement of Net Position is presented. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position of governmental activities as shown on the government-wide Statement of Activities is presented.

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons.

GASB-Required Supplementary Pension – GASB issued Statement No. 68– *Accounting and Financial Reporting for Pensions—an amendment of GASB No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

GASB-Required Supplementary OPEB – GASB issued Statement No. 75– *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB).

1-C. Financial Statement Presentation

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following is a brief description of the funds reported by the Town in each of its fund types in the financial statements:

- **Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources.

Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the Town's major governmental funds:

- *General Fund* – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
- *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:
 - Industrial Park Fund, Equipment Reserve Fund, Farmers Market Fund, Town Park Fund, and ARPA Fund.
- *Capital Projects Funds* – The Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. The Town has no Capital Projects Funds at this time.
- **Proprietary Funds** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has four enterprise funds, the Water, Sewer, Pump Station, and Sewer Project Funds, which account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges.
- **Fiduciary Funds (Custodial Funds)** – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Custodial funds. Custodial funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The Town's Fiduciary Fund is the Kenbridge Recreation Commission.

1-D. Measurement Focus and Basis of Accounting

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government administration, public safety, public works, etc.) which are otherwise being supported by general government revenues, (property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (general government administration, public safety, public works, etc.) or a business-type activity.

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 as soon as 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 expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

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 within two months 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 expenditures. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

1-E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1-E-1 Cash and Cash Equivalents

The Town operates a cash and investment pool which the general, water and sewer funds utilize. All other funds have separate bank accounts and investments. The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

The Town allocates investment earnings of the cash and investment pool to each participating fund on a monthly basis in accordance with that fund's average equity balance in the pool for that month.

1-E-2 Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

State statutes which, in general, allow the Town to invest in obligations of the United States or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), or in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service.

1-E-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 either "due to/from other funds" (i.e., the current portions of the interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as internal balances.

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. There is no allowance amount at this time.

Real and Personal Property Tax Data

The tax calendars for real and personal property taxes are summarized below:

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	July 15	July 15
Due Date	December 15	December 15
Lien Date	January 1	January 1

The Town bills and collects its own property taxes.

A ten percent penalty is levied on all taxes not collected on or before their due date. An interest charge of ten percent per annum is also levied on such taxes beginning on July 16 and December 16.

1-E-4 Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

1-E-5 Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The Town reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town's infrastructure consists primarily of water and sewer systems. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and improvements	10 to 50 years
Infrastructure	10 to 40 years
Furniture, equipment and vehicles	3 to 25 years

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

1-E-6 Deferred Outflows/Inflows of Resources

The Statement of Net Position includes a separate section for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. This category also includes amounts related to pensions for certain actuarially determined differences between projected and actual investment earnings.

The Statement of Net Position also includes a separate section for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will be recognized as revenue in the future period to which it applies. Currently, this category includes revenue received in advance, and amounts related to pensions for certain actuarially determined differences between projected and actual experience.

Deferred Inflows of Resources in the Governmental Funds Balance Sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans, and notes receivable. The Town considers revenues available if they are collected within 60 days of the end of the fiscal year.

1-E-7 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Town will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absence liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level when paid.

1-E-8 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's Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's net fiduciary 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.

1-E-9 Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-10 Health Insurance Credit Program

The Political Subdivision Health Insurance Credit Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The Political Subdivision Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Political Subdivision Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program OPEB, and the Political Subdivision Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Health Insurance Credit Program; and the additions to/deductions from the VRS Political Subdivision Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-11 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net position.

Governmental Fund Balances – Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which resources can be spent. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all amounts not classified as nonspendable, restricted, committed, or assigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

1-E-12 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for utilities. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings and gains or losses on the disposition of capital assets.

1-E-13 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

1-E-14 Long-Term Obligations

The Town reports long-term debt of Governmental Funds at face value in the general long-term debt account group. The face value of the debt is believed to approximate fair value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by Proprietary Funds are reported as liabilities in the appropriate funds.

1-E-15 Adoption of New GASB Statements

The Town adopted the following GASB statements during the year ended June 30, 2022:

Statement No. 87, Leases increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this statement are effective for the fiscal year ending June 30, 2022 for the Town.

GASB Statement No. 92, Omnibus 2020 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of GASB Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports. (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of GASB Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of GASB Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments. The requirements of this statement are effective for the fiscal year ending June 30, 2022 for the Town.

Statement No. 93, Replacement of Interbank Offered Rates, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021. The requirements of this statement are effective for the fiscal year ending June 30, 2022 for the Town.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. This Statement provides a more consistent financial reporting of defined contribution plans, defined contribution OPEB plans and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain provisions of this Statement are effective for fiscal year 2022 for the Town.

1-F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The Town Council annually adopts budgets for the various funds of the primary government. All appropriations are legally controlled at the department level for the primary Governmental Funds. Unexpended appropriations lapse at the end of each fiscal year.

Budgetary Data

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

1. Prior to June, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to July 1, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Expenditures exceeded appropriations in the General Fund at June 30, 2022.

Fund Deficits

No funds had fund deficits.

3 Deposits and Investments

Deposits

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

Investments

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have custodial credit risk policies for investments.

Interest Rate Risk

This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Town's investments consist of the following:

	<u>Fair Value</u>	<u>Investment Maturity (in Years)</u>
Certificates of deposit	\$ 66,193	1 to 2
Annuities	182,788	Less than 1 year
	<u>\$ 248,981</u>	

Credit Risk

As required by State statute, the Town requires that commercial paper have a short-term debt rating of no less than "A-1" or "P-1" or "F-1" (or its equivalent) from Moody's Investors Service or Standard & Poor's or Fitch. Municipal Bonds must have a rating of "AA" or higher by at least two of the following National Credit Rating Agencies: Moody's Investors Service, Standard & Poor's or Fitch.

