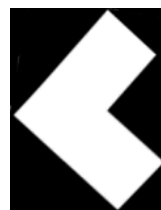


***Town of Kenbridge, Virginia***  
***Annual Comprehensive Financial Report***  
***Year Ended June 30, 2023***



***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, 2023, 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, 2023, 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 2023, the Town adopted new accounting guidance, GASB Statement No. 96, Subscription-Based Information Technology Arrangements and No. 94, Public-Public Partnerships and Availability Payment Arrangements. 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***

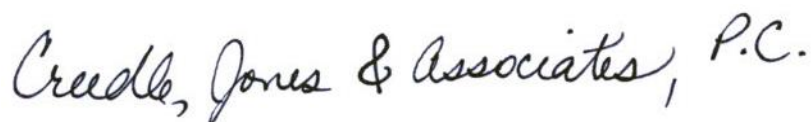
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 1–8, 65-68 on pages 69-77 be presented to supplement the basic financial statements. 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 accompanying combining nonmajor fund financial statements and component unit statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and component unit statements and the schedule of expenditures of federal awards 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 April 4, 2024, 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 the 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 Town of Kenbridge, Virginia's internal control over financial reporting and compliance.

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  
April 4, 2024

## 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, 2023. 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 \$1,847,904. Of this amount, the Town has an unrestricted balance of \$174,784. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$3,723,963 with an unrestricted deficit balance of \$84,568.
- The Town's total net position decreased by \$183,632 during the current fiscal year. Of this amount, an increase of \$38,933 is related to governmental activities and a decrease of \$222,565 is attributed to business-type activities.
- As of June 30, 2023, the Town's Governmental Funds reported combined ending fund balances of \$338,848, an increase of \$42,636 in comparison with the prior year. Approximately 79.8% of this amount is available for spending at the Town's discretion (unassigned fund balance).
- At the end of fiscal year 2023, the General Fund unassigned fund balance was \$270,640, or approximately 16.27% 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, ARPA Fund, and Capital Projects 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, 2023 and 2022

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Assets</b>						
Current assets	\$1,011,678	\$ 953,174	\$ 368,203	\$ 346,088	\$ 1,379,881	\$ 1,299,262
Capital assets (net)	2,681,659	2,817,294	8,561,782	8,941,965	11,243,441	11,759,259
Other assets	<u>230,803</u>	<u>92,926</u>	<u>129,826</u>	<u>52,272</u>	<u>360,629</u>	<u>145,198</u>
Total Assets	<b>3,924,140</b>	3,863,394	<b>9,059,811</b>	9,340,325	<b>12,983,951</b>	13,203,719
<b>Deferred Outflows of Resources</b>	<u>44,574</u>	<u>64,928</u>	<u>25,071</u>	<u>36,517</u>	<u>69,645</u>	<u>101,445</u>
Total Assets and Deferred Outflows of Resources	<u><b>\$3,968,714</b></u>	<u>\$ 3,928,322</u>	<u><b>\$9,084,882</b></u>	<u>\$9,376,842</u>	<u><b>\$ 13,053,596</b></u>	<u>\$13,305,164</u>
<b>Liabilities</b>						
Pooled cash deficit	\$ -	\$ -	\$ 155,274	\$ 166,948	\$ 155,274	\$ 166,948
Other liabilities	242,902	259,086	28,683	41,387	271,585	300,473
Long-term liabilities	<u>1,451,378</u>	<u>1,467,139</u>	<u>5,085,894</u>	<u>5,141,917</u>	<u>6,537,272</u>	<u>6,609,056</u>
Total Liabilities	<b>1,694,280</b>	1,726,225	<b>5,269,851</b>	5,350,252	<b>6,964,131</b>	7,076,477
<b>Deferred Inflows of Resources</b>	<b>426,530</b>	393,126	<b>91,068</b>	80,062	<b>517,598</b>	473,188
<b>Net Position</b>						
Net investment in capital assets	<b>1,446,618</b>	1,487,725	<b>3,521,081</b>	3,831,482	<b>4,967,699</b>	5,319,207
Restricted	<b>226,502</b>	207,226	<b>287,450</b>	244,943	<b>513,952</b>	452,169
Unrestricted (Deficit)	<u><b>174,784</b></u>	<u>114,020</u>	<u><b>(84,568)</b></u>	<u>(129,897)</u>	<u><b>90,216</b></u>	<u>(15,877)</u>
Total Net Position	<u><b>1,847,904</b></u>	<u>1,808,971</u>	<u><b>3,723,963</b></u>	<u>3,946,528</u>	<u><b>5,571,867</b></u>	<u>5,755,499</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><b>\$3,968,714</b></u>	<u>\$ 3,928,322</u>	<u><b>\$9,084,882</b></u>	<u>\$9,376,842</u>	<u><b>\$ 13,053,596</b></u>	<u>\$13,305,164</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, 2023 and 2022

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 151,714	\$ 136,456	\$ 643,217	\$ 615,609	\$ 794,931	\$ 752,065
Operating grants and contributions	943,210	530,715	33,878	11,740	977,088	542,455
<b>General Revenues</b>						
General property taxes,						
real and personal	528,352	461,316	-	-	528,352	461,316
Other taxes	357,115	351,997	-	-	357,115	351,997
Grants and contributions not						
restricted to specific programs	67,357	68,382	-	-	67,357	68,382
Unrestricted revenues from use of						
money and property	44,957	36,039	10,001	1,448	54,958	37,487
Miscellaneous	19,431	31,954	41,005	17,964	60,436	49,918
Total Revenues	2,112,136	1,616,859	728,101	646,761	2,840,237	2,263,620
<b>Expenses</b>						
General government administration	324,928	323,252	-	-	324,928	323,252
Public safety	417,777	389,013	-	-	417,777	389,013
Public works	1,167,457	604,462	-	-	1,167,457	604,462
Parks, recreation, and cultural	35,980	34,289	-	-	35,980	34,289
Community development	81,036	58,233	-	-	81,036	58,233
Water and sewer	-	-	857,992	781,062	857,992	781,062
Interest on long-term debt	60,438	58,865	78,261	127,639	138,699	186,504
Total Expenses	2,087,616	1,468,114	936,253	908,701	3,023,869	2,376,815
Change in Net Position Before Transfers	24,520	148,745	(208,152)	(261,940)	(183,632)	(113,195)
<b>Transfers</b>	14,413	86,740	(14,413)	(86,740)	-	-
Change in Net Position	38,933	235,485	(222,565)	(348,680)	(183,632)	(113,195)
Beginning Net Position	1,808,971	1,573,486	3,946,528	4,295,208	5,755,499	5,868,694
Ending Net Position	\$ 1,847,904	\$ 1,808,971	\$ 3,723,963	\$ 3,946,528	\$ 5,571,867	\$ 5,755,499

Governmental activities increased the Town's net position by \$38,933 for fiscal year 2023. Revenues from governmental activities totaled \$2,112,136. Operating grants and contributions comprise the largest source of these revenues, totaling \$943,210 or 44.66% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$2,087,616. Public works was the Town's largest program with expenses totaling \$1,167,457. Public safety, which totals \$417,777, 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, 2023 and 2022

	<u>2023</u>		<u>2022</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	\$ 324,928	\$ (276,331)	\$ 323,252	\$ (319,152)
Public safety	417,777	(318,078)	389,013	(327,685)
Public works	1,167,457	(419,864)	604,462	(54,595)
Parks, recreation, and cultural	35,980	(35,980)	34,289	(34,289)
Community development	81,036	117,999	58,233	(6,357)
Interest on long-term debt	<u>60,438</u>	<u>(60,438)</u>	<u>58,865</u>	<u>(58,865)</u>
Total	<u>\$2,087,616</u>	<u>\$ (992,692)</u>	<u>\$ 1,468,114</u>	<u>\$ (800,943)</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 \$338,848. The combined governmental fund balance increased \$42,636 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 \$270,640. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 16.27% 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, 2023 and 2022

	<u>2023</u>			<u>2022</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>						
General property taxes	\$ 489,685	\$ 489,685	\$ 510,136	\$ 479,215	\$ 479,215	\$ 505,471
Other	687,132	702,012	620,906	589,123	610,193	602,739
Intergovernmental	<u>122,677</u>	<u>233,576</u>	<u>333,600</u>	<u>124,023</u>	<u>121,743</u>	<u>180,459</u>
Total	1,299,494	1,425,273	1,464,642	1,192,361	1,211,151	1,288,669
<b>Expenditures</b>	<u>1,299,494</u>	<u>1,425,273</u>	<u>1,663,886</u>	<u>1,192,361</u>	<u>1,264,518</u>	<u>1,658,130</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(199,244)	-	(53,367)	(369,461)
<b>Other Financing Sources (Uses)</b>						
Issuance of debt	-	-	175,000	-	-	120,000
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>61,390</u>	<u>-</u>	<u>53,367</u>	<u>246,331</u>
Total	<u>-</u>	<u>-</u>	<u>236,390</u>	<u>-</u>	<u>53,367</u>	<u>366,331</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,130)</u>

Actual revenues were more than final budget amounts by \$39,369, or 2.76%, while actual expenditures were \$238,613, or 16.74% 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, 2023, the Town's governmental activities net capital assets total \$2,681,659, which represents a net decrease of \$135,635 or 4.81% over the previous fiscal year-end balance. The business-type activities net capital assets total \$8,561,782 a decrease of \$380,183 or 4.25% over the previous fiscal year.