The Town's investments by credit rating consist of the following:

	<u>Rating (Moody's or S&P)</u>	<u>Fair Value</u>
A		\$ 182,788
Unrated		66,193
		<u>\$ 248,981</u>

Cash and investments are reflected in the financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit - IDA</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Deposits and Investments					
Cash on hand	\$ 174	\$ -	\$ -	\$ -	\$ 174
Demand deposits	450,064	35,842	191,203	2,812	679,921
Certificates of deposit	<u>4,334</u>	<u>61,859</u>	<u>-</u>	<u>-</u>	<u>66,193</u>
	<u>\$ 454,572</u>	<u>\$ 97,701</u>	<u>\$ 191,203</u>	<u>\$ 2,812</u>	<u>\$ 746,288</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit - IDA</u>	<u>Total</u>
Statement of Net Position				
Deposits and Investments				
Cash and cash equivalents	\$ 454,572	\$ 97,701	\$ 191,203	\$ 743,476
	<u>\$ 454,572</u>	<u>\$ 97,701</u>	<u>\$ 191,203</u>	<u>\$ 743,476</u>

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments by Fair Value Level				
Annuities	\$ 182,788	\$ -	\$ -	\$ 182,788
	<u>\$ 182,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,788</u>

4 Receivables

Receivables at June 30, 2022 consist of the following:

	<u>Primary Government</u>			
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Business-Type Activities</u>
Property taxes	\$ 454,791	\$ -	\$ 454,791	\$ -
Other	13,471	-	13,471	-
Garbage	15,534	-	15,534	-
Water and sewer	-	-	-	81,439
Total	483,796	-	483,796	81,439
Less: Allowance for uncollectibles	(64,193)	-	(64,193)	-
Net Receivables	<u>\$ 419,603</u>	<u>\$ -</u>	<u>\$ 419,603</u>	<u>\$ 81,439</u>

5 Interfund Transfers

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

Primary Government

	<u>Transfer (To)</u>	<u>Transfer From</u>
General Fund		
From Sewer Project Fund for operating costs	\$ -	\$ 86,740
From ARPA Fund for operating costs	-	159,591
Total General Fund	-	246,331
ARPA Fund		
To General Fund for operating costs	(159,591)	-
Total ARPA Fund	(159,591)	-
Sewer Project Fund		
To General Fund for operating costs	(86,740)	-
Total Sewer Project Fund	(86,740)	-
Total Transfers	<u>\$ (246,331)</u>	<u>\$ 246,331</u>

6 Due from Other Governmental Units

Details of the Town's receivables from other governmental units, as of June 30, 2022, are as follows:

	Governmental Activities
Federal Government	
Community development grant	\$ 51,876
	<u>\$ 51,876</u>

7 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital Assets Not Being Depreciated				
Land, land improvements, and easements	\$ 166,160	\$ -	\$ -	<u>\$ 166,160</u>
Total Capital Assets Not Being Depreciated	166,160	-	-	<u>166,160</u>
Other Capital Assets				
Buildings and improvements	2,640,536	-	-	<u>2,640,536</u>
Infrastructure	1,152,257	-	-	<u>1,152,257</u>
Furniture, equipment, and vehicles	1,178,349	147,900	-	<u>1,326,249</u>
Total Other Capital Assets	4,971,142	147,900	-	<u>5,119,042</u>
Less: Accumulated depreciation for				
Buildings and improvements	877,460	54,523	-	<u>931,983</u>
Infrastructure	479,689	27,685	-	<u>507,374</u>
Furniture, equipment, and vehicles	937,188	91,363	-	<u>1,028,551</u>
Total Accumulated Depreciation	2,294,337	173,571	-	<u>2,467,908</u>
Other Capital Assets, Net	2,676,805	(25,671)	-	<u>2,651,134</u>
Net Capital Assets	<u>\$ 2,842,965</u>	<u>\$ (25,671)</u>	<u>\$ -</u>	<u>\$ 2,817,294</u>

Depreciation expense was allocated as follows:

General government administration	\$ 20,341
Public safety	68,964
Public works	66,574
Parks, recreation, and cultural	<u>17,692</u>
Total Depreciation Expense	<u>\$ 173,571</u>

Business-Type Activities

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital Assets Not Being Depreciated				
Land	\$ 65,589	\$ -	\$ -	\$ 65,589
Construction-in-progress	1,258,911	101,857	-	1,360,768
Total Capital Assets Not Being Depreciated	1,324,500	101,857	-	1,426,357
Other Capital Assets				
Land improvements	-	41,000	-	41,000
Infrastructure	10,994,135	-	-	10,994,135
Furniture, equipment, and vehicles	226,845	274,697	-	501,542
Total Other Capital Assets	11,220,980	315,697	-	11,536,677
Less: Accumulated depreciation for				
Land improvements	-	1,367	-	1,367
Infrastructure	3,583,143	274,459	-	3,857,602
Furniture, equipment, and vehicles	112,423	49,677	-	162,100
Total Accumulated Depreciation	3,695,566	325,503	-	4,021,069
Other Capital Assets, Net	7,525,414	(9,806)	-	7,515,608
Net Capital Assets	\$ 8,849,914	\$ 92,051	\$ -	\$ 8,941,965

8 Compensated Absences

Per the Town's policy, with the exception of the police department, 25% of accumulated sick leave is paid upon separation. The police department receives 100% of sick leave upon separation. Each employee may carryover a maximum of 80 hours of annual leave. Upon separation, 100% of unused annual leave is paid. The Town has outstanding compensated absences totaling \$48,829 in the governmental activities and \$23,238 in the business-type activities.