## Change in Capital Assets

### Governmental Activities

	<u>Balance</u> <u>July 1, 2022</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2023</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>1,326,249</u>	<u>45,256</u>	<u>1,371,505</u>
Total Capital Assets	5,285,202	45,256	5,330,458
Less: Accumulated depreciation	<u>(2,467,908)</u>	<u>(180,891)</u>	<u>(2,648,799)</u>
Total Capital Assets, Net	<u><u>\$ 2,817,294</u></u>	<u><u>\$ (135,635)</u></u>	<u><u>\$ 2,681,659</u></u>

### Business-Type Activities

	<u>Balance</u> <u>July 1, 2022</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
Land	\$ 65,589	\$ -	\$ 65,589
Land improvements and easements	41,000	-	41,000
Construction-in-progress	1,360,768	(1,360,768)	-
Infrastructure	10,994,135	1,360,768	12,354,903
Furniture, equipment, and vehicles	<u>501,542</u>	<u>-</u>	<u>501,542</u>
Total Capital Assets	12,963,034	-	12,963,034
Less: Accumulated depreciation	<u>(4,021,069)</u>	<u>(380,183)</u>	<u>(4,401,252)</u>
Total Capital Assets, Net	<u><u>\$ 8,941,965</u></u>	<u><u>\$ (380,183)</u></u>	<u><u>\$ 8,561,782</u></u>

## Long-Term Debt

As of June 30, 2023, the Town's long-term obligations total \$6,495,190.

	<u>Balance</u> <u>July 1, 2022</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
<b>Governmental Activities</b>			
General Fund	\$ 1,450,225	\$ (25,780)	\$ 1,424,445
Total Governmental Activities	1,450,225	(25,780)	1,424,445
<b>Business-Type Activities</b>			
Water and Sewer Fund	<u>5,132,403</u>	<u>(61,658)</u>	<u>5,070,745</u>
Total Business-Type Activities	<u>5,132,403</u>	<u>(61,658)</u>	<u>5,070,745</u>
Total Primary Government	<u><u>\$ 6,582,628</u></u>	<u><u>\$ (87,438)</u></u>	<u><u>\$ 6,495,190</u></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 2024 budget.

The average unemployment rate for the Town of Kenbridge, Virginia in June 2023, which uses Lunenburg County's rate, was 3.4%. This compares unfavorably to the state's rate of 2.8% and favorably to the national rate of 3.8%.

The estimate in April 2021 by the University of Virginia Weldon Cooper Center is a population of 1,118.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2024, which accounts for most of the Town's operational costs. The fiscal year 2024 adopted budget anticipates General Fund revenues and expenditures to be \$1,333,366, a 6.45% decrease over the fiscal year 2023 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](http://www.kenbridgeva.net).

# BASIC FINANCIAL STATEMENTS





## Town of Kenbridge, Virginia

## Statement of Net Position

At June 30, 2023

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit - IDA
<b>Assets</b>				
<b>Current Assets</b>				
Cash and investments	\$ 287,112	\$ 502	\$ 287,614	\$ 191,490
Cash - restricted	226,502	287,450	513,952	-
Receivables, net	449,390	80,251	529,641	-
Due from other governments	13,650	-	13,650	-
Inventory	35,024	-	35,024	-
Total Current Assets	1,011,678	368,203	1,379,881	191,490
<b>Capital Assets</b>				
Land and land easements	166,160	65,589	231,749	-
Land improvements	-	41,000	41,000	-
Other capital assets, net of accumulated depreciation	2,515,499	8,455,193	10,970,692	-
Capital Assets, Net	2,681,659	8,561,782	11,243,441	-
<b>Other Assets</b>				
Net pension asset	230,803	129,826	360,629	-
Total Other Assets	230,803	129,826	360,629	-
Total Assets	3,924,140	9,059,811	12,983,951	191,490
<b>Deferred Outflows of Resources</b>				
Pension	26,513	14,914	41,427	-
OPEB	18,061	10,157	28,218	-
Total Deferred Outflows of Resources	44,574	25,071	69,645	-
Total Assets and Deferred Outflows of Resources	\$ 3,968,714	\$ 9,084,882	\$ 13,053,596	\$ 191,490
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Pooled cash deficit	\$ -	\$ 155,274	\$ 155,274	\$ -
Accounts payable and accrued expenses	14,759	9,091	23,850	-
Customer deposits	-	19,592	19,592	-
Unearned grants	228,143	-	228,143	-
Total Current Liabilities	242,902	183,957	426,859	-
<b>Long-Term Liabilities</b>				
<i>Due within one year</i>				
Bonds, loans, other	235,523	96,653	332,176	-
Compensated absences	4,288	3,004	7,293	-
<i>Due in more than one year</i>				
Bonds, loans, other	1,146,041	4,944,048	6,090,089	-
Compensated absences	38,593	27,040	65,633	-
Net OPEB	26,933	15,149	42,082	-
Total Long-Term Liabilities	1,451,378	5,085,894	6,537,272	-
Total Liabilities	1,694,280	5,269,851	6,964,131	-
<b>Deferred Inflows of Resources</b>				
Pension	153,249	86,202	239,451	-
OPEB	8,651	4,866	13,517	-
Unavailable revenue - property taxes	264,630	-	264,630	-
Total Deferred Inflows of Resources	426,530	91,068	517,598	-
<b>Net Position</b>				
Net investment in capital assets	1,446,618	3,521,081	4,967,699	-
Restricted	226,502	287,450	513,952	-
Unrestricted (Deficit)	174,784	(84,568)	90,216	191,490
Total Net Position	1,847,904	3,723,963	5,571,867	191,490
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 3,968,714	\$ 9,084,882	\$ 13,053,596	\$ 191,490

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, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Unit - IDA</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>	
<b>Primary Government</b>							
<b>Governmental Activities</b>							
General government administration	\$ 324,928	\$ 4,525	\$ 44,072	\$ (276,331)		\$ (276,331)	
Public safety	417,777	2,078	97,621	(318,078)		(318,078)	
Public works	1,167,457	145,111	602,482	(419,864)		(419,864)	
Parks, recreation, and cultural	35,980	-	-	(35,980)		(35,980)	
Community development	81,036	-	199,035	117,999		117,999	
Interest on long-term debt	60,438	-	-	(60,438)		(60,438)	
Total Governmental Activities	2,087,616	151,714	943,210	(992,692)		(992,692)	
<b>Business-Type Activities</b>							
Enterprise Funds	936,253	643,217	33,878		\$ (259,158)	(259,158)	
Total Business-Type Activities	936,253	643,217	33,878		(259,158)	(259,158)	
<b>Component Unit - IDA</b>							
	-	-	-				\$ -
Total Primary Government	\$ 3,023,869	\$ 794,931	\$ 977,088				-
<b>General Revenues</b>							
<b>Taxes</b>							
General property taxes, real and personal				528,352	-	528,352	-
Other local taxes				357,115	-	357,115	-
Grants and contributions not restricted to specific programs				67,357	-	67,357	-
Unrestricted revenues from use of money and property				44,957	10,001	54,958	287
Miscellaneous				19,431	41,005	60,436	-
Transfers in (out)				14,413	(14,413)	-	-
Total General Revenues and Transfers				1,031,625	36,593	1,068,218	287
Change in Net Position				38,933	(222,565)	(183,632)	287
Net Position - Beginning of Year				1,808,971	3,946,528	5,755,499	191,203
Net Position - End of Year				\$ 1,847,904	\$ 3,723,963	\$ 5,571,867	\$ 191,490

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, 2023

	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and investments	\$ 252,287	\$ -	\$ 7,373	\$ 27,452	\$ 287,112
Cash - restricted	4,334	222,168	-	-	226,502
Property taxes receivable, net	419,329	-	-	-	419,329
Accounts receivable	30,061	-	-	-	30,061
Due from other governments	13,650	-	-	-	13,650
Inventory	35,024	-	-	-	35,024
Total Assets	<u>\$ 754,685</u>	<u>\$ 222,168</u>	<u>\$ 7,373</u>	<u>\$ 27,452</u>	<u>\$ 1,011,678</u>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 14,759	\$ -	\$ -	\$ -	\$ 14,759
Unearned grants	-	220,788	7,355	-	228,143
Total Liabilities	14,759	220,788	7,355	-	242,902
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	429,928	-	-	-	429,928
Total Deferred Inflows of Resources	429,928	-	-	-	429,928
<b>Fund Balance</b>					
Nonspendable	35,024	-	-	-	35,024
Restricted	4,334	1,380	18	-	5,732
Assigned	-	-	-	27,452	27,452
Unassigned	270,640	-	-	-	270,640
Total Fund Balance	<u>309,998</u>	<u>1,380</u>	<u>18</u>	<u>27,452</u>	<u>338,848</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 754,685</u>	<u>\$ 222,168</u>	<u>\$ 7,373</u>	<u>\$ 27,452</u>	<u>\$ 1,011,678</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, 2023

Total Fund Balances for Governmental Funds	\$ 338,848
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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	1,654,030
Infrastructure, net of accumulated depreciation	617,240
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>244,229</u>

Total Capital Assets	2,681,659
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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	165,298
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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	26,513
Deferred inflows of resources related to pensions	(153,249)
Deferred outflows of resources related to OPEB	18,061
Deferred inflows of resources related to OPEB	<u>(8,651)</u>