9 Long-Term Debt

PRIMARY GOVERNMENT

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

Year(s) Ended June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 170,190	\$ 51,055	\$ 1,947,460	\$ 63,987
2024	89,000	47,589	69,925	62,771
2025	92,393	44,196	71,508	61,188
2026	95,997	40,564	72,951	59,745
2027	84,636	37,008	74,423	58,273
2028-2032	410,822	134,237	394,959	268,521
2033-2037	374,289	57,587	436,646	226,834
2038-2042	84,069	565	482,547	180,933
2043-2047	-	-	533,274	130,206
2048-2052	-	-	589,307	74,173
2053-2056	-	-	436,165	15,398
Compensated absences	48,829	-	23,238	-
	<u>\$ 1,450,225</u>	<u>\$ 412,801</u>	<u>\$ 5,132,403</u>	<u>\$ 1,202,029</u>

Changes in Long-Term Debt

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

	<u>Balance July 1, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities					
General Fund					
The Town had a five-year balloon loan with Benchmark Community Bank for the purpose of constructing an addition to the existing firehouse. The loan was renewed June 15, 2021 payable in five annual installments of \$14,946 due on June 15, 2026. Interest is 3.25 percent.	\$ 67,958	\$ -	\$ 12,731	\$ 55,227	\$ 13,123
The Town issued General Obligation Public Improvement Refunding Bond, Series 2019A to refund the General Obligation Series 2007 bond. Installments of interest payable monthly commencing March 1, 2019, and installments of principal payable monthly commencing July 1, 2019. The bond is due and payable on August 1, 2037. Interest is 4.00%.	731,524	-	30,435	701,089	31,951
The Town issued General Obligation Public Improvement Refunding Bond, Series 2019B to refund the General Obligation Series 2007 bond. Installments of interest payable monthly commencing March 1, 2019, and installments of principal payable monthly commencing July 1, 2019. The bond is due and payable on August 1, 2037. Interest is 4.30%.	324,271	-	13,096	311,175	13,824
The Town has a loan with Rural Development. The original balance of \$28,000 was used to purchase a utility truck. The loan is payable over 7 years at 2.875% interest with monthly principal and interest payments of \$369.	8,508	-	4,239	4,269	4,269
The Town has a note with First Citizens Bank to purchase a new fire truck for \$400,000. It is payable over 15 years with annual installments of \$35,208. Interest is 3.40 percent.	276,130	-	26,683	249,447	26,834
The Town has a loan with Rural Development. The original balance of \$54,400 was used to purchase two police cars. The loan is payable over 7 years at 2.875% interest with monthly principal and interest payments of \$716.	16,584	-	8,222	8,362	8,362
The Town has a line of credit with Benchmark Community Bank up to \$350,000 with an interest rate of 2.83%.	269,327	120,000	317,500	71,827	71,827
Compensated absences	<u>42,903</u>	<u>5,926</u>	<u>-</u>	<u>48,829</u>	<u>4,883</u>
Total Governmental Activities	1,737,205	125,926	412,906	1,450,225	175,073
Business-Type Activities					
Enterprise Funds					
Water Fund					
Compensated absences	<u>12,147</u>	<u>-</u>	<u>2,088</u>	<u>10,059</u>	<u>1,006</u>
Total Water Fund	12,147	-	2,088	10,059	1,006
Sewer Fund					
The Town issued general obligation sewer bonds Series 2015 with Rural Development with a combined amount of \$3,590,000 to refinance loans #92-01, 92-03, 92-04, 92-05 and finance the rehabilitation of the Town's sewer pump stations. Interest only is due November 2016 then monthly payments will be \$11,058 at a stated interest rate of 2.0% for 40 years. Loan is split between funds.	3,297,768	-	67,354	3,230,414	68,709
Compensated absences	<u>14,649</u>	<u>-</u>	<u>1,470</u>	<u>13,179</u>	<u>1,318</u>
Total Sewer Fund	3,312,417	-	68,824	3,243,593	70,027
Sewer Extension Fund					
The Town has a temporary construction loan with Benchmark Bank with a principal balance of \$1,879,000 when fully disbursed. As of June 30, 2022, the loan has not been fully disbursed. During temporary financing, the Town pays interest only payments at 3.95%.	1,392,959	485,792	-	1,878,751	1,878,751
Total Sewer Extension Fund	<u>1,392,959</u>	<u>485,792</u>	<u>-</u>	<u>1,878,751</u>	<u>1,878,751</u>
Total Business-Type Activities	4,717,523	485,792	70,912	5,132,403	1,949,784
Total Primary Government	<u>\$ 6,454,728</u>	<u>\$ 611,718</u>	<u>\$ 483,818</u>	<u>\$ 6,582,628</u>	<u>\$ 2,124,857</u>

10 Line of Credit

The Town renewed their line of credit with Benchmark Community Bank on October 29, 2021 in the amount of \$350,000. As of June 30, 2022, this line has a balance of \$71,827.

11 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2022 is determined as follows:

	Governmental Activities	Business-Type Activities
Net Investment in Capital Assets		
Cost of capital assets	\$ 5,285,202	\$ 12,963,034
Less: Accumulated depreciation	<u>(2,467,908)</u>	<u>(4,021,069)</u>
Book value	2,817,294	8,941,965
Less: Capital related debt	<u>(1,329,569)</u>	<u>(5,109,165)</u>
Net Investment in Capital Assets	<u>\$ 1,487,725</u>	<u>\$ 3,832,800</u>

12 Deferred Inflows of Resources

Deferred inflows of resources are comprised of the following:

Primary Government

General Fund

Delinquent taxes not collected within 60 days	\$ 147,082
Prepaid property taxes - property taxes paid in advance	7,278
Second half property tax assessments	<u>243,516</u>

Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 397,876</u>
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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 joined together with other local governments in Virginia to form the Virginia Risk Sharing Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Town pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Town continues to carry commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. The Component Unit IDA carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Surety bond coverage is as follows:

Selective Insurance Company of Virginia

Chairman
Town Treasurer
Deputy Treasurer
Mayor
Vice Mayor
IDA Treasurer

14 Commitments and Contingencies

If applicable, federal programs in which the Town and all discretely presented component units participate were audited in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the requirements of the Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

15 Litigation

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

16 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed ten percent of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Property	<u>\$ 79,201,059</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 7,920,106
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross debt	<u>1,401,396</u>
Legal Debt Margin - June 30, 2022	<u>\$ 6,518,710</u>

NOTE: Includes all long-term general obligation bonded debt. Excludes compensated absences.