Total Deferred Outflows and Inflows of Resources	(117,326)
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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	(1,381,564)
Net pension (liability) asset	230,803
OPEB (obligation) asset	(26,933)
Compensated absences	<u>(42,881)</u>

Total	<u>(1,220,575)</u>
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Total Net Position of Governmental Activities	<u>\$ 1,847,904</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, 2023

	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Property taxes	\$ 510,136	\$ -	\$ -	\$ -	\$ 510,136
Other local taxes	357,115	-	-	-	357,115
Fines and forfeitures	2,078	-	-	-	2,078
Permits, fees, and licenses	4,525	-	-	-	4,525
Use of money and property	43,656	804	18	479	44,957
Charges for services	145,111	-	-	-	145,111
Miscellaneous	11,631	-	-	7,800	19,431
Recovered costs	56,790	6,052	-	-	62,842
<i>Intergovernmental</i>					
Revenue from the Commonwealth of Virginia	162,911	-	74,485	-	237,396
Revenue from the Federal Government	170,689	602,482	-	-	773,171
Total Revenues	1,464,642	609,338	74,503	8,279	2,156,762
<b>Expenditures</b>					
General government administration	345,210	-	-	-	345,210
Public safety	485,562	-	-	-	485,562
Public works	556,616	561,557	-	-	1,118,173
Parks, recreation, and cultural	14,677	-	-	3,611	18,288
Community development	6,551	-	74,485	-	81,036
Debt service	255,270	-	-	-	255,270
Total Expenditures	1,663,886	561,557	74,485	3,611	2,303,539
Excess (Deficiency) of Revenues Over Expenditures	(199,244)	47,781	18	4,668	(146,777)
<b>Other Financing Sources (Uses)</b>					
Issuance of debt	175,000	-	-	-	175,000
Operating transfers in (out)	61,390	(46,977)	-	-	14,413
Total Other Financing Sources (Uses)	236,390	(46,977)	-	-	189,413
Net Change in Fund Balance	37,146	804	18	4,668	42,636
Fund Balance - Beginning of Year	272,852	576	-	22,784	296,212
Fund Balance - End of Year	<u>\$ 309,998</u>	<u>\$ 1,380</u>	<u>\$ 18</u>	<u>\$ 27,452</u>	<u>\$ 338,848</u>

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, 2023

Net Change in Fund Balances - Total Governmental Funds	\$	42,636
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**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	\$ 45,256	
Depreciation	(180,891)	
		(135,635)

Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		18,216
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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	(175,000)	
Repayments on debt (less conduit debt of IDA)	194,832	
Net Adjustment		19,832

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	139,212	
Deferred inflows - pension	(20,446)	
Deferred inflows - OPEB	880	
Deferred outflows - pension	(31,422)	
Deferred outflows - OPEB	11,072	
Other postemployment benefits	(11,360)	
Net Adjustment		87,936

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	5,948	
Net Adjustment		5,948

Change in Net Position of Governmental Activities	\$	38,933
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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, 2023

	<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>
<b>Assets</b>					
<b>Current Assets</b>					
Cash and investments	\$ -	\$ -	\$ 502	\$ -	\$ 502
Cash and investments - restricted	3,676	283,774	-	-	287,450
Accounts receivable (net of allowance for bad debts)	29,945	50,306	-	-	80,251
Total Current Assets	33,621	334,080	502	-	368,203
<b>Capital Assets</b>					
Land	4,010	61,579	-	-	65,589
Land improvements and easements	-	41,000	-	-	41,000
Infrastructure and equipment	712,200	12,114,345	-	-	12,826,545
Less: Accumulated depreciation	(554,381)	(3,816,971)	-	-	(4,371,352)
Total Capital Assets	161,829	8,399,953	-	-	8,561,782
<b>Other Assets</b>					
Net pension asset	64,913	64,913	-	-	129,826
Total Other Assets	64,913	64,913	-	-	129,826
Total Assets	260,363	8,798,946	502	-	9,059,811
<b>Deferred Outflows of Resources</b>					
Pension	7,457	7,457	-	-	14,914
OPEB	5,080	5,077	-	-	10,157
Total Deferred Outflows of Resources	12,537	12,534	-	-	25,071
Total Assets and Deferred Outflows of Resources	<u>\$ 272,900</u>	<u>\$ 8,811,480</u>	<u>\$ 502</u>	<u>\$ -</u>	<u>\$ 9,084,882</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Pooled cash deficit	\$ 26,358	\$ 128,916	\$ -	\$ -	\$ 155,274
Accounts payable and accrued liabilities	8,107	984	-	-	9,091
Current portion of long-term debt	1,327	98,330	-	-	99,657
Total Current Liabilities	35,792	228,230	-	-	264,022
<b>Noncurrent Liabilities</b>					
Customer deposits	19,592	-	-	-	19,592
Net OPEB liability	7,574	7,575	-	-	15,149
Compensated absences, net of current portion	11,944	15,096	-	-	27,040
Long-term debt, net of current portion	-	4,944,048	-	-	4,944,048
Total Noncurrent Liabilities	39,110	4,966,719	-	-	5,005,829
Total Liabilities	74,902	5,194,949	-	-	5,269,851
<b>Deferred Inflows of Resources</b>					
Pension	43,101	43,101	-	-	86,202
OPEB	2,433	2,433	-	-	4,866
Total Deferred Inflows of Resources	45,534	45,534	-	-	91,068
<b>Net Position</b>					
Net investment in capital assets	161,829	3,359,252	-	-	3,521,081
Restricted	3,676	283,774	-	-	287,450
Unrestricted (Deficit)	(13,041)	(72,029)	502	-	(84,568)
Total Net Position	152,464	3,570,997	502	-	3,723,963
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 272,900</u>	<u>\$ 8,811,480</u>	<u>\$ 502</u>	<u>\$ -</u>	<u>\$ 9,084,882</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, 2023

	<b>Business-Type Activities - Enterprise Funds</b>				
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Pump Station Fund</b>	<b>Sewer Project Fund</b>	<b>Total</b>
<b>Operating Revenues</b>					
Charges for services	\$ 173,363	\$ 437,443	\$ -	\$ -	\$ 610,806
Penalties	15,338	-	-	-	15,338
Other charges	5,700	11,373	-	-	17,073
Other operating grants	4,150	-	-	29,728	33,878
<b>Total Operating Revenues</b>	<b>198,551</b>	<b>448,816</b>	<b>-</b>	<b>29,728</b>	<b>677,095</b>
<b>Operating Expenses</b>					
Salaries and wages	71,673	107,710	-	-	179,383
Fringe benefits	18,257	9,818	-	-	28,075
Utilities and telephone	28,212	37,562	-	-	65,774
Materials and maintenance	63,967	90,054	-	-	154,021
Insurance	5,850	5,853	-	-	11,703
Depreciation	19,952	360,231	-	-	380,183
Chemicals, lab testing and professional fees	12,456	8,784	-	9,988	31,228
Contingencies and miscellaneous	5,592	2,033	-	-	7,625
<b>Total Operating Expenses</b>	<b>225,959</b>	<b>622,045</b>	<b>-</b>	<b>9,988</b>	<b>857,992</b>
Operating Income (Loss)	(27,408)	(173,229)	-	19,740	(180,897)
<b>Nonoperating Revenues (Expenses)</b>					
Insurance reimbursements	33,632	7,373	-	-	41,005
Gain from sale of assets	-	10,000	-	-	10,000
Interest income	-	-	1	-	1
Interest expense	-	(63,983)	-	(14,278)	(78,261)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>33,632</b>	<b>(46,610)</b>	<b>1</b>	<b>(14,278)</b>	<b>(27,255)</b>
Income (Loss) Before Operating Transfers	6,224	(219,839)	1	5,462	(208,152)
Operating Transfers In (Out)	-	(175,369)	-	160,956	(14,413)
<b>Net Operating Transfers</b>	<b>-</b>	<b>(175,369)</b>	<b>-</b>	<b>160,956</b>	<b>(14,413)</b>
Change in Net Position	6,224	(395,208)	1	166,418	(222,565)
Total Net Position (Deficit) - Beginning of Year	146,240	3,966,205	501	(166,418)	3,946,528
Total Net Position - End of Year	<u>\$ 152,464</u>	<u>\$ 3,570,997</u>	<u>\$ 502</u>	<u>\$ -</u>	<u>\$ 3,723,963</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, 2023