17 Pension Plan

Plan Description

All full-time, salaried permanent (professional) 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:

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RETIREMENT PLAN PROVISIONS

PLAN 1

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.

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.

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.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

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.

PLAN 2

About Plan 2

Same as Plan 1

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.

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.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

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.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- 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.

Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- 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

**Non-Eligible Members*

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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.

PLAN 1

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax 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.

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.

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.

Members are always 100% vested in the contributions that they make.

PLAN 2

Retirement Contributions

Same as Plan 1.

Service Credit

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID RETIREMENT PLAN

Retirement Contributions

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.

Service Credit

Defined Benefit Component:

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.

Defined Contributions Component:

Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

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.

Defined Contributions Component:

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.

Members are always 100% vested in the contributions that they make.

PLAN 1

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.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

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%.

Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

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.

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

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.

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

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.

- 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.

Distribution not required, except as governed by law.

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

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.

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

Defined Benefit Component:

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.

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1
Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

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 subdivisions 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 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 subdivisions hazardous duty employees:
Age 50 with at least five years of service credit.

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%.

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

PLAN 2
Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

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 equal 90.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

VRS: Age 60 with at least five years (60 months) of service credit.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:

Same as Plan 1

HYBRID
RETIREMENT PLAN
Normal Retirement Age

Defined Benefit Component:
VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equal 90.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

VRS: Age 60 with at least five years (60 months) of service credit.

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

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:

- 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.

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.

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 towards 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.

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

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.

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

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

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	9
Inactive members:	
Vested inactive members	3
Non-vested inactive members	4
LTD	0
Inactive members active elsewhere in VRS	<u>17</u>
Total inactive members	24
Active members	<u>12</u>
Total covered employees	<u>45</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.

If the employer used the certified rate: The Town of Kenbridge, Virginia's contractually required contribution rate for the year ended June 30, 2022 was 9.36% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town of Kenbridge, Virginia were \$49,296 and \$35,531 for the years ended June 30, 2022 and June 30, 2021, 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 of Kenbridge, Virginia the net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020 rolled forward to the measurement date of June 30, 2021.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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

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:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	<u>3.00%</u>	6.84%	<u>0.21%</u>
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.39%</u>

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 1,588,083	\$ 1,472,649	\$ 115,434
Changes for the Year			
Service cost	41,672	-	41,672
Interest	103,779	-	103,779
Benefit changes	-	-	-
Assumption changes	72,500	-	72,500
Differences between expected and actual experience	(28,691)	-	(28,691)
Contributions - employer	-	33,244	(33,244)
Contributions - employee	-	21,522	(21,522)
Net investment income	-	393,992	(393,992)
Benefit payments, including refunds of employee contributions	(101,234)	(101,234)	-
Administrative expenses	-	(990)	990
Other changes	-	37	(37)
Net Changes	88,026	346,571	(258,545)
Balances at June 30, 2021	\$ 1,676,109	\$ 1,819,220	\$ (143,111)

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's Net Pension Liability (Asset)	\$ 75,086	\$ (143,111)	\$ (321,224)

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

For the year ended June 30, 2022, the Town of Kenbridge, Virginia recognized pension expense of \$18,504. At June 30, 2022, the Town of Kenbridge, Virginia reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,489	\$ 13,748
Change in assumptions	34,740	-
Net difference between projected and actual earnings on pension plan investments	-	193,756
Employer contributions subsequent to the measurement date	<u>49,296</u>	<u>-</u>
Total	<u>\$ 90,525</u>	<u>\$ 207,504</u>

\$49,296 reported as deferred outflows of resources related to pensions resulting from the Town of Kenbridge, Virginia's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30.</u>	
2023	\$ (17,680)
2024	(44,261)
2025	(45,098)
2026	(59,236)
2027	-

Pension Plan Data

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

18 Other Post-Employment Benefits - Group Life Insurance Program

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • <i>Natural Death Benefit:</i> – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <i>Accidental Death Benefit:</i> – The accidental death benefit is double the natural death benefit. • <i>Other Benefit Provisions:</i> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> Accidental dismemberment benefit Safety belt benefit Repatriation benefit Felonious assault benefit Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,722 as of June 30, 2022.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$2,961 and \$2,526 for the years ended June 30, 2022 and June 30, 2021, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2022, the participating employer reported a liability of \$26,429 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was .00227% as compared to .00219% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$953. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,014	\$ 201
Net difference between projected and actual earnings on GLI OPEB program investments	-	6,308
Change in assumptions	1,457	3,616
Changes in proportionate share	1,569	2,064
Employer contributions subsequent to the measurement date	2,961	-
Total	<u>\$ 9,001</u>	<u>\$ 12,189</u>

\$2,961 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30,	
2023	\$ (1,431)
2024	(1,138)
2025	(1,125)
2026	(2,174)
2027	(281)
Thereafter	-

Actuarial Assumptions

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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 from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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
Discount Rate	No change

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program 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, 2021, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

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

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	<u>3.00%</u>	6.84%	<u>0.21%</u>
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.39%</u>

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
State Agency's Proportionate Share of the Group Life Insurance Plan			
Net OPEB Liability	\$ 38,613	\$ 26,429	\$ 16,589

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2021 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

19 Other Post-Employment Benefits - Health Insurance Credit Program

Plan Description

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

The specific information about the Political Subdivision Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
Eligible Employees The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: <ul style="list-style-type: none">• Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
Benefit Amounts The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees: <ul style="list-style-type: none">• <i>At Retirement:</i> – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.• <i>Disability Retirement:</i> – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.
Health Insurance Credit Program Notes: <ul style="list-style-type: none">• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.• No health insurance credit for premiums paid and qualified under LODA, however, the employee may receive the credit for the premiums paid for other qualified health plans.• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	3
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Inactive members active elsewhere in the System	-
Total inactive members	3
Active members	10
Total covered employees	<u>13</u>

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Town of Kenbridge, Virginia's contractually required employer contribution rate for the year ended June 30, 2022 was 0.15% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Town of Kenbridge, Virginia to the Political Subdivision Health Insurance Credit Program were \$822 and \$702 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