	<b>Business-Type Activities - Enterprise Funds</b>				
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Pump Station Fund</b>	<b>Sewer Project Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 192,549	\$ 450,756	\$ -	\$ -	\$ 643,305
Other operating grants	4,150	-	-	29,728	33,878
Payments to personnel and related expenses	(111,452)	(138,667)	-	-	(250,119)
Payments to suppliers	(118,879)	(164,762)	-	(9,988)	(293,629)
Net Cash Provided by (Used in) Operating Activities	(33,632)	147,327	-	19,740	133,435
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfer from (to) other funds	-	(175,369)	-	160,956	(14,413)
Net Cash Provided by (Used in) Noncapital Financing Activities	-	(175,369)	-	160,956	(14,413)
<b>Cash Flows from Capital and Related Financing Activities</b>					
Insurance reimbursements	33,632	7,373	-	-	41,005
Transfer assets to other funds	-	(1,693,128)	-	1,693,128	-
Proceeds from sale of capital assets	-	10,000	-	-	10,000
Proceeds from long-term debt	-	1,879,000	-	-	1,879,000
Principal paid on capital debt	-	(68,713)	-	(1,878,751)	(1,947,464)
Interest paid on capital debt	-	(63,983)	-	(14,278)	(78,261)
Net Cash Provided by (Used in) Capital and Related Financing Activities	33,632	70,549	-	(199,901)	(95,720)
<b>Cash Flows from Investing Activities</b>					
Interest income	-	-	1	-	1
Net Cash Provided by Investing Activities	-	-	1	-	1
Net Increase (Decrease) in Cash	-	42,507	1	(19,205)	23,303
Cash - Beginning of Year	3,676	241,267	501	19,205	264,649
Cash - End of Year	<u>\$ 3,676</u>	<u>\$ 283,774</u>	<u>\$ 502</u>	<u>\$ -</u>	<u>\$ 287,952</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>					
Operating income (loss)	\$ (27,408)	\$ (173,229)	\$ -	\$ 19,740	\$ (180,897)
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</i>					
Depreciation expense	19,952	360,231	-	-	380,183
<i>Changes in assets and liabilities</i>					
Receivables, net	(752)	1,940	-	-	1,188
Accounts payable and accrued expenses	(2,272)	(9,332)	-	-	(11,604)
Pooled cash deficit	(530)	(11,144)	-	-	(11,674)
Customer deposits	(1,100)	-	-	-	(1,100)
Compensated absences	3,212	3,594	-	-	6,806
Deferred outflows - pension	8,837	8,837	-	-	17,674
Deferred outflows - OPEB	(3,114)	(3,114)	-	-	(6,228)
Net pension	(39,153)	(39,153)	-	-	(78,306)
Net OPEB	3,193	3,194	-	-	6,387
Deferred inflows - pension	5,750	5,750	-	-	11,500
Deferred inflows - OPEB	(247)	(247)	-	-	(494)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (33,632)</u>	<u>\$ 147,327</u>	<u>\$ -</u>	<u>\$ 19,740</u>	<u>\$ 133,435</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, 2023

**Custodial Fund**

**Kenbridge Recreation  
Commission**

**Assets**

Cash	\$	8,767
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Total Assets	\$	8,767
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**Liabilities**

Amounts held for others	\$	8,767
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Total Liabilities	\$	8,767
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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, 2023

	<u><b>Custodial Fund</b></u>
	<u><b>Kenbridge Recreation Commission</b></u>
<b>Additions</b>	
Donations	\$ 50
Interest	19
Miscellaneous	<u>15,344</u>
Total Additions	15,413
<b>Deductions</b>	
Program and administrative expenses	<u>9,458</u>
Total Deductions	<u>9,458</u>
<b>Net Increase (Decrease) in Fiduciary Net Position</b>	5,955
<b>Net Position - Beginning</b>	<u>2,812</u>
<b>Net Position - Ending</b>	<u><u>\$ 8,767</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, 2023

## 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 1,118 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.
- **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.

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

**Fund Balance Flow Assumptions** –Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### **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, 2023:

In March 2020, GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB Statement No. 94 is effective for fiscal years beginning after June 15, 2022. The requirements of this statement are effective for the fiscal year ending June 30, 2023 for the Town.

In May 2020, Statement No. 96, Subscription-Based Information Technology Arrangements. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). GASB Statement No. 96 is effective for fiscal year ending June 15, 2022. The requirements of this statement are effective for the fiscal year ending June 30, 2023 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, 2023.

The Town did not adopt a budget for the ARPA Fund, as such, expenditures exceeded appropriations.

#### **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	\$ 109,395	1 to 2
Annuities	<u>181,676</u>	Less than 1 year
	<u>\$ 291,071</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:

<b>Rating (Moody's or S&amp;P)</b>	<b>Fair Value</b>
A	\$ 181,676
Unrated	<u>109,395</u>
	<u>\$ 291,071</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>
<b>Deposits and Investments</b>					
Cash on hand	\$ 174	\$ -	\$ -	\$ -	\$ 174
Demand deposits (Deficit)	509,106	(154,059)	191,490	8,767	555,304
Certificates of deposit	4,334	105,061	-	-	109,395
Annuities	<u>-</u>	<u>181,676</u>	<u>-</u>	<u>-</u>	<u>181,676</u>
	<u>\$ 513,614</u>	<u>\$ 132,678</u>	<u>\$ 191,490</u>	<u>\$ 8,767</u>	<u>\$ 846,549</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit - IDA</u>	<u>Total</u>
<b>Statement of Net Position</b>				
<b>Deposits and Investments</b>				
Cash and cash equivalents	\$ 513,614	\$ 132,678	\$ 191,490	\$ 837,782
	<u>\$ 513,614</u>	<u>\$ 132,678</u>	<u>\$ 191,490</u>	<u>\$ 837,782</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, 2023:



	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Investments by Fair Value Level</b>				
Annuities	\$ 181,676	\$ -	\$ -	\$ 181,676
	<u>\$ 181,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,676</u>

#### 4 Receivables

Receivables at June 30, 2023 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	\$ 469,990	\$ -	\$ 469,990	\$ -
Other	14,054	-	14,054	-
Garbage	16,007	-	16,007	-
Water and sewer	-	-	-	80,251
Total	500,051	-	500,051	80,251
Less: Allowance for uncollectibles	(50,661)	-	(50,661)	-
Net Receivables	<u>\$ 449,390</u>	<u>\$ -</u>	<u>\$ 449,390</u>	<u>\$ 80,251</u>

#### 5 Interfund Transfers

Interfund transfers for the year ended June 30, 2023 consisted of the following:

##### Primary Government

	<u>Transfer (To)</u>	<u>Transfer From</u>
<b>General Fund</b>		
From Sewer Project Fund for capital projects	\$ -	\$ 24,500
From ARPA Fund for operating costs	-	36,890
Total General Fund	-	61,390
<b>ARPA Fund</b>		
To General Fund for operating costs	(36,890)	-
To Sewer Fund for operating costs	(10,087)	-
Total ARPA Fund	(46,977)	-
<b>Sewer Fund</b>		
From ARPA Fund for operating costs	-	10,087
To Sewer Project Fund to close out project	(185,456)	-
Total Sewer Fund	(185,456)	10,087
<b>Sewer Project Fund</b>		
To General Fund for capital projects	(24,500)	-
To Sewer Fund to close out project	-	185,456
Total Sewer Project Fund	(24,500)	185,456
Total Transfers	<u>\$ (256,933)</u>	<u>\$ 256,933</u>

## 6 Due from Other Governmental Units

Details of the Town's receivables from other governmental units, as of June 30, 2023, are as follows:

	<b>Governmental Activities</b>
<b>Federal Government</b>	
Historic Preservation Fund Grant	\$ 13,650
	<u>\$ 13,650</u>

## 7 Capital Assets

The following is a summary of changes in capital assets:

### Governmental Activities

	<b>Balance July 1, 2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2023</b>
<b>Capital Assets Not Being Depreciated</b>				
Land and easements	\$ 166,160	\$ -	\$ -	<u>\$ 166,160</u>
Total Capital Assets Not Being Depreciated	166,160	-	-	<u>166,160</u>
<b>Other Capital Assets</b>				
Buildings and improvements	2,640,536	-	-	<u>2,640,536</u>
Infrastructure	1,152,257	-	-	<u>1,152,257</u>
Furniture, equipment, and vehicles	1,326,249	45,256	-	<u>1,371,505</u>
Total Other Capital Assets	5,119,042	45,256	-	<u>5,164,298</u>
<b>Less: Accumulated depreciation for</b>				
Buildings and improvements	931,983	54,523	-	<u>986,506</u>
Infrastructure	507,374	27,643	-	<u>535,017</u>
Furniture, equipment, and vehicles	1,028,551	98,725	-	<u>1,127,276</u>
Total Accumulated Depreciation	2,467,908	180,891	-	<u>2,648,799</u>
Other Capital Assets, Net	2,651,134	(135,635)	-	<u>2,515,499</u>
Net Capital Assets	<u>\$ 2,817,294</u>	<u>\$ (135,635)</u>	<u>\$ -</u>	<u>\$ 2,681,659</u>

Depreciation expense was allocated as follows:

General government administration	\$ 20,341
Public safety	69,660
Public works	73,198
Parks, recreation, and cultural	<u>17,692</u>
Total Depreciation Expense	<u>\$ 180,891</u>

## Business-Type Activities

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 65,589	\$ -	\$ -	\$ 65,589
Construction-in-progress	1,360,768	-	1,360,768	-
Total Capital Assets Not Being Depreciated	1,426,357	-	1,360,768	65,589
<b>Other Capital Assets</b>				
Land improvements	41,000	-	-	41,000
Infrastructure	10,994,135	1,360,768	-	12,354,903
Furniture, equipment, and vehicles	501,542	-	29,900	471,642
Total Other Capital Assets	11,536,677	1,360,768	29,900	12,867,545
<b>Less: Accumulated depreciation for</b>				
Land improvements	1,367	2,050	-	3,417
Infrastructure	3,857,602	304,829	29,900	4,132,531
Furniture, equipment, and vehicles	162,100	73,304	-	235,404
Total Accumulated Depreciation	4,021,069	380,183	29,900	4,371,352
Other Capital Assets, Net	7,515,608	980,585	-	8,496,193
Net Capital Assets	\$ 8,941,965	\$ 980,585	\$ 1,360,768	\$ 8,561,782

## 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 \$42,881 in the governmental activities and \$30,044 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
2024	\$ 235,523	\$ 47,589	\$ 96,653	\$ 126,932
2025	92,393	44,196	104,267	97,885
2026	95,989	40,564	106,320	95,832
2027	84,636	37,008	108,466	93,686
2028	87,944	33,699	110,453	91,700
2029-2033	390,976	118,105	587,584	423,176
2034-2038	394,103	40,586	649,293	361,467
2039-2043	-	-	717,539	293,221
2044-2048	-	-	792,961	217,799
2049-2053	-	-	876,352	134,408
2054-2058	-	-	615,127	51,018
2059-2063	-	-	275,686	11,819
Compensated absences	42,881	-	30,044	-
	<u>\$ 1,424,445</u>	<u>\$ 361,747</u>	<u>\$ 5,070,745</u>	<u>\$ 1,998,943</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, 2023:

	<u>Balance July 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
<b>Primary Government</b>					
<b>Governmental Activities</b>					
<b>General Fund</b>					
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.	\$ 55,227	\$ -	\$ 13,131	\$ 42,096	\$ 13,556
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%.	701,089	-	28,749	672,340	33,253
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%.	311,175	-	12,413	298,762	14,431
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.	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.	249,447	-	27,604	221,843	27,760
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.	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%.	71,827	175,000	100,304	146,523	146,523
Compensated absences	48,829	-	5,948	42,881	4,288
Total Governmental Activities	1,450,225	175,000	200,780	1,424,445	239,811
<b>Business-Type Activities</b>					
<b>Enterprise Funds</b>					
<b>Water Fund</b>					
Compensated absences	10,059	3,212	-	13,271	1,327
Total Water Fund	10,059	3,212	-	13,271	1,327
<b>Sewer Fund</b>					
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.	3,230,414	-	68,713	3,161,701	69,925
The Town issued general obligation sewer bonds Series 2022 with Rural Development with a principal balance of \$1,879,000. Interest only is due September 2022 through August 2023 then monthly payments will be \$5,788 at a stated interest rate of 2.0% for 40 years.	-	1,879,000	-	1,879,000	26,728
Compensated absences	13,179	3,594	-	16,773	1,677
Total Sewer Fund	3,243,593	1,882,594	68,713	5,057,474	98,330

	Balance July 1, 2022	Increase	Decrease	Balance June 30, 2023	Due Within One Year
<i>Sewer Extension Fund</i>					
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%.	1,878,751	-	1,878,751	-	-
Total Sewer Extension Fund	1,878,751	-	1,878,751	-	-
Total Business-Type Activities	5,132,403	1,885,806	1,947,464	5,070,745	99,657
Total Primary Government	\$ 6,582,628	\$ 2,060,806	\$ 2,148,244	\$ 6,495,190	\$ 339,469

## 10 Line of Credit

The Town renewed their line of credit with Benchmark Community Bank on October 18, 2022 in the amount of \$350,000. As of June 30, 2023, this line has a balance of \$146,523.

## 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, 2023 is determined as follows:

	Governmental Activities	Business-Type Activities
<b>Net Investment in Capital Assets</b>		
Cost of capital assets	\$ 5,330,458	\$ 12,933,134
Less: Accumulated depreciation	(2,648,799)	(4,371,352)
Book value	2,681,659	8,561,782
Less: Capital related debt	(1,235,041)	(5,040,701)
Net Investment in Capital Assets	\$ 1,446,618	\$ 3,521,081

## 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	\$ 165,298
Prepaid property taxes - property taxes paid in advance	10,599
Second half property tax assessments	254,031

Total Deferred Inflows of Resources - Governmental Funds	\$ 429,928
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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

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, 2023, 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>\$ 77,015,100</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 7,701,510
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross debt	<u>1,381,564</u>
Legal Debt Margin - June 30, 2023	<u>\$ 6,319,946</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, 2021 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	4
Non-vested inactive members	5
LTD	0
Inactive members active elsewhere in VRS	<u>17</u>
Total inactive members	26
Active members	<u>13</u>
Total covered employees	<u>48</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, 2023 was 7.18% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town of Kenbridge, Virginia were \$41,427 and \$49,296 for the years ended June 30, 2023 and June 30, 2022, 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, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

### ***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, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

#### **Mortality rates:**

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

#### **Pre-Retirement:**

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

#### **Post-Retirement:**

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

#### **Post-Disablement:**

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

#### **Beneficiaries and Survivors:**

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

#### **Mortality Improvement:**

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

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



All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	<u>3.00%</u>	6.55%	<u>0.20%</u>
Total	<u>100.00%</u>		<u>5.33%</u>
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return**		<u>7.83%</u>

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

*\*\*On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40<sup>th</sup> 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, 2022, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022 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

	<b>Total Pension Liability (a)</b>	<b>Increase (Decrease) Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</b>
Balances at June 30, 2021	\$ 1,676,109	\$ 1,819,220	\$ (143,111)
<b>Changes for the Year</b>			
Service cost	49,730	-	49,730
Interest	114,183	-	114,183
Benefit changes	10,514	-	10,514
Assumption changes	-	-	-
Differences between expected and actual experience	(320,908)	-	(320,908)
Contributions - employer	-	49,296	(49,296)
Contributions - employee	-	25,655	(25,655)
Net investment income	-	(2,838)	2,838
Benefit payments, including refunds of employee contributions	(68,471)	(68,471)	-
Administrative expenses	-	(1,118)	1,118
Other changes	-	43	(43)
Net Changes	<u>(214,952)</u>	<u>2,567</u>	<u>(217,519)</u>
Balances at June 30, 2022	<u>\$ 1,461,157</u>	<u>\$ 1,821,787</u>	<u>\$ (360,630)</u>

### 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:

	<b>1.00% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1.00% Increase (7.75%)</b>
Political subdivision's Net Pension Liability (Asset)	\$ (157,223)	\$ (360,630)	\$ (523,931)

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

For the year ended June 30, 2023, the Town of Kenbridge, Virginia recognized pension expense of \$(95,047). At June 30, 2023, 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	\$ -	\$ 191,510
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	47,941
Employer contributions subsequent to the measurement date	<u>41,427</u>	<u>-</u>
Total	<u>\$ 41,427</u>	<u>\$ 239,451</u>

\$41,427 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30.</u>	
2024	\$ (148,496)
2025	(82,047)
2026	(34,073)
2027	25,165
2028	-

***Pension Plan Data***

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

***Payables to the Pension Plan***

The political subdivision recognize \$5,905 of payables to a pension plan outstanding at the end of the reporting period. This amount represents June 2023 legally required contributions to the pension plan due by July 10 per VRS reporting requirements.

# 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><b>Eligible Employees</b></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"> <li>• City of Richmond</li> <li>• City of Portsmouth</li> <li>• City of Roanoke</li> <li>• City of Norfolk</li> <li>• Roanoke City Schools Board</li> </ul> <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><b>Benefit Amounts</b></p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> <li>• <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.</li> <li>• <i>Accidental Death Benefit:</i> – The accidental death benefit is double the natural death benefit.</li> <li>• <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"> <li>Accidental dismemberment benefit</li> <li>Safety belt benefit</li> <li>Repatriation benefit</li> <li>Felonious assault benefit</li> <li>Accelerated death benefit option</li> </ul> </li> </ul>
<p><b>Reduction in Benefit Amounts</b></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><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b></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 \$8,984 as of June 30, 2023.</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, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$3,328 and \$2,961 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

### **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, 2023, the participating employer reported a liability of \$30,343 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was .00252% as compared to .00227% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$1,467. 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, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 2,403	\$ 1,217
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,896
Change in assumptions	1,130	2,955
Changes in proportionate share	4,140	1,580
Employer contributions subsequent to the measurement date	<u>3,328</u>	<u>-</u>
Total	<u>\$ 11,001</u>	<u>\$ 7,648</u>

\$3,328 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, 2024. 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:

<b>Year Ended June 30,</b>	
2024	\$ (34)
2025	(19)
2026	(1,170)
2027	896
2028	353
Thereafter	-

### ***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation -	
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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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, 2022, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	<b>Group Life Insurance OPEB Program</b>
Total GLI OPEB Liability	\$ 3,672,085
Plan Fiduciary Net Position	<u>2,467,989</u>
GLI Net OPEB Liability (Asset)	<u><u>\$ 1,204,096</u></u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%

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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	<u>3.00%</u>	6.55%	<u>0.20%</u>
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>7.83%</u>

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

\*\*On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40<sup>th</sup> 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, 2022, 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, 2022 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	\$ 44,153	\$ 30,343	\$ 19,183



### **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 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at [varetire.org/Pdf/Publications/2022-annual-report.pdf](http://varetire.org/Pdf/Publications/2022-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

### **Payables to the VRS Group Life Insurance OPEB Plan**

The political subdivision recognize \$699 of payables to a group life insurance OPEB plan outstanding at the end of the reporting period. This amount represents June 2023 legally required contributions to the OPEB plan due by July 10 per VRS reporting requirements.