Net HIC OPEB Liability

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

Actuarial Assumptions

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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 from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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
Discount Rate	No change

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	<u>3.00%</u>	6.84%	<u>0.21%</u>
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.39%</u>

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

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2021, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability:

		<u>Increase (Decrease)</u>	
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 13,212	\$ 11,811	\$ 1,401
Changes for the Year			
Service cost	532	-	532
Interest	865	-	865
Benefit changes	-	-	-
Assumption changes	362	-	362
Differences between expected and actual experience	(1,512)	-	(1,512)
Contributions - employer	-	702	(702)
Net investment income	-	3,069	(3,069)
Benefit payments, including refunds of employee contributions	(775)	(775)	-
Administrative expenses	-	(37)	37
Other changes	-	-	-
Net Changes	(528)	2,959	(3,487)
Balances at June 30, 2021	<u>\$ 12,684</u>	<u>\$ 14,770</u>	<u>\$ (2,086)</u>

Sensitivity of the Political Subdivision Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate

The following presents the Political Subdivision Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the Political subdivision's net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's Net HIC OPEB Liability (Asset)	\$ (938)	\$ (2,086)	\$ (3,066)

Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB

For the year ended June 30, 2022, the Town of Kenbridge, Virginia recognized Health Insurance Credit Program OPEB expense \$225. At June 30, 2022, the Town of Kenbridge, Virginia reported deferred outflows of resources and deferred inflows of resources related to the Town of Kenbridge, Virginia's Health Insurance Credit Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 634	\$ 1,240
Net difference between projected and actual earnings on HIC OPEB program investments	-	1,461
Change in assumptions	463	-
Change in proportionate share	-	-
Employer contributions subsequent to the measurement date	822	-
Total	<u>\$ 1,919</u>	<u>\$ 2,701</u>

\$822 reported as deferred outflows of resources related to the HIC OPEB resulting from the Town of Kenbridge, Virginia's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>June 30,</u>	
2023	\$ (318)
2024	(312)
2025	(347)
2026	(547)
2027	(80)
Thereafter	-

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2021 *Annual Comprehensive Financial Report*. A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2021_annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

20 Aggregate OPEB Information

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability (Asset)	OPEB Expense
VRS OPEB Plans				
<i>Group Life Insurance</i>				
Primary Government	\$ 9,001	\$ 12,189	\$ 26,429	\$ 953
<i>Health Insurance Credit</i>				
Primary Government	<u>1,919</u>	<u>2,701</u>	<u>(2,086)</u>	<u>225</u>
Totals	<u>\$ 10,920</u>	<u>\$ 14,890</u>	<u>\$ 24,343</u>	<u>\$ 1,178</u>

21 Fund Balances – Governmental Funds

As of June 30, 2022, fund balances are composed of the following:

	Primary Government						Total Governmental Funds
	General Fund	ARPA Fund	Industrial Park Fund	Equipment Reserve Fund	Farmers Market Fund	Town Park Fund	
Assigned for							
Industrial park improvements	\$ -	\$ -	\$ 2,530	\$ -	\$ -	\$ -	\$ 2,530
Equipment purchases	-	-	-	16,114	-	-	16,114
Farmers Market	-	-	-	-	1,017	-	1,017
Town park improvements	-	-	-	-	-	3,123	3,123
Restricted for							
Debt service	4,334	-	-	-	-	-	4,334
ARPA grant	-	576	-	-	-	-	576
Nonspendable							
Inventory	<u>27,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,123</u>
	<u>\$ 31,457</u>	<u>\$ 576</u>	<u>\$ 2,530</u>	<u>\$ 16,114</u>	<u>\$ 1,017</u>	<u>\$ 3,123</u>	<u>\$ 54,817</u>

22 Upcoming Pronouncements

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for fiscal year 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription based information technology arrangements for government end users. The provisions of this Statement are effective for fiscal year 2023.

GASB Statement No. 99, *Omnibus 2022*. This Statement will enhance comparability in accounting and financial reporting and to improve 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 requirements in paragraphs 11–25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements in paragraphs 4–10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections*. An Amendment of GASB Statement No. 62 – will be effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences* - requires recording compensation due to employees as a liability if not paid at the date of the financial statements. The amount due should be calculated at the employee's pay rate as of the date of financials. The Statement reduces the note disclosure and excludes certain compensated absences such as parental leave, military leave, and jury duty from the calculated liability. This Statement is effective for fiscal years beginning after December 15, 2023.

23 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2022 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2022. Management has performed their analysis through May 11, 2023.

REQUIRED SUPPLEMENTARY INFORMATION



Town of Kenbridge, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2022

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Real property taxes	\$ 340,000	\$ 340,000	\$ 350,780	\$ 10,780
Personal property taxes	101,000	101,000	112,600	11,600
Delinquent taxes - real estate	4,045	4,045	9,853	5,808
Delinquent taxes - personal property	7,670	7,670	3,850	(3,820)
Interest on taxes	12,500	12,500	14,585	2,085
Penalties on taxes	14,000	14,000	13,803	(197)
Total General Property Taxes	479,215	479,215	505,471	26,256
Other Local Taxes				
Local sales and use taxes	34,000	34,000	41,995	7,995
Utility taxes	35,650	35,650	41,401	5,751
Business license taxes	127,150	127,150	101,058	(26,092)
Meals tax	84,000	84,000	85,462	1,462
Franchise taxes	4,740	4,740	5,347	607
Motor vehicle licenses	29,000	29,000	29,375	375
Bank stock tax	52,000	52,000	47,359	(4,641)
Total Other Local Taxes	366,540	366,540	351,997	(14,543)
Fines and Forfeitures	2,500	2,500	1,127	(1,373)
Permits, Fees, and Licenses	2,050	2,050	4,100	2,050
Revenue from Use of Money and Property				
Revenue from use of money	315	315	195	(120)
Revenue from use of property	28,600	30,950	34,830	3,880
Total Revenue from Use of Money and Property	28,915	31,265	35,025	3,760
Charges for Services				
Garbage collection	130,000	130,000	131,229	1,229
Total Charges for Services	130,000	130,000	131,229	1,229
Recovered Costs				
Fire Department	50,168	50,168	50,154	(14)
DMV stop pay	1,800	2,520	1,627	(893)
Total Recovered Costs	51,968	52,688	51,781	(907)
Miscellaneous	7,150	25,150	27,480	2,330
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Communication tax	25,000	25,000	22,476	(2,524)
Rolling stock tax	930	930	111	(819)
Game of skills tax	-	-	432	432
Personal Property Tax Relief Act	47,643	45,363	45,363	-
Total Noncategorical Aid	73,573	71,293	68,382	(2,911)