## **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:

<b>POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS</b>
<b>Eligible Employees</b> 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"><li>• Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.</li></ul>
<b>Benefit Amounts</b> The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees: <ul style="list-style-type: none"><li>• <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.</li><li>• <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.</li></ul>
<b>Health Insurance Credit Program Notes:</b> <ul style="list-style-type: none"><li>• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.</li><li>• 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.</li><li>• 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.</li></ul>

### **Employees Covered by Benefit Terms**

As of the June 30, 2021 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	2
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Inactive members active elsewhere in the System	-
Total inactive members	2
Active members	13
Total covered employees	<u>15</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, 2023 was 0.08% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$493 and \$822 for the years ended June 30, 2023 and June 30, 2022, respectively.

### **Net HIC OPEB Liability**

The Town of Kenbridge, Virginia's net Health Insurance Credit OPEB liability was measured as of June 30, 2022. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

### **Actuarial Assumptions**

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	
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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	<u>3.00%</u>	6.55%	<u>0.20%</u>
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>7.83%</u>

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

*\*\*On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40<sup>th</sup> 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, 2022, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2022 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>	
	<b>Total HIC OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net HIC OPEB Liability (Asset) (a) - (b)</b>
Balances at June 30, 2021	\$ 12,684	\$ 14,770	\$ (2,086)
<b>Changes for the Year</b>			
Service cost	712	-	712
Interest	886	-	886
Benefit changes	-	-	-
Assumption changes	18,284	-	18,284
Differences between expected and actual experience	(5,252)	-	(5,252)
Contributions - employer	-	822	(822)
Net investment income	-	9	(9)
Benefit payments, including refunds of employee contributions	(547)	(547)	-
Administrative expenses	-	(26)	26
Other changes	-	-	-
Net Changes	14,083	258	13,825
Balances at June 30, 2022	<u>\$ 26,767</u>	<u>\$ 15,028</u>	<u>\$ 11,739</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:

	<b>1.00% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1.00% Increase (7.75%)</b>
Political subdivision's Net HIC OPEB Liability (Asset)	\$ 14,380	\$ 11,739	\$ 9,480

**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, 2023, the Town of Kenbridge, Virginia recognized Health Insurance Credit Program OPEB expense \$1,802. At June 30, 2023, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 463	\$ 5,540
Net difference between projected and actual earnings on HIC OPEB program investments	-	329
Change in assumptions	16,261	-
Change in proportionate share	-	-
Employer contributions subsequent to the measurement date	493	-
Total	<u>\$ 17,217</u>	<u>\$ 5,869</u>

\$493 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, 2024. 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>Year Ended June 30,</u>	
2024	\$ 1,575
2025	1,540
2026	1,340
2027	1,808
2028	1,688
Thereafter	2,904

**Health Insurance Credit Program Plan Data**

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report*. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at [varetire.org/Pdf/Publications/2022\\_annual-report.pdf](http://varetire.org/Pdf/Publications/2022_annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Payables to the Political Subdivision Health Insurance Credit Program OPEB Plan**

The political subdivision recognize \$42 of payables to a health insurance credit program OPEB plan outstanding at the end of the reporting period. This amount represents the June 2023 legally required contributions to the OPEB plan due by July 10 per VRS reporting requirements

## 20 Aggregate OPEB Information

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability (Asset)	OPEB Expense
<b>VRS OPEB Plans</b>				
<i>Group Life Insurance</i>				
Primary Government	\$ 11,001	\$ 7,648	\$ 30,343	\$ 1,467
<i>Health Insurance Credit</i>				
Primary Government	<u>17,217</u>	<u>5,869</u>	<u>11,739</u>	<u>2,188</u>
Totals	<u>\$ 28,218</u>	<u>\$ 13,517</u>	<u>\$ 42,082</u>	<u>\$ 3,655</u>

## 21 Fund Balances – Governmental Funds

As of June 30, 2023, fund balances are composed of the following:

	Primary Government							Total Governmental Funds
	General Fund	ARPA Fund	Capital Projects Fund	Industrial Park Fund	Equipment Reserve Fund	Farmers Market Fund	Town Park Fund	
<b>Assigned for</b>								
Industrial park improvements	\$ -	\$ -	\$ -	\$ 2,534	\$ -	\$ -	\$ -	\$ 2,534
Equipment purchases	-	-	-	-	16,134	-	-	16,134
Farmers Market	-	-	-	-	-	1,329	-	1,329
Town park improvements	-	-	-	-	-	-	7,455	7,455
<b>Restricted for</b>								
Debt service	4,334	-	-	-	-	-	-	4,334
ARPA grant	-	1,380	-	-	-	-	-	1,380
Capital projects	-	-	18	-	-	-	-	18
<b>Nonspendable</b>								
Inventory	<u>35,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,024</u>
	<u>\$ 39,358</u>	<u>\$ 1,380</u>	<u>\$ 18</u>	<u>\$ 2,534</u>	<u>\$ 16,134</u>	<u>\$ 1,329</u>	<u>\$ 7,455</u>	<u>\$ 68,208</u>

## 22 Upcoming Pronouncements

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, 2023 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2023. Management has performed their analysis through April 4, 2024.



# REQUIRED SUPPLEMENTARY INFORMATION



Town of Kenbridge, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2023

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
<b>General Property Taxes</b>				
Real property taxes	\$ 340,000	\$ 340,000	\$ 347,467	\$ 7,467
Personal property taxes	117,035	117,035	116,602	(433)
Delinquent taxes - real estate	3,500	3,500	19,880	16,380
Delinquent taxes - personal property	4,550	4,550	2,878	(1,672)
Interest on taxes	11,000	11,000	15,585	4,585
Penalties on taxes	13,600	13,600	7,724	(5,876)
Total General Property Taxes	489,685	489,685	510,136	20,451
<b>Other Local Taxes</b>				
Local sales and use taxes	40,578	40,578	39,458	(1,120)
Utility taxes	40,700	40,700	43,476	2,776
Business license taxes	167,350	167,350	106,792	(60,558)
Meals tax	84,000	84,000	80,165	(3,835)
Franchise taxes	5,400	5,400	5,354	(46)
Motor vehicle licenses	27,975	27,975	38,512	10,537
Bank stock tax	56,000	56,000	43,358	(12,642)
Total Other Local Taxes	422,003	422,003	357,115	(64,888)
<b>Fines and Forfeitures</b>	1,000	1,000	2,078	1,078
<b>Permits, Fees, and Licenses</b>	2,825	2,825	4,525	1,700
<b>Revenue from Use of Money and Property</b>				
Revenue from use of money	180	180	238	58
Revenue from use of property	46,626	54,569	43,418	(11,151)
Total Revenue from Use of Money and Property	46,806	54,749	43,656	(11,093)
<b>Charges for Services</b>				
Garbage collection	144,080	144,080	145,111	1,031
Total Charges for Services	144,080	144,080	145,111	1,031
<b>Recovered Costs</b>				
Fire Department	50,168	50,168	50,154	(14)
Miscellaneous	-	2,750	2,749	(1)
DMV stop pay	1,700	3,887	3,887	-
Total Recovered Costs	51,868	56,805	56,790	(15)
<b>Miscellaneous</b>	18,550	20,550	11,631	(8,919)
<b>Intergovernmental</b>				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Communication tax	23,000	23,000	21,824	(1,176)
Rolling stock tax	-	-	171	171
Personal Property Tax Relief Act	45,363	45,363	45,362	(1)
Total Noncategorical Aid	68,363	68,363	67,357	(1,006)

Variance  
With  
Final Budget  
Positive  
(Negative)

Original  
Budget

Final  
Budget

Actual

*Categorical Aid*

State aid law enforcement	34,747	34,747	38,200	3,453
Litter grant	1,329	1,329	-	(1,329)
Emergency management	-	-	42,354	42,354
SOGA Grant	1,869	1,869	-	(1,869)
Fire program fund	15,000	15,000	15,000	-
Total Categorical Aid	52,945	52,945	95,554	42,609

Total Revenue from the Commonwealth  
of Virginia

121,308 121,308 162,911 41,603

*Revenue from the Federal Government*

FEMA	-	-	44,072	44,072
Dept. of Human Resources Grant	-	110,899	124,550	13,651
Law enforcement block grant	1,369	1,369	2,067	698
Total Revenue from the Federal Government	1,369	112,268	170,689	58,421

Total Intergovernmental Revenue

122,677 233,576 333,600 100,024

Total Revenues

1,299,494 1,425,273 1,464,642 39,369

**Expenditures**

**General Government Administration**

Mayor, Vice Mayor, and Town Council	10,400	10,400	9,750	650
Professional fees	13,200	13,200	12,490	710
Town Manager/administration	186,931	187,443	230,199	(42,756)
Treasurer	85,060	85,060	92,771	(7,711)
Total General Government Administration	295,591	296,103	345,210	(49,107)

**Public Safety**

Police Department	352,603	354,828	395,154	(40,326)
Fire Department	69,663	69,663	77,992	(8,329)
Rescue Squad	5,300	5,300	12,416	(7,116)
Total Public Safety	427,566	429,791	485,562	(55,771)

**Public Works**

Maintenance of highways, streets, bridges, and sidewalks	27,000	27,000	26,645	355
Refuse collection and disposal	315,755	315,755	325,481	(9,726)
Maintenance of buildings and grounds	67,832	190,874	204,490	(13,616)
Total Public Works	410,587	533,629	556,616	(22,987)

**Parks, Recreation, and Cultural**

Library	8,265	8,265	8,265	-
Town park and recreation	3,700	3,700	6,412	(2,712)
Total Parks, Recreation, and Cultural	11,965	11,965	14,677	(2,712)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Community Development</b>				
Airport	1,500	1,500	-	1,500
Revitalization project	-	-	478	(478)
Bus service	<u>8,480</u>	<u>8,480</u>	<u>6,073</u>	<u>2,407</u>
Total Community Development	9,980	9,980	6,551	3,429
<b>Debt Service</b>	<u>143,805</u>	<u>143,805</u>	<u>255,270</u>	<u>(111,465)</u>
Total Expenditures	<u>1,299,494</u>	<u>1,425,273</u>	<u>1,663,886</u>	<u>(238,613)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(199,244)	(199,244)
<b>Other Financing Sources (Uses)</b>				
Issuance of debt	-	-	175,000	175,000
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>61,390</u>	<u>61,390</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>236,390</u>	<u>236,390</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	37,146	<u>\$ 37,146</u>
Fund Balance - Beginning of Year			<u>272,852</u>	
Fund Balance - End of Year			<u>\$ 309,998</u>	

ARPA Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
<b>Revenue from Use of Money and Property</b>	-	-	804	804
<b>Recovered Costs</b>	-	-	6,052	6,052
<b>Intergovernmental</b>				
<i>Revenue from the Federal Government</i>				
American Rescue Plan Act	-	-	602,482	602,482
Total Revenue from the Federal Government	-	-	602,482	602,482
Total Intergovernmental Revenue	-	-	602,482	602,482
Total Revenues	-	-	609,338	609,338
<b>Expenditures</b>				
<b>Public Works</b>				
Capital Outlay	-	-	561,557	(561,557)
Total Public Works	-	-	561,557	(561,557)
Total Expenditures	-	-	561,557	(561,557)
Excess (Deficiency) of Revenues Over Expenditures	-	-	47,781	47,781
<b>Other Financing Sources (Uses)</b>				
Operating transfers in (out)	-	-	(46,977)	(46,977)
Total Other Financing Sources (Uses)	-	-	(46,977)	(46,977)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	804	<u>\$ 804</u>
Fund Balance - Beginning of Year			576	
Fund Balance - End of Year			<u>\$ 1,380</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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>									
Service cost	\$ 49,730	\$ 41,672	\$ 47,222	\$ 43,152	\$ 42,108	\$ 41,168	\$ 49,654	\$ 41,981	\$ 44,982
Interest	114,183	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	10,514	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(320,908)	(28,691)	26,153	46,479	113,827	19,893	21,149	(29,285)	-
Benefit Payments	(68,471)	(101,234)	(84,449)	(76,636)	(88,884)	(65,466)	(63,746)	(60,408)	(85,943)
<b>Net change in total pension liability</b>	<b>(214,952)</b>	<b>88,026</b>	<b>87,374</b>	<b>147,038</b>	<b>148,315</b>	<b>63,036</b>	<b>79,241</b>	<b>22,981</b>	<b>26,951</b>
<b>Total pension liability - beginning</b>	<b>1,676,109</b>	<b>1,588,083</b>	<b>1,500,709</b>	<b>1,353,671</b>	<b>1,205,356</b>	<b>1,142,320</b>	<b>1,063,079</b>	<b>1,040,098</b>	<b>1,013,147</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 1,461,157</b>	<b>\$ 1,676,109</b>	<b>\$ 1,588,083</b>	<b>\$ 1,500,709</b>	<b>\$ 1,353,671</b>	<b>\$ 1,205,356</b>	<b>\$ 1,142,320</b>	<b>\$ 1,063,079</b>	<b>\$ 1,040,098</b>
<b>Plan fiduciary net position</b>									
Contributions - employer	\$ 49,296	\$ 33,244	\$ 20,417	\$ 21,614	\$ 19,569	\$ 18,935	\$ 24,346	\$ 23,175	\$ 20,926
Contributions - employee	25,655	21,522	20,765	21,803	33,955	19,928	19,780	18,760	16,958
Net investment income	(2,838)	393,992	28,289	94,603	98,814	150,517	21,424	54,852	167,496
Benefit Payments, including refunds	(68,471)	(101,234)	(84,449)	(76,636)	(88,884)	(65,466)	(63,746)	(60,408)	(85,943)
Administrator charges	(1,118)	(990)	(979)	(945)	(864)	(878)	(775)	(758)	(932)
Other	43	37	(33)	(59)	(89)	(133)	(9)	(12)	9
<b>Net change in plan fiduciary net position</b>	<b>2,567</b>	<b>346,571</b>	<b>(15,990)</b>	<b>60,380</b>	<b>62,501</b>	<b>122,903</b>	<b>1,020</b>	<b>35,609</b>	<b>118,514</b>
<b>Plan fiduciary net position - beginning</b>	<b>1,819,220</b>	<b>1,472,649</b>	<b>1,488,639</b>	<b>1,428,259</b>	<b>1,365,758</b>	<b>1,242,855</b>	<b>1,241,835</b>	<b>1,206,226</b>	<b>1,087,712</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 1,821,787</b>	<b>\$ 1,819,220</b>	<b>\$ 1,472,649</b>	<b>\$ 1,488,639</b>	<b>\$ 1,428,259</b>	<b>\$ 1,365,758</b>	<b>\$ 1,242,855</b>	<b>\$ 1,241,835</b>	<b>\$ 1,206,226</b>
<b>Political subdivision's net pension liability (asset) - ending (a - b)</b>	<b>\$ (360,630)</b>	<b>\$ (143,111)</b>	<b>\$ 115,434</b>	<b>\$ 12,070</b>	<b>\$ (74,588)</b>	<b>\$ (160,402)</b>	<b>\$ (100,535)</b>	<b>\$ (178,756)</b>	<b>\$ (166,128)</b>
<b>Plan fiduciary net position as a percentage of the total Pension liability</b>	<b>-24.68%</b>	<b>-8.54%</b>	<b>7.27%</b>	<b>0.80%</b>	<b>-5.51%</b>	<b>-13.31%</b>	<b>-8.80%</b>	<b>-16.81%</b>	<b>-15.97%</b>
<b>Covered payroll</b>	<b>\$ 548,247</b>	<b>\$ 467,715</b>	<b>\$ 450,131</b>	<b>\$ 468,046</b>	<b>\$ 440,831</b>	<b>\$ 419,206</b>	<b>\$ 415,844</b>	<b>\$ 380,391</b>	<b>\$ 338,266</b>
<b>Political subdivision's net pension liability as a percentage of covered payroll</b>	<b>-152.02%</b>	<b>-326.82%</b>	<b>389.95%</b>	<b>3877.76%</b>	<b>-591.02%</b>	<b>-261.35%</b>	<b>-413.63%</b>	<b>-212.80%</b>	<b>-203.62%</b>

## Town of Kenbridge, Virginia

### Schedule of Employer Contributions - Pension

For the Years Ended June 30, 2014 through 2023

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)		
<b>2023</b>	<b>\$ 44,244</b>	<b>\$ 44,244</b>	<b>\$ -</b>	<b>\$ 616,240</b>	<b>7.18%</b>
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%

\* 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, 2023

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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 2022

	<u>2022</u>	<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)	0.00252%	0.00227%	0.00219%	0.00239%	0.00232%	0.00227%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 30,343	\$ 26,429	\$ 36,547	\$ 38,892	\$ 35,000	\$ 34,000
Employer's Covered Payroll	\$ 548,247	\$ 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	5.53%	5.65%	8.12%	8.31%	7.94%	8.11%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

*Schedule is intended to show information for 10 years.  
Since 2022 is the sixth year for this presentation, there are only six 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 132 of the VRS 2022 Annual Report.

# **Town of Kenbridge, Virginia**

## **Schedule of Employer Contributions**

### **Group Life Insurance OPEB Plan**

For the Years Ended June 30, 2014 through 2023

<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contribution in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Employee Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
<b>2023</b>	<b>\$ 3,328</b>	<b>\$ 3,328</b>	<b>\$ -</b>	<b>\$ 616,240</b>	<b>0.54%</b>
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%