Variance
With
Final Budget
Positive
(Negative)

Original
Budget

Final
Budget

Actual

Categorical Aid

State aid law enforcement	34,418	34,418	34,747	329
Litter grant	1,032	1,032	-	(1,032)
Emergency management	-	-	9,097	9,097
Fire program fund	15,000	15,000	15,000	-
Total Categorical Aid	50,450	50,450	58,844	8,394

Total Revenue from the Commonwealth
of Virginia

124,023 121,743 127,226 5,483

Revenue from the Federal Government

Revitalization grant - Rural Development	-	-	51,876	51,876
Law enforcement block grant	-	-	1,357	1,357
Total Revenue from the Federal Government	-	-	53,233	53,233

Total Intergovernmental Revenue

124,023 121,743 180,459 58,716

Total Revenues

1,192,361 1,211,151 1,288,669 77,518

Expenditures

General Government Administration

Mayor, Vice Mayor, and Town Council	10,400	10,400	9,525	875
Professional fees	15,700	15,700	11,875	3,825
Town Manager/administration	152,843	183,652	199,721	(16,069)
Treasurer	84,569	86,169	86,345	(176)
Total General Government Administration	263,512	295,921	307,466	(11,545)

Public Safety

Police Department	321,227	335,939	306,401	29,538
Fire Department	50,315	52,515	52,062	453
Rescue Squad	19,600	19,600	22,821	(3,221)
Total Public Safety	391,142	408,054	381,284	26,770

Public Works

Maintenance of highways, streets, bridges, and sidewalks	29,000	29,000	26,684	2,316
Refuse collection and disposal	275,187	296,523	330,385	(33,862)
Maintenance of buildings and grounds	67,650	69,150	69,658	(508)
Total Public Works	371,837	394,673	426,727	(32,054)

Parks, Recreation, and Cultural

Library	8,265	8,265	8,265	-
Town park and recreation	3,700	3,700	4,384	(684)
Total Parks, Recreation, and Cultural	11,965	11,965	12,649	(684)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Community Development				
Airport	1,500	1,500	-	1,500
Revitalization project	-	-	51,876	(51,876)
Bus service	<u>8,000</u>	<u>8,000</u>	<u>6,357</u>	<u>1,643</u>
Total Community Development	9,500	9,500	58,233	(48,733)
Debt Service	<u>144,405</u>	<u>144,405</u>	<u>471,771</u>	<u>(327,366)</u>
Total Expenditures	<u>1,192,361</u>	<u>1,264,518</u>	<u>1,658,130</u>	<u>(393,612)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(53,367)	(369,461)	(316,094)
Other Financing Sources (Uses)				
Issuance of debt	-	-	120,000	120,000
Operating transfers in (out)	<u>-</u>	<u>53,367</u>	<u>246,331</u>	<u>192,964</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>53,367</u>	<u>366,331</u>	<u>312,964</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(3,130)	<u>\$ (3,130)</u>
Fund Balance - Beginning of Year			<u>275,982</u>	
Fund Balance - End of Year			<u>\$ 272,852</u>	

Town of Kenbridge, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability
and Related Ratios

For the Plan Years Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability								
Service cost	\$ 41,672	\$ 47,222	\$ 43,152	\$ 42,108	\$ 41,168	\$ 49,654	\$ 41,981	\$ 44,982
Interest	103,779	98,448	92,075	81,264	77,671	72,184	70,693	67,912
Changes of assumptions	72,500	-	41,968	-	(10,230)	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(28,691)	26,153	46,479	113,827	19,893	21,149	(29,285)	-
Benefit Payments	(101,234)	(84,449)	(76,636)	(88,884)	(65,466)	(63,746)	(60,408)	(85,943)
Net change in total pension liability	88,026	87,374	147,038	148,315	63,036	79,241	22,981	26,951
Total pension liability - beginning	1,588,083	1,500,709	1,353,671	1,205,356	1,142,320	1,063,079	1,040,098	1,013,147
Total pension liability - ending (a)	\$ 1,676,109	\$ 1,588,083	\$ 1,500,709	\$ 1,353,671	\$ 1,205,356	\$ 1,142,320	\$ 1,063,079	\$ 1,040,098
Plan fiduciary net position								
Contributions - employer	\$ 33,244	\$ 20,417	\$ 21,614	\$ 19,569	\$ 18,935	\$ 24,346	\$ 23,175	\$ 20,926
Contributions - employee	21,522	20,765	21,803	33,955	19,928	19,780	18,760	16,958
Net investment income	393,992	28,289	94,603	98,814	150,517	21,424	54,852	167,496
Benefit Payments, including refunds	(101,234)	(84,449)	(76,636)	(88,884)	(65,466)	(63,746)	(60,408)	(85,943)
Administrator charges	(990)	(979)	(945)	(864)	(878)	(775)	(758)	(932)
Other	37	(33)	(59)	(89)	(133)	(9)	(12)	9
Net change in plan fiduciary net position	346,571	(15,990)	60,380	62,501	122,903	1,020	35,609	118,514
Plan fiduciary net position - beginning	1,472,649	1,488,639	1,428,259	1,365,758	1,242,855	1,241,835	1,206,226	1,087,712
Plan fiduciary net position - ending (b)	\$ 1,819,220	\$ 1,472,649	\$ 1,488,639	\$ 1,428,259	\$ 1,365,758	\$ 1,242,855	\$ 1,241,835	\$ 1,206,226
Political subdivision's net pension liability (asset) - ending (a - b)	\$ (143,111)	\$ 115,434	\$ 12,070	\$ (74,588)	\$ (160,402)	\$ (100,535)	\$ (178,756)	\$ (166,128)
Plan fiduciary net position as a percentage of the total Pension liability	-8.54%	7.27%	0.80%	-5.51%	-13.31%	-8.80%	-16.81%	-15.97%
Covered payroll	\$ 467,715	\$ 450,131	\$ 468,046	\$ 440,831	\$ 419,206	\$ 415,844	\$ 380,391	\$ 338,266
Political subdivision's net pension liability as a percentage of covered payroll	-326.82%	389.95%	3877.76%	-591.02%	-261.35%	-413.63%	-212.80%	-203.62%

Town of Kenbridge, Virginia

Schedule of Employer Contributions - Pension

For the Years Ended June 30, 2013 through 2022

Date	Contribution in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)*	Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)		
2022	\$ 49,296	\$ 49,296	\$ -	\$ 548,247	8.99%
2021	35,531	35,531	-	467,715	7.60%
2020	22,597	22,597	-	450,131	5.02%
2019	23,496	23,496	-	468,046	5.02%
2018	21,110	21,110	-	440,831	4.79%
2017	20,122	20,828	(706)	419,206	4.97%
2016	25,616	24,972	644	415,844	6.01%
2015	23,432	23,321	111	380,391	6.13%
2014	20,871	21,149	(278)	338,266	6.25%
2013	22,582	24,181	(1,599)	366,001	6.61%

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

For Reference Only:

Column 1 - Employer contribution rate multiplied by the employer's covered payroll.

Column 2 - Employer contributions as referenced in Covered Payroll & Contributions report on VRS website.

Column 4 - Employer's covered payroll amount for the fiscal year.

Town of Kenbridge, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2022

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

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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	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 Kenbridge, Virginia

Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Plan

For the Measurement Dates of June 30, 2017 through 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.00227%	0.00219%	0.00239%	0.00232%	0.00227%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 26,429	\$ 36,547	\$ 38,892	\$ 35,000	\$ 34,000
Employer's Covered Payroll	\$ 467,715	\$ 450,132	\$ 468,046	\$ 440,831	\$ 419,206
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.65%	8.12%	8.31%	7.94%	8.11%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%	52.64%	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2021 is the fifth year for this presentation, there are only five years available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 130 of the VRS 2021 Annual Report.

Town of Kenbridge, Virginia

Schedule of Employer Contributions

Group Life Insurance OPEB Plan

For the Years Ended June 30, 2013 through 2022

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	\$ 2,961	\$ 2,961	\$ -	\$ 548,247	0.54%
2021	2,526	2,526	-	467,715	0.54%
2020	2,341	2,341	-	450,132	0.52%
2019	2,434	2,434	-	468,046	0.52%
2018	2,292	2,292	-	440,831	0.52%
2017	2,180	2,180	-	419,206	0.52%
2016	1,977	1,977	-	411,904	0.48%
2015	1,827	1,827	-	380,558	0.48%
2014	1,628	1,628	-	339,156	0.48%
2013	1,881	1,881	-	391,918	0.48%

For Reference Only:

Column 1 - Employer contribution rate multiplied by the employer's covered payroll.

Column 2 - Employer contributions as referenced in Covered Payroll & Contributions report on VRS website.

Column 4 - Employer's covered payroll amount for the fiscal year.

Town of Kenbridge, Virginia

Notes to Required Supplementary Information – GLI OPEB

For the Year Ended June 30, 2022

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

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

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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 from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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
Discount Rate	No change

Town of Kenbridge, Virginia

Schedule of Changes in the Political Subdivision's Net HIC OPEB Liability
and Related Ratios

For the Measurement Dates of June 30, 2021, 2020, 2019, 2018 and 2017

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total HIC OPEB liability					
Service cost	\$ 532	\$ 631	\$ 574	\$ 540	\$ 489
Interest	865	809	765	747	731
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	(1,512)	347	589	187	-
Changes of assumptions	362	-	260	-	91
Benefit Payments	(775)	(1,135)	(1,119)	(1,320)	(833)
Net change in total HIC OPEB liability	(528)	652	1,069	154	478
Total HIC OPEB liability - beginning	13,212	12,560	11,491	11,337	10,859
Total HIC OPEB liability - ending (a)	<u>\$ 12,684</u>	<u>\$ 13,212</u>	<u>\$ 12,560</u>	<u>\$ 11,491</u>	<u>\$ 11,337</u>
Plan fiduciary net position					
Contributions - employer	\$ 702	\$ 586	\$ 608	\$ 529	\$ 503
Net investment income	3,069	240	747	848	1,251
Benefit Payments	(775)	(1,135)	(1,119)	(1,320)	(833)
Administrator charges	(37)	(22)	(16)	(19)	(20)
Other	-	-	(1)	(84)	65
Net change in plan fiduciary net position	2,959	(331)	219	(46)	966
Plan fiduciary net position - beginning	11,811	12,142	11,923	11,969	11,003
Plan fiduciary net position - ending (b)	<u>\$ 14,770</u>	<u>\$ 11,811</u>	<u>\$ 12,142</u>	<u>\$ 11,923</u>	<u>\$ 11,969</u>
Political subdivision's net HIC OPEB liability (asset) - ending (a) - (b)	<u>\$ (2,086)</u>	<u>\$ 1,401</u>	<u>\$ 418</u>	<u>\$ (432)</u>	<u>\$ (632)</u>
Plan fiduciary net position as a percentage of the total HIC OPEB liability	116.45%	89.40%	96.67%	103.76%	105.57%
Covered payroll	\$ 467,715	\$ 450,131	\$ 468,046	\$ 440,831	\$ 419,206
Political subdivision's net HIC OPEB liability as a percentage of covered payroll	-0.45%	0.31%	0.09%	-0.10%	-0.15%

Schedule is intended to show information for 10 years.
Since 2021 is the fifth year of presentation, only five years of data are available. However, additional years will be included as they become available.

Town of Kenbridge, Virginia

Schedule of Employer Contributions

Health Insurance Credit

For the Years Ended June 30, 2013 through 2022

Date	Contribution in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2022	\$ 822	\$ 822	\$ -	\$ 548,247	0.15%
2021	702	702	-	467,715	0.15%
2020	585	585	-	450,131	0.13%
2019	608	608	-	468,046	0.13%
2018	529	529	-	440,831	0.12%
2017	503	503	-	419,206	0.12%
2016	453	453	-	411,904	0.11%
2015	419	419	-	380,558	0.11%
2014	814	814	-	339,156	0.24%
2013	941	941	-	391,918	0.24%

For Reference Only:

Column 1 - Employer contribution rate multiplied by the employer's covered payroll.

Column 2 - Employer contributions as referenced in Covered Payroll & Contributions report on VRS website.

Column 4 - Employer's covered payroll amount for the fiscal year.

Town of Kenbridge, Virginia

Notes to Required Supplementary Information – HIC OPEB

For the Year Ended June 30, 2022

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

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

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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 from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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
Discount Rate	No change

OTHER SUPPLEMENTARY INFORMATION



Town of Kenbridge, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2022

	Industrial Park Fund #90	Equipment Reserve Fund #40	Farmers Market Fund #43	Town Park Fund #57	Total Other Governmental Funds
Assets					
Cash and investments	\$ 2,530	\$ 16,114	\$ 1,017	\$ 3,123	\$ 22,784
Total Assets	<u>\$ 2,530</u>	<u>\$ 16,114</u>	<u>\$ 1,017</u>	<u>\$ 3,123</u>	<u>\$ 22,784</u>
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance					
Assigned	<u>2,530</u>	<u>16,114</u>	<u>1,017</u>	<u>3,123</u>	<u>22,784</u>
Total Fund Balance	<u>2,530</u>	<u>16,114</u>	<u>1,017</u>	<u>3,123</u>	<u>22,784</u>
Total Liabilities and Fund Balance	<u>\$ 2,530</u>	<u>\$ 16,114</u>	<u>\$ 1,017</u>	<u>\$ 3,123</u>	<u>\$ 22,784</u>

Town of Kenbridge, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Other Governmental Funds

At June 30, 2022

	Industrial Park Fund #90	Equipment Reserve Fund #40	Farmers Market Fund #43	Town Park Fund #57	Total Other Governmental Funds
Revenues					
Use of money and property	\$ 4	\$ 16	\$ 420	\$ -	\$ 440
Miscellaneous	-	-	-	4,474	4,474
Total Revenues	4	16	420	4,474	4,914
Expenditures					
Parks, recreation, and cultural	-	-	50	3,898	3,948
Total Expenditures	-	-	50	3,898	3,948
Excess (Deficiency) of Revenues over Expenditures	4	16	370	576	966
Other Financing Sources (Uses)					
Transfers	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	4	16	370	576	966
Fund Balance - Beginning of Year	2,526	16,098	647	2,547	21,818
Fund Balance - End of Year	<u>\$ 2,530</u>	<u>\$ 16,114</u>	<u>\$ 1,017</u>	<u>\$ 3,123</u>	<u>\$ 22,784</u>

Town of Kenbridge, Virginia

Component Unit - Industrial Development Authority of Town of Kenbridge, Virginia

Statement of Net Position

June 30, 2022

Assets**Current Assets**

Cash	\$ 191,203
Total Assets	<u>\$ 191,203</u>

Liabilities and Net Position

Liabilities	<u>\$ -</u>
Total Liabilities	-

Net Position

Unrestricted	<u>191,203</u>
Total Net Position	<u>191,203</u>
Total Liabilities and Net Position	<u>\$ 191,203</u>

Town of Kenbridge, Virginia

Component Unit - Industrial Development Authority of Town of Kenbridge, Virginia

Statement of Activities

Year Ended June 30, 2022

Operating Income	\$ <u> </u> -
Operating Expenses	<u> </u> -
Operating Income (Loss)	-
Non-Operating Revenues (Expenses)	
Interest income	<u> </u> 287
Non-Operating Revenues (Expenses)	<u> </u> 287
Change in Net Position	287
Total Net Position - Beginning of Year	<u> </u> 190,916
Total Net Position - End of Year	<u><u> </u></u> \$ 191,203

Town of Kenbridge, Virginia

Component Unit - Industrial Development Authority of Town of Kenbridge, Virginia

Statement of Cash Flows

Year Ended June 30, 2022

Cash Flows from Operating Activities

Payments to suppliers	\$ -
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Net Cash Provided by (Used in) Operating Activities	-
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Cash Flows from Investing Activities

Interest income	287
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Net Cash Provided by Investing Activities	287
---	-----

Net Increase in Cash and Cash Equivalents	287
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Cash and Cash Equivalents - Beginning of Year	190,916
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Cash and Cash Equivalents - End of Year	\$ 191,203
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Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities

Operating income (loss)	\$ -
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Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities

Changes in assets and liabilities	-
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Net Cash Provided by (Used in) Operating Activities	\$ -
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COMPLIANCE SECTION





**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 Town Council
Town of Kenbridge, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Kenbridge, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Kenbridge, Virginia's basic financial statements, and have issued our report thereon dated May 11, 2023.

Report on Internal Control over Financial Reporting

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

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

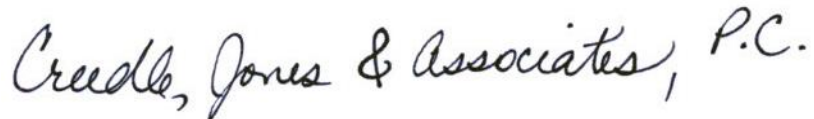
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Kenbridge, 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Creedle, Jones & Associates, P.C." in a cursive script.

Creedle, Jones & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
May 11, 2023