#### **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, 2023

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

#### **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, 2022, 2021, 2020, 2019, 2018 and 2017

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total HIC OPEB liability</b>						
Service cost	\$ 712	\$ 532	\$ 631	\$ 574	\$ 540	\$ 489
Interest	886	865	809	765	747	731
Changes in benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(5,252)	(1,512)	347	589	187	-
Changes of assumptions	18,284	362	-	260	-	91
Benefit Payments	(547)	(775)	(1,135)	(1,119)	(1,320)	(833)
<b>Net change in total HIC OPEB liability</b>	<b>14,083</b>	<b>(528)</b>	<b>652</b>	<b>1,069</b>	<b>154</b>	<b>478</b>
<b>Total HIC OPEB liability - beginning</b>	<b>12,684</b>	<b>13,212</b>	<b>12,560</b>	<b>11,491</b>	<b>11,337</b>	<b>10,859</b>
<b>Total HIC OPEB liability - ending (a)</b>	<b>\$ 26,767</b>	<b>\$ 12,684</b>	<b>\$ 13,212</b>	<b>\$ 12,560</b>	<b>\$ 11,491</b>	<b>\$ 11,337</b>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 822	\$ 702	\$ 586	\$ 608	\$ 529	\$ 503
Net investment income	9	3,069	240	747	848	1,251
Benefit Payments	(547)	(775)	(1,135)	(1,119)	(1,320)	(833)
Administrator charges	(26)	(37)	(22)	(16)	(19)	(20)
Other	-	-	-	(1)	(84)	65
<b>Net change in plan fiduciary net position</b>	<b>258</b>	<b>2,959</b>	<b>(331)</b>	<b>219</b>	<b>(46)</b>	<b>966</b>
<b>Plan fiduciary net position - beginning</b>	<b>14,770</b>	<b>11,811</b>	<b>12,142</b>	<b>11,923</b>	<b>11,969</b>	<b>11,003</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 15,028</b>	<b>\$ 14,770</b>	<b>\$ 11,811</b>	<b>\$ 12,142</b>	<b>\$ 11,923</b>	<b>\$ 11,969</b>
<b>Political subdivision's net HIC OPEB liability (asset) - ending (a) - (b)</b>	<b>\$ 11,739</b>	<b>\$ (2,086)</b>	<b>\$ 1,401</b>	<b>\$ 418</b>	<b>\$ (432)</b>	<b>\$ (632)</b>
<b>Plan fiduciary net position as a percentage of the total HIC OPEB liability</b>	<b>56.14%</b>	<b>116.45%</b>	<b>89.40%</b>	<b>96.67%</b>	<b>103.76%</b>	<b>105.57%</b>
<b>Covered payroll</b>	<b>\$ 548,247</b>	<b>\$ 467,715</b>	<b>\$ 450,131</b>	<b>\$ 468,046</b>	<b>\$ 440,831</b>	<b>\$ 419,206</b>
<b>Political subdivision's net HIC OPEB liability as a percentage of covered payroll</b>	<b>2.14%</b>	<b>-0.45%</b>	<b>0.31%</b>	<b>0.09%</b>	<b>-0.10%</b>	<b>-0.15%</b>

Schedule is intended to show information for 10 years.

Since 2022 is the sixth year of presentation, only six 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, 2014 through 2023

Date	Contribution in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2023	\$ 493	\$ 493	\$ -	\$ 616,240		0.08%
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%

#### 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, 2023

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

#### **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, 2023

	Industrial Park Fund #90	Equipment Reserve Fund #40	Farmers Market Fund #43	Town Park Fund #57	Total Other Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 2,534	\$ 16,134	\$ 1,329	\$ 7,455	\$ 27,452
Total Assets	<u>\$ 2,534</u>	<u>\$ 16,134</u>	<u>\$ 1,329</u>	<u>\$ 7,455</u>	<u>\$ 27,452</u>
<b>Liabilities</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Fund Balance</b>					
Assigned	<u>2,534</u>	<u>16,134</u>	<u>1,329</u>	<u>7,455</u>	<u>27,452</u>
Total Fund Balance	<u>2,534</u>	<u>16,134</u>	<u>1,329</u>	<u>7,455</u>	<u>27,452</u>
Total Liabilities and Fund Balance	<u>\$ 2,534</u>	<u>\$ 16,134</u>	<u>\$ 1,329</u>	<u>\$ 7,455</u>	<u>\$ 27,452</u>



## Town of Kenbridge, Virginia

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

## Other Governmental Funds

At June 30, 2023

	Industrial Park Fund #90	Equipment Reserve Fund #40	Farmers Market Fund #43	Town Park Fund #57	Total Other Governmental Funds
<b>Revenues</b>					
Use of money and property	\$ 4	\$ 20	\$ 455	\$ -	\$ 479
Miscellaneous	-	-	-	7,800	7,800
Total Revenues	4	20	455	7,800	8,279
<b>Expenditures</b>					
Parks, recreation, and cultural	-	-	143	3,468	3,611
Total Expenditures	-	-	143	3,468	3,611
Excess (Deficiency) of Revenues over Expenditures	4	20	312	4,332	4,668
<b>Other Financing Sources (Uses)</b>					
Transfers	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	4	20	312	4,332	4,668
Fund Balance - Beginning of Year	2,530	16,114	1,017	3,123	22,784
Fund Balance - End of Year	<u>\$ 2,534</u>	<u>\$ 16,134</u>	<u>\$ 1,329</u>	<u>\$ 7,455</u>	<u>\$ 27,452</u>

Town of Kenbridge, Virginia

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

Statement of Net Position

June 30, 2023

Assets

Current Assets

Cash	\$ 191,490
Total Assets	\$ 191,490

Liabilities and Net Position

Liabilities	\$ -
Total Liabilities	-

Net Position

Unrestricted	191,490
Total Net Position	191,490
Total Liabilities and Net Position	\$ 191,490

## Town of Kenbridge, Virginia

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

## Statement of Activities

Year Ended June 30, 2023

<b>Operating Income</b>	\$ <u>-</u>
<b>Operating Expenses</b>	<u>-</u>
Operating Income (Loss)	-
<b>Non-Operating Revenues (Expenses)</b>	
Interest income	<u>287</u>
Non-Operating Revenues (Expenses)	<u>287</u>
Change in Net Position	287
Total Net Position - Beginning of Year	<u>191,203</u>
Total Net Position - End of Year	<u>\$ 191,490</u>

## Town of Kenbridge, Virginia

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

## Statement of Cash Flows

Year Ended June 30, 2023

**Cash Flows from Operating Activities**

Payments to suppliers	\$ -
-----------------------	------

Net Cash Provided by (Used in) Operating Activities	-
---	---

**Cash Flows from Investing Activities**

Interest income	287
-----------------	-----

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

Net Increase in Cash and Cash Equivalents	287
---	-----

Cash and Cash Equivalents - Beginning of Year	191,203
---	---------

Cash and Cash Equivalents - End of Year	\$ 191,490
---	------------

**Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities**

Operating income (loss)	\$ -
-------------------------	------

*Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities*

Changes in assets and liabilities	-
-----------------------------------	---

Net Cash Provided by (Used in) Operating Activities	\$ -
---	------

# 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, 2023, 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 April 4, 2024.

**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.

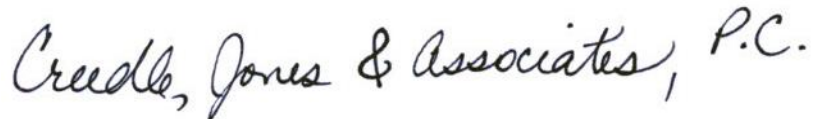
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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  
April 4, 2024



## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Town Council  
Town of Kenbridge, Virginia

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Town of Kenbridge, Virginia's compliance with the types of compliance requirements identified as subject to the audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town of Kenbridge, Virginia's major federal programs for the year ended June 30, 2023. Town of Kenbridge, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of Kenbridge, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Kenbridge, Virginia and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Town of Kenbridge, Virginia's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Town of Kenbridge, Virginia's federal programs.



### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Kenbridge, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Kenbridge, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Town of Kenbridge, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Kenbridge, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Kenbridge, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Creedle, Jones & Associates, P.C.*

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

South Hill, Virginia  
April 4, 2024

**Town of Kenbridge, Virginia**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program or <u>Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
<b>U. S. Department of Justice</b>			
<b>Pass-Through Payments</b>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	140	\$ 2,067
<b>U.S. Department of Agriculture</b>			
<b>Direct Payments</b>			
Water and Waste Disposal Systems for Rural Communities Loan	10.760	N/A	1,879,000
<b>U. S. Department of Interior National Park Service</b>			
<b>Direct Payments</b>			
Emergency Supplemental Historic Preservation Fund for Florence, Yutu, and Michael	15.957	N/A	124,550
<b>U. S. Department of Homeland Security</b>			
<b>Direct Payments</b>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	44,072
<b>U. S. Department of Treasury</b>			
<b>Direct Payments</b>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>602,482</u>
Grand Totals			<u>\$ 2,652,171</u>

See accompanying notes to schedule of expenditures of federal awards.

## **Town of Kenbridge, Virginia**

### **Notes to Schedule of Expenditures of Federal Awards**

Year Ended June 30, 2023

#### **1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Town of Kenbridge, Virginia under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented 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). Because the Schedule presents only a selected portion of the operations of Town of Kenbridge, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of Town of Kenbridge, Virginia.

#### **2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **3. Indirect Cost Rate**

Town of Kenbridge, Virginia has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### **4. Subrecipients**

No awards passed through to subrecipients.

#### **5. Federal Loan**

##### *Federal Loan Outstanding through USDA*

The Town was approved by the USDA to receive a loan totaling \$1,879,000 to finance capital improvements to the Town's sewer system including the extension of public sewer service to residents in the Route 637 area. The amount listed for the loan includes the proceeds used during the year. The balance owing at the end of the period is \$1,879,000.

## Town of Kenbridge, Virginia

### Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

#### SECTION I - SUMMARY OF AUDITOR'S RESULTS

##### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

##### *Internal control over financial reporting:*

Material weakness(es) identified? No

Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted? No

##### Federal Awards

##### *Internal control over major federal programs:*

Material weakness(es) identified? No

Significant deficiency(ies) identified? None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? No

##### *Identification of major federal programs:*

##### Assistance Listing Number(s)

##### Name of Federal Program or Cluster

10.560

Water and Waste Disposal Systems for  
Rural Communities Loan

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

#### SECTION II – FINANCIAL STATEMENT FINDINGS

No matters reported

#### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported