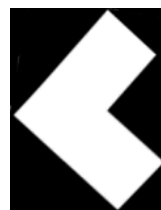


Town of Kenbridge, Virginia
Annual Comprehensive Financial Report
Year Ended June 30, 2024



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, 2024, 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, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of 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 2024, the Town adopted new accounting guidance, GASB Statement No. 99, Omnibus 2022 and No. 100, Accounting Changes and Error Corrections. 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

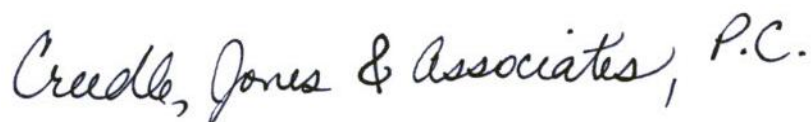
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 1–8, 66-69 on pages 70-78 be presented to supplement the basic financial statements. 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, 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, 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 March 29, 2025, 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.



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

South Hill, Virginia
March 29, 2025

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, 2024. 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 \$2,636,208. Of this amount, the Town has an unrestricted balance of \$1,368,756. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$3,549,694 with an unrestricted deficit balance of \$29,721.
- The Town's total net position increased by \$614,034 during the current fiscal year. Of this amount, an increase of \$788,304 is related to governmental activities and a decrease of \$174,270 is attributed to business-type activities.
- As of June 30, 2024, the Town's Governmental Funds reported combined ending fund balances of \$1,261,652, an increase of \$922,804 in comparison with the prior year. Approximately 19.13% of this amount is available for spending at the Town's discretion (unassigned fund balance).
- At the end of fiscal year 2024, the General Fund unassigned fund balance was \$241,392, or approximately 13.84% 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, 2024 and 2023

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Assets						
Current assets	\$ 843,709	\$ 1,011,678	\$ 425,810	\$ 368,203	\$ 1,269,519	\$ 1,379,881
Capital assets (net)	2,540,456	2,681,659	8,175,989	8,561,782	10,716,445	11,243,441
Other assets	<u>1,327,074</u>	<u>230,803</u>	<u>183,978</u>	<u>129,826</u>	<u>1,511,052</u>	<u>360,629</u>
Total Assets	4,711,239	3,924,140	8,785,777	9,059,811	13,497,016	12,983,951
Deferred Outflows of Resources	<u>44,581</u>	<u>44,574</u>	<u>25,078</u>	<u>25,071</u>	<u>69,659</u>	<u>69,645</u>
Total Assets and Deferred Outflows of Resources	<u>\$4,755,820</u>	<u>\$ 3,968,714</u>	<u>\$8,810,855</u>	<u>\$9,084,882</u>	<u>\$ 13,566,675</u>	<u>\$13,053,596</u>
Liabilities						
Pooled cash deficit	\$ -	\$ -	\$ 169,855	\$ 155,274	\$ 169,855	\$ 155,274
Other liabilities	91,812	242,902	42,086	28,683	133,898	271,585
Long-term liabilities	<u>1,594,521</u>	<u>1,451,378</u>	<u>4,976,614</u>	<u>5,085,894</u>	<u>6,571,135</u>	<u>6,537,272</u>
Total Liabilities	1,686,333	1,694,280	5,188,555	5,269,851	6,874,888	6,964,131
Deferred Inflows of Resources	433,279	426,530	72,606	91,068	505,885	517,598
Net Position						
Net investment in capital assets	1,193,230	1,446,618	3,238,144	3,521,081	4,431,374	4,967,699
Restricted	74,222	226,502	341,271	287,450	415,493	513,952
Unrestricted (Deficit)	<u>1,368,756</u>	<u>174,784</u>	<u>(29,721)</u>	<u>(84,568)</u>	<u>1,339,035</u>	<u>90,216</u>
Total Net Position	<u>2,636,208</u>	<u>1,847,904</u>	<u>3,549,694</u>	<u>3,723,963</u>	<u>6,185,902</u>	<u>5,571,867</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$4,755,820</u>	<u>\$ 3,968,714</u>	<u>\$8,810,855</u>	<u>\$9,084,882</u>	<u>\$ 13,566,675</u>	<u>\$13,053,596</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, 2024 and 2023

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenues						
Program Revenues						
Charges for services	\$ 151,459	\$ 151,714	\$ 691,713	\$ 643,217	\$ 843,172	\$ 794,931
Operating grants and contributions	1,158,601	943,210	4,749	33,878	1,163,350	977,088
General Revenues						
General property taxes, real and personal	542,462	528,352	-	-	542,462	528,352
Other taxes	362,171	357,115	-	-	362,171	357,115
Grants and contributions not restricted to specific programs	65,976	67,357	-	-	65,976	67,357
Unrestricted revenues from use of money and property	72,166	44,957	12,028	10,001	84,194	54,958
Miscellaneous	118,810	19,431	73,332	41,005	192,142	60,436
Total Revenues	2,471,645	2,112,136	781,822	728,101	3,253,467	2,840,237
Expenses						
General government administration	299,017	324,928	-	-	299,017	324,928
Public safety	534,992	417,777	-	-	534,992	417,777
Public works	653,702	1,167,457	-	-	653,702	1,167,457
Parks, recreation, and cultural	116,808	35,980	-	-	116,808	35,980
Community development	12,291	81,036	-	-	12,291	81,036
Water and sewer	-	-	830,405	857,992	830,405	857,992
Interest on long-term debt	67,330	60,438	124,888	78,261	192,218	138,699
Total Expenses	1,684,140	2,087,616	955,293	936,253	2,639,433	3,023,869
Change in Net Position Before Transfers	787,505	24,520	(173,471)	(208,152)	614,034	(183,632)
Transfers	799	14,413	(799)	(14,413)	-	-
Change in Net Position	788,304	38,933	(174,270)	(222,565)	614,034	(183,632)
Beginning Net Position	1,847,904	1,808,971	3,723,964	3,946,528	5,571,868	5,755,499
Ending Net Position	\$ 2,636,208	\$ 1,847,904	\$ 3,549,694	\$ 3,723,963	\$ 6,185,902	\$ 5,571,867

Governmental activities increased the Town's net position by \$788,304 for fiscal year 2024. Revenues from governmental activities totaled \$2,471,645. Operating grants and contributions comprise the largest source of these revenues, totaling \$1,158,601 or 46.88% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$1,684,140. Public works was the Town's largest program with expenses totaling \$653,702. Public safety, which totals \$534,992, 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, 2024 and 2023

	<u>2024</u>		<u>2023</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	\$ 299,017	\$ (295,442)	\$ 324,928	\$ (276,331)
Public safety	534,992	(315,174)	417,777	(318,078)
Public works	653,702	(344,424)	1,167,457	(419,864)
Parks, recreation, and cultural	116,808	(29,083)	35,980	(35,980)
Community development	12,291	677,373	81,036	117,999
Interest on long-term debt	<u>67,330</u>	<u>(67,330)</u>	<u>60,438</u>	<u>(60,438)</u>
Total	<u>\$1,684,140</u>	<u>\$ (374,080)</u>	<u>\$2,087,616</u>	<u>\$ (992,692)</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 \$1,261,652. The combined governmental fund balance increased \$922,804 from the prior year.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$241,392. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 13.84% 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, 2024 and 2023

	<u>2024</u>			<u>2023</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
General property taxes	\$ 484,501	\$ 484,501	\$ 521,717	\$ 489,685	\$ 489,685	\$ 510,136
Other	709,868	709,868	637,988	687,132	702,012	620,906
Intergovernmental	<u>262,983</u>	<u>262,983</u>	<u>372,928</u>	<u>122,677</u>	<u>233,576</u>	<u>333,600</u>
Total	1,457,352	1,457,352	1,532,633	1,299,494	1,425,273	1,464,642
Expenditures	<u>1,457,352</u>	<u>1,457,352</u>	<u>1,744,684</u>	<u>1,299,494</u>	<u>1,425,273</u>	<u>1,663,886</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(212,051)	-	-	(199,244)
Other Financing Sources (Uses)						
Issuance of debt	-	-	130,000	-	-	175,000
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>19,506</u>	<u>-</u>	<u>-</u>	<u>61,390</u>
Total	<u>-</u>	<u>-</u>	<u>149,506</u>	<u>-</u>	<u>-</u>	<u>236,390</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (62,545)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,146</u>

Actual revenues were more than final budget amounts by \$75,281, or 5.17%, while actual expenditures were \$287,332, or 19.72% 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, 2024, the Town's governmental activities net capital assets total \$2,540,456, which represents a net decrease of \$141,203 or 5.27% over the previous fiscal year-end balance. The business-type activities net capital assets total \$8,175,989 a decrease of \$385,793 or 4.51% over the previous fiscal year.

Change in Capital Assets

Governmental Activities

	<u>Balance</u> <u>July 1, 2023</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2024</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	1,371,505	40,433	1,411,938
Total Capital Assets	5,330,458	40,433	5,370,891
Less: Accumulated depreciation	(2,648,799)	(181,636)	(2,830,435)
Total Capital Assets, Net	<u>\$ 2,681,659</u>	<u>\$ (141,203)</u>	<u>\$ 2,540,456</u>

Business-Type Activities

	<u>Balance</u> <u>July 1, 2023</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2024</u>
Land	\$ 65,589	\$ -	\$ 65,589
Land improvements and easements	41,000	-	41,000
Infrastructure	12,354,903	-	12,354,903
Furniture, equipment, and vehicles	471,642	-	471,642
Total Capital Assets	12,933,134	-	12,933,134
Less: Accumulated depreciation	(4,371,352)	(385,793)	(4,757,145)
Total Capital Assets, Net	<u>\$ 8,561,782</u>	<u>\$ (385,793)</u>	<u>\$ 8,175,989</u>

Long-Term Debt

As of June 30, 2024, the Town's long-term obligations total \$6,531,028.

	<u>Balance</u> <u>July 1, 2023</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2024</u>
Governmental Activities			
General Fund	\$ 1,424,445	\$ 144,407	\$ 1,568,852
Total Governmental Activities	1,424,445	144,407	1,568,852
Business-Type Activities			
Water and Sewer Fund	5,070,745	(108,569)	4,962,176
Total Business-Type Activities	5,070,745	(108,569)	4,962,176
Total Primary Government	<u>\$ 6,495,190</u>	<u>\$ 35,838</u>	<u>\$ 6,531,028</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 2025 budget.

The average unemployment rate for the Town of Kenbridge, Virginia in June 2024, which uses Lunenburg County's rate, was 3.3%. This compares unfavorably to the state's rate of 3.0% and favorably to the national rate of 4.3%.

According to the 2020 United States Census Bureau, the population in the Town of Kenbridge, Virginia is 1,112.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2025, which accounts for most of the Town's operational costs. The fiscal year 2025 adopted budget anticipates General Fund revenues and expenditures to be \$1,390,697, a 0.05% decrease over the fiscal year 2024 final budget.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS



Town of Kenbridge, Virginia

Statement of Net Position

At June 30, 2024

	Primary Government			Component
	Governmental	Business-Type	Total	Unit - IDA
	Activities	Activities		
Assets				
Current Assets				
Cash and investments	\$ 249,602	\$ -	\$ 249,602	\$ 191,777
Cash - restricted	74,222	341,271	415,493	-
Receivables, net	510,442	84,539	594,981	-
Due from other governments	7,716	-	7,716	-
Inventory	1,727	-	1,727	-
Total Current Assets	843,709	425,810	1,269,519	191,777
Capital Assets				
Land and land easements	166,160	65,589	231,749	-
Land improvements	-	41,000	41,000	-
Other capital assets, net of accumulated depreciation	2,374,296	8,069,400	10,443,696	-
Capital Assets, Net	2,540,456	8,175,989	10,716,445	-
Other Assets				
Note receivable, net	1,000,000	-	1,000,000	-
Net pension asset	327,074	183,978	511,052	-
Total Other Assets	1,327,074	183,978	1,511,052	-
Total Assets	4,711,239	8,785,777	13,497,016	191,777
Deferred Outflows of Resources				
Pension	27,813	15,646	43,459	-
OPEB	16,768	9,432	26,200	-
Total Deferred Outflows of Resources	44,581	25,078	69,659	-
Total Assets and Deferred Outflows of Resources	\$ 4,755,820	\$ 8,810,855	\$ 13,566,675	\$ 191,777
Liabilities				
Current Liabilities				
Pooled cash deficit	\$ -	\$ 169,855	\$ 169,855	\$ -
Accounts payable and accrued expenses	33,009	22,493	55,502	-
Customer deposits	-	19,593	19,593	-
Unearned grants	58,803	-	58,803	-
Total Current Liabilities	91,812	211,941	303,753	-
Long-Term Liabilities				
<i>Due within one year</i>				
Bonds, loans, other	468,916	104,267	573,183	-
Compensated absences	4,510	2,433	6,943	-
<i>Due in more than one year</i>				
Bonds, loans, other	1,054,833	4,833,578	5,888,411	-
Compensated absences	40,593	21,898	62,491	-
Net OPEB	25,669	14,438	40,107	-
Total Long-Term Liabilities	1,594,521	4,976,614	6,571,135	-
Total Liabilities	1,686,333	5,188,555	6,874,888	-
Deferred Inflows of Resources				
Pension	120,461	67,760	188,221	-
OPEB	8,616	4,846	13,462	-
Unavailable revenue - property taxes	304,202	-	304,202	-
Total Deferred Inflows of Resources	433,279	72,606	505,885	-
Net Position				
Net investment in capital assets	1,193,230	3,238,144	4,431,374	-
Restricted	74,222	341,271	415,493	-
Unrestricted (Deficit)	1,368,756	(29,721)	1,339,035	191,777
Total Net Position	2,636,208	3,549,694	6,185,902	191,777
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 4,755,820	\$ 8,810,855	\$ 13,566,675	\$ 191,777

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, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit - IDA
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government							
Governmental Activities							
General government administration	\$ 299,017	\$ 3,575	\$ -	\$ (295,442)		\$ (295,442)	
Public safety	534,992	4,271	215,547	(315,174)		(315,174)	
Public works	653,702	143,613	165,665	(344,424)		(344,424)	
Parks, recreation, and cultural	116,808	-	87,725	(29,083)		(29,083)	
Community development	12,291	-	689,664	677,373		677,373	
Interest on long-term debt	67,330	-	-	(67,330)		(67,330)	
Total Governmental Activities	1,684,140	151,459	1,158,601	(374,080)		(374,080)	
Business-Type Activities							
Enterprise Funds	955,293	691,713	4,749		\$ (258,831)	(258,831)	
Total Business-Type Activities	955,293	691,713	4,749		(258,831)	(258,831)	
Component Unit - IDA							
	-	-	-				\$ -
Total Primary Government	\$ 2,639,433	\$ 843,172	\$ 1,163,350				-
General Revenues							
Taxes							
General property taxes, real and personal				542,462	-	542,462	-
Other local taxes				362,171	-	362,171	-
Grants and contributions not restricted to specific programs				65,976	-	65,976	-
Unrestricted revenues from use of money and property				72,166	12,028	84,194	287
Miscellaneous				118,810	73,332	192,142	-
Transfers in (out)				799	(799)	-	-
Total General Revenues and Transfers				1,162,384	84,561	1,246,945	287
Change in Net Position				788,304	(174,270)	614,034	287
Net Position - Beginning of Year				1,847,904	3,723,964	5,571,868	191,490
Net Position - End of Year				\$ 2,636,208	\$ 3,549,694	\$ 6,185,902	\$ 191,777

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, 2024

	General Fund	ARPA Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 236,934	\$ -	\$ 42	\$ 12,626	\$ 249,602
Cash - restricted	4,334	69,888	-	-	74,222
Property taxes receivable, net	478,286	-	-	-	478,286
Accounts receivable	32,156	-	-	-	32,156
Due from other governments	7,716	-	-	-	7,716
Inventory	1,727	-	-	-	1,727
Note receivable	-	-	1,000,000	-	1,000,000
	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Total Assets	<u>\$ 761,153</u>	<u>\$ 69,888</u>	<u>\$ 1,000,042</u>	<u>\$ 12,626</u>	<u>\$ 1,843,709</u>
Liabilities					
Accounts payable and accrued liabilities	\$ 23,455	\$ 9,554	\$ -	\$ -	\$ 33,009
Unearned grants	-	58,803	-	-	58,803
	<u>-</u>	<u>58,803</u>	<u>-</u>	<u>-</u>	<u>58,803</u>
Total Liabilities	23,455	68,357	-	-	91,812
Deferred Inflows of Resources					
Unavailable revenue - property taxes	<u>490,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>490,245</u>
Total Deferred Inflows of Resources	490,245	-	-	-	490,245
Fund Balance					
Nonspendable	1,727	-	-	-	1,727
Restricted	4,334	1,531	1,000,042	-	1,005,907
Assigned	-	-	-	12,626	12,626
Unassigned	<u>241,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>241,392</u>
Total Fund Balance	<u>247,453</u>	<u>1,531</u>	<u>1,000,042</u>	<u>12,626</u>	<u>1,261,652</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 761,153</u>	<u>\$ 69,888</u>	<u>\$ 1,000,042</u>	<u>\$ 12,626</u>	<u>\$ 1,843,709</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, 2024

Total Fund Balances for Governmental Funds \$ 1,261,652

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	1,599,507
Infrastructure, net of accumulated depreciation	594,324
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>180,465</u>

Total Capital Assets 2,540,456

Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds statement.

Unavailable revenue - property taxes 186,043

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	27,813
Deferred inflows of resources related to pensions	(120,461)
Deferred outflows of resources related to OPEB	16,768
Deferred inflows of resources related to OPEB	<u>(8,616)</u>

Total Deferred Outflows and Inflows of Resources (84,496)

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	(1,528,259)
Net pension (liability) asset	327,074
OPEB (obligation) asset	(25,669)
Compensated absences	<u>(40,593)</u>

Total (1,267,447)

Total Net Position of Governmental Activities \$ 2,636,208

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, 2024

	General Fund	ARPA Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 521,717	\$ -	\$ -	\$ -	\$ 521,717
Other local taxes	362,171	-	-	-	362,171
Fines and forfeitures	4,271	-	-	-	4,271
Permits, fees, and licenses	3,575	-	-	-	3,575
Use of money and property	65,280	186	6,038	662	72,166
Charges for services	143,613	-	-	-	143,613
Miscellaneous	3,443	-	-	5,031	8,474
Recovered costs	55,635	-	1,000,000	-	1,055,635
<i>Intergovernmental</i>					
Revenue from the Commonwealth of Virginia	218,202	-	7,355	-	225,557
Revenue from the Federal Government	154,726	161,985	682,309	-	999,020
Total Revenues	1,532,633	162,171	1,695,702	5,693	3,396,199
Expenditures					
General government administration	329,090	-	-	-	329,090
Public safety	608,393	-	-	-	608,393
Public works	448,476	162,020	-	-	610,496
Parks, recreation, and cultural	97,304	-	-	1,812	99,116
Community development	12,291	-	889,664	-	901,955
Debt service	249,130	-	404,073	-	653,203
Total Expenditures	1,744,684	162,020	1,293,737	1,812	3,202,253
Excess (Deficiency) of Revenues Over Expenditures	(212,051)	151	401,965	3,881	193,946
Other Financing Sources (Uses)					
Issuance of debt	130,000	-	598,059	-	728,059
Operating transfers in (out)	19,506	-	-	(18,707)	799
Total Other Financing Sources (Uses)	149,506	-	598,059	(18,707)	728,858
Net Change in Fund Balance	(62,545)	151	1,000,024	(14,826)	922,804
Fund Balance - Beginning of Year	309,998	1,380	18	27,452	338,848
Fund Balance - End of Year	\$ 247,453	\$ 1,531	\$ 1,000,042	\$ 12,626	\$ 1,261,652

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, 2024

Net Change in Fund Balances - Total Governmental Funds \$ 922,804

**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	\$ 40,433	
Depreciation	(181,636)	(141,203)

Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	20,745
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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	(728,059)	
Repayments on debt (less conduit debt of IDA)	585,874	
Net Adjustment		(142,185)

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	96,270	
Deferred inflows - pension	32,788	
Deferred inflows - OPEB	35	
Deferred outflows - pension	1,301	
Deferred outflows - OPEB	(1,293)	
Other postemployment benefits	1,264	
Net Adjustment		130,365

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	(2,222)	
Net Adjustment		(2,222)

Change in Net Position of Governmental Activities	\$ 788,304
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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, 2024

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Pump Station Fund</u>	<u>Total</u>
Assets				
Current Assets				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Cash and investments - restricted	3,676	337,595	-	341,271
Accounts receivable (net of allowance for bad debts)	29,831	54,708	-	84,539
Total Current Assets	33,507	392,303	-	425,810
Capital Assets				
Land	4,011	61,578	-	65,589
Land improvements and easements	-	41,000	-	41,000
Infrastructure and equipment	712,200	12,114,345	-	12,826,545
Less: Accumulated depreciation	(574,271)	(4,182,874)	-	(4,757,145)
Total Capital Assets	141,940	8,034,049	-	8,175,989
Other Assets				
Net pension asset	91,989	91,989	-	183,978
Total Other Assets	91,989	91,989	-	183,978
Total Assets	267,436	8,518,341	-	8,785,777
Deferred Outflows of Resources				
Pension	7,823	7,823	-	15,646
OPEB	4,716	4,716	-	9,432
Total Deferred Outflows of Resources	12,539	12,539	-	25,078
Total Assets and Deferred Outflows of Resources	<u>\$ 279,975</u>	<u>\$ 8,530,880</u>	<u>\$ -</u>	<u>\$ 8,810,855</u>
Liabilities				
Current Liabilities				
Pooled cash deficit	\$ 29,702	\$ 140,153	\$ -	\$ 169,855
Accounts payable and accrued liabilities	19,532	2,961	-	22,493
Current portion of long-term debt	1,066	105,634	-	106,700
Total Current Liabilities	50,300	248,748	-	299,048
Noncurrent Liabilities				
Customer deposits	19,593	-	-	19,593
Net OPEB liability	7,219	7,219	-	14,438
Compensated absences, net of current portion	9,597	12,301	-	21,898
Long-term debt, net of current portion	-	4,833,578	-	4,833,578
Total Noncurrent Liabilities	36,409	4,853,098	-	4,889,507
Total Liabilities	86,709	5,101,846	-	5,188,555
Deferred Inflows of Resources				
Pension	33,880	33,880	-	67,760
OPEB	2,423	2,423	-	4,846
Total Deferred Inflows of Resources	36,303	36,303	-	72,606
Net Position				
Net investment in capital assets	141,940	3,096,204	-	3,238,144
Restricted	3,676	337,595	-	341,271
Unrestricted (Deficit)	11,347	(41,068)	-	(29,721)
Total Net Position	156,963	3,392,731	-	3,549,694
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 279,975</u>	<u>\$ 8,530,880</u>	<u>\$ -</u>	<u>\$ 8,810,855</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, 2024

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Pump Station Fund	Total
Operating Revenues				
Charges for services	\$ 170,114	\$ 430,815	\$ -	\$ 600,929
Penalties	17,531	-	-	17,531
Other charges	3,430	69,823	-	73,253
Other operating grants	4,749	-	-	4,749
 Total Operating Revenues	 195,824	 500,638	 -	 696,462
Operating Expenses				
Salaries and wages	68,725	106,313	-	175,038
Fringe benefits	25,123	36,339	-	61,462
Utilities and telephone	20,860	39,329	-	60,189
Materials and maintenance	43,157	19,000	-	62,157
Insurance	8,524	8,528	-	17,052
Depreciation	19,891	365,902	-	385,793
Chemicals, lab testing and professional fees	34,533	21,943	-	56,476
Contingencies and miscellaneous	7,176	5,062	-	12,238
 Total Operating Expenses	 227,989	 602,416	 -	 830,405
Operating Income (Loss)	(32,165)	(101,778)	-	(133,943)
Nonoperating Revenues (Expenses)				
Other income	36,664	36,668	-	73,332
Unrealized gains on investments	-	11,689	-	11,689
Interest income	-	339	-	339
Interest expense	-	(124,888)	-	(124,888)
 Total Nonoperating Revenues (Expenses)	 36,664	 (76,192)	 -	 (39,528)
Income (Loss) Before Operating Transfers	4,499	(177,970)	-	(173,471)
Operating Transfers In (Out)	-	(296)	(503)	(799)
 Net Operating Transfers	 -	 (296)	 (503)	 (799)
Change in Net Position	4,499	(178,266)	(503)	(174,270)
Total Net Position - Beginning of Year	152,464	3,570,997	503	3,723,964
Total Net Position - End of Year	\$ 156,963	\$ 3,392,731	\$ -	\$ 3,549,694

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, 2024

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Pump Station Fund</u>	<u>Total</u>
Cash Flows from Operating Activities				
Receipts from customers	\$ 191,189	\$ 496,236	\$ -	\$ 687,425
Other operating grants	4,749	-	-	4,749
Payments to personnel and related expenses	(133,121)	(182,423)	-	(315,544)
Payments to suppliers	(99,481)	(80,648)	-	(180,129)
Net Cash Provided by (Used in) Operating Activities	(36,664)	233,165	-	196,501
Cash Flows from Noncapital Financing Activities				
Transfer from (to) other funds	-	(296)	(503)	(799)
Other income	36,664	36,668	-	73,332
Net Cash Provided by (Used in) Noncapital Financing Activities	36,664	36,372	(503)	72,533
Cash Flows from Capital and Related Financing Activities				
Principal paid on capital debt	-	(102,856)	-	(102,856)
Interest paid on capital debt	-	(124,888)	-	(124,888)
Net Cash Used in Capital and Related Financing Activities	-	(227,744)	-	(227,744)
Cash Flows from Investing Activities				
Interest income	-	339	-	339
Investment income	-	11,689	-	11,689
Net Cash Provided by Investing Activities	-	12,028	-	12,028
Net Increase (Decrease) in Cash	-	53,821	(503)	53,318
Cash - Beginning of Year	3,676	283,774	503	287,953
Cash - End of Year	<u>\$ 3,676</u>	<u>\$ 337,595</u>	<u>\$ -</u>	<u>\$ 341,271</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities				
Operating loss	\$ (32,165)	\$ (101,778)	\$ -	\$ (133,943)
<i>Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities</i>				
Depreciation expense	19,891	365,902	-	385,793
<i>Changes in assets and liabilities</i>				
Receivables, net	114	(4,402)	-	(4,288)
Accounts payable and accrued expenses	11,425	1,977	-	13,402
Pooled cash deficit	3,344	11,237	-	14,581
Customer deposits	-	-	-	-
Compensated absences	(2,608)	(3,105)	-	(5,713)
Deferred outflows - pension	(366)	(366)	-	(732)
Deferred outflows - OPEB	364	361	-	725
Net pension	(27,077)	(27,075)	-	(54,152)
Net OPEB	(355)	(355)	-	(710)
Deferred inflows - pension	(9,221)	(9,221)	-	(18,442)
Deferred inflows - OPEB	(10)	(10)	-	(20)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (36,664)</u>	<u>\$ 233,165</u>	<u>\$ -</u>	<u>\$ 196,501</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, 2024

Custodial Fund

**Kenbridge Recreation
Commission**

Assets

Cash	\$ 12,301
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Total Assets	\$ 12,301
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Liabilities

Amounts held for others	\$ 12,301
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Total Liabilities	\$ 12,301
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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, 2024

	<u>Custodial Fund</u>
	<u>Kenbridge Recreation Commission</u>
Additions	
Interest	\$ 18
Miscellaneous	<u>7,124</u>
Total Additions	7,142
Deductions	
Program and administrative expenses	<u>3,608</u>
Total Deductions	<u>3,608</u>
Net Increase (Decrease) in Fiduciary Net Position	3,534
Net Position - Beginning	<u>8,767</u>
Net Position - Ending	<u><u>\$ 12,301</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, 2024

1 Summary of Significant Accounting Policies

Narrative Profile

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

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

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

1-A. Financial Reporting Entity

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

Individual Component Unit Disclosures

Discretely Presented Component Unit

Industrial Development Authority of the Town of Kenbridge, Virginia

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

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

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

Exclusions from the Reporting Entity

Jointly Governed Organizations

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

There are no jointly governed organizations at this time.

1-B. Financial Reporting Model

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

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

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

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

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

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

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

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

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

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

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

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

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

1-C. Financial Statement Presentation

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

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

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

- *General Fund* – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
- *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:
 - Industrial Park Fund, Equipment Reserve Fund, Farmers Market Fund, Town Park Fund, and ARPA Fund.
- *Capital Projects Funds* – The Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.
- **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, and Pump Station, 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, 2024:

In April 2022, GASB Issued Statement No. 99, Omnibus 2022. The objectives of this Statement are to 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. Certain requirements of this statement have been implemented as of June 30, 2022. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements 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. The requirements of this statement are effective for the fiscal year ending June 30, 2024 for the Town.

In June 2022, GASB Issued Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The requirements of this statement are effective for the fiscal year ending June 30, 2024 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, 2024.

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	\$ 146,706	1 to 2
Annuities	<u>189,596</u>	Less than 1 year
	<u>\$ 336,302</u>	

Credit Risk

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

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

<u>Rating (Moody's or S&P)</u>	<u>Fair Value</u>
A	\$ 189,596
Unrated	<u>146,706</u>
	<u>\$ 336,302</u>

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit - IDA</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Deposits and Investments					
Cash on hand	\$ 174	\$ -	\$ -	\$ -	\$ 174
Demand deposits (Deficit)	323,650	(164,886)	191,777	12,301	362,842
Certificates of deposit	-	146,706	-	-	146,706
Annuities	-	189,596	-	-	189,596
	<u>\$ 323,824</u>	<u>\$ 171,416</u>	<u>\$ 191,777</u>	<u>\$ 12,301</u>	<u>\$ 699,318</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit - IDA</u>	<u>Total</u>
Statement of Net Position				
Deposits and Investments				
Cash and cash equivalents	<u>\$ 323,824</u>	<u>\$ 171,416</u>	<u>\$ 191,777</u>	<u>\$ 687,017</u>
	<u>\$ 323,824</u>	<u>\$ 171,416</u>	<u>\$ 191,777</u>	<u>\$ 687,017</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, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments by Fair Value Level				
Annuities	\$ 189,596	\$ -	\$ -	\$ 189,596
	<u>\$ 189,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,596</u>

4 Receivables

Receivables at June 30, 2024 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	\$ 534,313	\$ -	\$ 534,313	\$ -
Other	15,033	-	15,033	-
Garbage	17,123	-	17,123	-
Water and sewer	-	-	-	84,539
Total	566,469	-	566,469	84,539
Less: Allowance for uncollectibles	(56,027)	-	(56,027)	-
Net Receivables	<u>\$ 510,442</u>	<u>\$ -</u>	<u>\$ 510,442</u>	<u>\$ 84,539</u>

Notes receivable at June 30, 2024 consist of the following:

	<u>Balance July 1, 2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2024</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities					
General Fund					
The Town has a note with 138 Main Street, LLC for the purpose of improvements to 138 Main Street. The note is payable in twenty-four interest only payments and thereafter monthly payments of principal and interest with a stated interest rate of 2.5 percent.	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -
Total Notes Receivable	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>

Remaining principal and interest on notes receivable are as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ -	\$ 22,945
2026	-	25,000
2027	22,858	24,764
2028	25,506	24,204
2029	26,217	23,493
2030-2034	141,309	107,239
2035-2039	160,111	88,438
2040-2044	181,383	67,166
2045-2049	205,564	42,985
2050-2054	232,914	15,633
2055	4,138	9
	<u>\$ 1,000,000</u>	<u>\$ 441,876</u>

5 Interfund Transfers

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

Primary Government

	<u>Transfer (To)</u>	<u>Transfer From</u>
General Fund		
From Sewer for operating costs	\$ -	\$ 296
From Equipment Reserve to close out fund	-	16,170
From Pump Station for operating costs	-	503
From Industrial Park for operating costs	-	2,537
Total General Fund	-	19,506
Sewer Fund		
To General for operating costs	(296)	-
Total Sewer Fund	(296)	-
Equipment Reserve Fund		
To General to close out fund	(16,170)	-
Total Equipment Reserve Fund	(16,170)	-
Town Park Fund		
To Farmer's Market for operating costs	(10)	-
Total Town Park Fund	(10)	-
Pump Station Fund		
To General for operating costs	(503)	-
Total Pump Station Fund	(503)	-
Industrial Park Fund		
To General for operating costs	(2,537)	-
Total Industrial Park Fund	(2,537)	-
Farmer's Market Fund		
From Town Park for operating costs	-	10
Total Farmer's Market Fund	-	10
Total Transfers	<u>\$ (19,516)</u>	<u>\$ 19,516</u>

6 Due from Other Governmental Units

Details of the Town's receivables from other governmental units, as of June 30, 2024, are as follows:

	<u>Governmental Activities</u>
Federal Government	
Virginia Department of Criminal Justice Services	\$ 7,716
	<u>\$ 7,716</u>

7 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Capital Assets Not Being Depreciated				
Land and easements	\$ 166,160	\$ -	\$ -	\$ 166,160
Total Capital Assets Not Being Depreciated	166,160	-	-	166,160
Other Capital Assets				
Buildings and improvements	2,640,536	-	-	2,640,536
Infrastructure	1,152,257	-	-	1,152,257
Furniture, equipment, and vehicles	1,371,505	40,433	-	1,411,938
Total Other Capital Assets	5,164,298	40,433	-	5,204,731
Less: Accumulated depreciation for				
Buildings and improvements	986,506	54,523	-	1,041,029
Infrastructure	535,017	22,916	-	557,933
Furniture, equipment, and vehicles	1,127,276	104,197	-	1,231,473
Total Accumulated Depreciation	2,648,799	181,636	-	2,830,435
Other Capital Assets, Net	2,515,499	(141,203)	-	2,374,296
Net Capital Assets	\$ 2,681,659	\$ (141,203)	\$ -	\$ 2,540,456

Depreciation expense was allocated as follows:

General government administration	\$ 20,341
Public safety	74,679
Public works	68,924
Parks, recreation, and cultural	17,692
Total Depreciation Expense	\$ 181,636

The remainder of this page is left blank intentionally.

Business-Type Activities

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Capital Assets Not Being Depreciated				
Land	\$ 65,589	\$ -	\$ -	\$ 65,589
Total Capital Assets Not Being Depreciated	65,589	-	-	65,589
Other Capital Assets				
Land improvements	41,000	-	-	41,000
Infrastructure	12,354,903	-	-	12,354,903
Furniture, equipment, and vehicles	471,642	-	-	471,642
Total Other Capital Assets	12,867,545	-	-	12,867,545
Less: Accumulated depreciation for				
Land improvements	3,417	2,050	-	5,467
Infrastructure	4,132,531	310,436	-	4,442,967
Furniture, equipment, and vehicles	235,404	73,307	-	308,711
Total Accumulated Depreciation	4,371,352	385,793	-	4,757,145
Other Capital Assets, Net	8,496,193	(385,793)	-	8,110,400
Net Capital Assets	\$ 8,561,782	\$ (385,793)	\$ -	\$ 8,175,989

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 \$45,103 in the governmental activities and \$24,331 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
2025	\$ 468,916	\$ 44,196	\$ 104,267	\$ 97,885
2026	95,970	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	91,383	30,260	112,933	89,219
2030-2034	371,344	102,539	599,397	411,363
2035-2039	323,556	25,891	662,398	348,362
2040-2044	-	-	731,916	278,844
2045-2049	-	-	809,095	201,665
2050-2054	-	-	894,018	116,742
2055-2059	-	-	487,476	39,821
2060-2063	-	-	211,106	6,890
Compensated absences	45,103	-	24,331	-
	<u>\$ 1,568,852</u>	<u>\$ 314,157</u>	<u>\$ 4,962,176</u>	<u>\$ 1,872,009</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, 2024:

	<u>Balance</u> <u>July 1, 2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Due Within</u> <u>One Year</u>
Primary Government					
Governmental Activities					
General Fund					
The Town had a five-year balloon loan with Benchmark Community Bank for the purpose of constructing an addition to the existing firehouse. The loan was renewed June 15, 2021 payable in five annual installments of \$14,946 due on June 15, 2026. Interest in 3.25 percent.	\$ 42,096	\$ -	\$ 13,576	\$ 28,520	\$ 14,003
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%.	672,340	-	32,440	639,900	34,607
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%.	298,762	-	14,039	284,723	15,064
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.	221,843	-	27,760	194,083	28,719
The Town has a line of credit with Benchmark Community Bank up to \$350,000 with an interest rate of 2.83%.	146,523	130,000	100,000	176,523	176,523
The Town has a line of credit with Benchmark Community Bank up to \$1,000,000 with an interest rate of 7.49% for capital projects.	-	598,059	398,059	200,000	200,000
Compensated absences	<u>42,881</u>	<u>2,222</u>	<u>-</u>	<u>45,103</u>	<u>4,510</u>
Total Governmental Activities	1,424,445	730,281	585,874	1,568,852	473,426
Business-Type Activities					
Enterprise Funds					
Water Fund					
Compensated absences	<u>13,271</u>	<u>-</u>	<u>2,608</u>	<u>10,663</u>	<u>1,066</u>
Total Water Fund	13,271	-	2,608	10,663	1,066
Sewer Fund					
The Town issued general obligation sewer bonds Series 2015 with Rural Development with a combined amount of \$3,590,000 to refinance loans #92-01, 92-03, 92-04, 92-05 and finance the rehabilitation of the Town's sewer pump stations. Interest only is due November 2016 then monthly payments will be \$11,058 at a stated interest rate of 2.0% for 40 years.	3,161,701	-	76,076	3,085,625	71,508
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	-	26,780	1,852,220	32,759
Compensated absences	<u>16,773</u>	<u>-</u>	<u>3,105</u>	<u>13,668</u>	<u>1,367</u>
Total Sewer Fund	<u>5,057,474</u>	<u>-</u>	<u>105,961</u>	<u>4,951,513</u>	<u>105,634</u>
Total Business-Type Activities	<u>5,070,745</u>	<u>-</u>	<u>108,569</u>	<u>4,962,176</u>	<u>106,700</u>
Total Primary Government	<u>\$ 6,495,190</u>	<u>\$ 730,281</u>	<u>\$ 694,443</u>	<u>\$ 6,531,028</u>	<u>\$ 580,126</u>

10 Line of Credit

The Town renewed their line of credit with Benchmark Community Bank on October 2023 in the amount of \$350,000. As of June 30, 2024, this line has a balance of \$176,523. Also, the Town has an additional line of credit for capital projects with Benchmark Community Bank in the amount of \$1,000,000. As of June 30, 2024, this line has a balance of \$200,000.

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, 2024 is determined as follows:

	Governmental Activities	Business-Type Activities
Net Investment in Capital Assets		
Cost of capital assets	\$ 5,370,891	\$ 12,933,134
Less: Accumulated depreciation	<u>(2,830,435)</u>	<u>(4,757,145)</u>
Book value	2,540,456	8,175,989
Less: Capital related debt	<u>(1,347,226)</u>	<u>(4,937,845)</u>
Net Investment in Capital Assets	<u>\$ 1,193,230</u>	<u>\$ 3,238,144</u>

12 Deferred Inflows of Resources

Deferred inflows of resources are comprised of the following:

Primary Government

General Fund

Delinquent taxes not collected within 60 days	\$ 186,043
Prepaid property taxes - property taxes paid in advance	11,959
Second half property tax assessments	<u>292,243</u>

Total Deferred Inflows of Resources -
Governmental Funds \$ 490,245

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, 2024, 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>\$ 94,628,486</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 9,462,849
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross debt	<u>1,523,749</u>
Legal Debt Margin - June 30, 2024	<u>\$ 7,939,100</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:

The remainder of this page is left blank intentionally.

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 until age 73.

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 unreduced retirement eligibility date.

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, 2022 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	8
Inactive members:	
Vested inactive members	5
Non-vested inactive members	7
LTD	0
Inactive members active elsewhere in VRS	<u>0</u>
Active members	<u>29</u>
Total covered employees	<u>49</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, 2024 was 6.67% 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 \$43,459 and \$41,427 for the years ended June 30, 2024 and June 30, 2023, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Town of Kenbridge, Virginia the net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022 rolled forward to the measurement date of June 30, 2023.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

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

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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, 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%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	<u>1.00%</u>	1.20%	<u>0.01%</u>
Total	<u>100.00%</u>		<u>5.75%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>8.25%</u>

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022, actuarial valuations, whichever was greater. From July 1, 2023 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

		<u>Increase (Decrease)</u>	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2022	\$ 1,461,157	\$ 1,821,787	\$ (360,630)
Changes for the Year			
Service cost	91,149	-	91,149
Interest	103,111	-	103,111
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	(155,808)	-	(155,808)
Contributions - employer	-	41,427	(41,427)
Contributions - employee	-	28,781	(28,781)
Net investment income	-	119,766	(119,766)
Benefit payments, including refunds of employee contributions	(49,474)	(49,474)	-
Administrative expenses	-	(1,149)	1,149
Other changes	-	49	(49)
Net Changes	(11,022)	139,400	(150,422)
Balances at June 30, 2023	<u>\$ 1,450,135</u>	<u>\$ 1,961,187</u>	<u>\$ (511,052)</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:

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
Political subdivision's Net Pension Liability (Asset)	\$ (325,924)	\$ (511,052)	\$ (658,741)

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

For the year ended June 30, 2024, the Town of Kenbridge, Virginia recognized pension expense of \$2,195. At June 30, 2024, 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	\$ -	\$ 162,472
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	25,749
Employer contributions subsequent to the measurement date	<u>43,459</u>	<u>-</u>
Total	<u>\$ 43,459</u>	<u>\$ 188,221</u>

\$43,459 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30,</u>	
2025	\$ (136,721)
2026	(78,211)
2027	25,939
2028	772
2029	-

Pension Plan Data

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

Payables to the Pension Plan

The political subdivision recognizes \$5,487 of payables to a pension plan outstanding at the end of the reporting period. This amount represents June 2024 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>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program has several components.</p> <ul style="list-style-type: none"> • <i>Natural Death Benefit:</i> – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <i>Accidental Death Benefit:</i> – The accidental death benefit is double the natural death benefit. • <i>Other Benefit Provisions:</i> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> Accidental dismemberment benefit Safety belt benefit Repatriation benefit Felonious assault benefit Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,254 as of June 30, 2024.</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, 2024 was 0.54% of covered employee compensation. This rate was the final approved General Assembly rate which 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 \$3,593 and \$3,328 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. Our proportionate share is reflected in the fringe benefits line item of our financial statements.

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, 2024, the participating employer reported a liability of \$31,422 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The 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, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion was .00262% as compared to .00252% at June 30, 2022.

For the year ended June 30, 2024, the participating employer recognized GLI OPEB expense of \$2,119. 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, 2024, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,138	\$ 954
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,263
Change in assumptions	672	2,177
Changes in proportionate share	4,263	1,100
Employer contributions subsequent to the measurement date	<u>3,538</u>	<u>-</u>
Total	<u><u>\$ 11,611</u></u>	<u><u>\$ 5,494</u></u>

\$3,538 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, 2025. 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:

<u>Year Ended June 30,</u>	
2025	\$ 481
2026	(711)
2027	1,425
2028	864
2029	520
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Inflation	2.50%
Salary 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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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, 2023, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,907,052
Plan Fiduciary Net Position	<u>2,707,739</u>
GLI Net OPEB Liability (Asset)	<u>\$ 1,199,313</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	69.30%

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%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	<u>1.00%</u>	1.20%	<u>0.01%</u>
Total	<u>100.00%</u>		<u>5.75%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>8.25%</u>

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

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

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, 2023, 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 113% of the actuarially determined contribution rate. From July 1, 2023 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:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
State Agency's Proportionate Share of the Group Life Insurance Plan			
Net OPEB Liability	\$ 46,577	\$ 31,422	\$ 19,169

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 2023 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the VRS Group Life Insurance OPEB Plan

The political subdivision recognizes \$699 of payables to a group life insurance OPEB plan outstanding at the end of the reporting period. This amount represents June 2024 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:

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

Employees Covered by Benefit Terms

As of the June 30, 2023 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
Vested inactive members	-
Active members	<u>29</u>
Total covered employees	<u><u>31</u></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, 2024 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 \$522 and \$493 for the years ended June 30, 2024 and June 30, 2023, respectively.

Net HIC OPEB Liability

The Town of Kenbridge, Virginia's net Health Insurance Credit OPEB liability was measured as of June 30, 2023. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2022, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Inflation	2.50%
Salary 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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	<u>1.00%</u>	1.20%	<u>0.01%</u>
Total	<u>100.00%</u>		<u>5.75%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>8.25%</u>

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

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

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, 2023, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2023 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:

		Total HIC OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2022	\$	26,767	\$ 15,028	\$ 11,739
Changes for the Year				
Service cost		716	-	716
Interest		1,844	-	1,844
Benefit changes		-	-	-
Assumption changes		-	-	-
Differences between expected and actual experience		(4,212)	-	(4,212)
Contributions - employer		-	493	(493)
Net investment income		-	933	(933)
Benefit payments, including refunds of employee contributions		(327)	(327)	-
Administrative expenses		-	(23)	23
Other changes		-	(1)	1
Net Changes		(1,979)	1,075	(3,054)
Balances at June 30, 2023	\$	<u>24,788</u>	\$ <u>16,103</u>	\$ <u>8,685</u>

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's Net HIC OPEB Liability	\$ 11,398	\$ 8,685	\$ 6,410

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, 2024, the Town of Kenbridge, Virginia recognized Health Insurance Credit Program OPEB expense \$2,195. At June 30, 2024, 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	\$ 292	\$ 7,838
Net difference between projected and actual earnings on HIC OPEB program investments	-	130
Change in assumptions	13,775	-
Change in proportionate share	-	-
Employer contributions subsequent to the measurement date	522	-
Total	<u>\$ 14,589</u>	<u>\$ 7,968</u>

\$522 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, 2025. 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>	
2025	\$ 595
2026	395
2027	863
2028	1,342
2029	1,688
Thereafter	1,216

Health Insurance Credit Program Plan Data

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

Payables to the Political Subdivision Health Insurance Credit Program OPEB Plan

The political subdivision recognizes \$39 of payables to a health insurance credit program OPEB plan outstanding at the end of the reporting period. This amount represents the June 2024 legally required contributions to the OPEB plan due by July 10 per VRS reporting requirements

20 Aggregate OPEB Information

	Primary Government			
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
VRS OPEB Plans				
<i>Group Life Insurance</i>				
Primary Government	\$ 11,611	\$ 5,494	\$ 31,422	\$ 2,119
<i>Health Insurance Credit</i>				
Primary Government	<u>14,589</u>	<u>7,968</u>	<u>8,685</u>	<u>2,195</u>
Totals	<u>\$ 26,200</u>	<u>\$ 13,462</u>	<u>\$ 40,107</u>	<u>\$ 4,314</u>

21 Fund Balances – Governmental Funds

As of June 30, 2024, fund balances are composed of the following:

	Primary Government					
	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Capital Projects Fund</u>	<u>Farmers Market Fund</u>	<u>Town Park Fund</u>	<u>Total Governmental Funds</u>
Assigned for						
Farmers Market	\$ -	\$ -	\$ -	\$ 1,485	\$ -	\$ 1,485
Town park improvements	-	-	-	-	11,141	11,141
Restricted for						
Debt service	4,334	-	-	-	-	4,334
ARPA grant	-	1,531	-	-	-	1,531
Capital projects	-	-	1,000,042	-	-	1,000,042
Nonspendable						
Inventory	<u>1,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,727</u>
	<u>\$ 6,061</u>	<u>\$ 1,531</u>	<u>\$ 1,000,042</u>	<u>\$ 1,485</u>	<u>\$ 11,141</u>	<u>\$ 1,020,260</u>

22 Upcoming Pronouncements

GASB Statement No. 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of the financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102, *Certain Risk Disclosures* – The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

23 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2024 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2024. Management has performed their analysis through March 29, 2025.

REQUIRED SUPPLEMENTARY INFORMATION



Town of Kenbridge, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2024

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Real property taxes	\$ 336,384	\$ 336,384	\$ 335,954	\$ (430)
Personal property taxes	114,517	114,517	132,484	17,967
Delinquent taxes - real estate	11,000	11,000	16,918	5,918
Delinquent taxes - personal property	4,100	4,100	9,789	5,689
Interest on taxes	11,000	11,000	11,063	63
Penalties on taxes	<u>7,500</u>	<u>7,500</u>	<u>15,509</u>	<u>8,009</u>
Total General Property Taxes	484,501	484,501	521,717	37,216
Other Local Taxes				
Local sales and use taxes	40,500	40,500	40,921	421
Utility taxes	42,740	42,740	45,097	2,357
Business license taxes	182,850	182,850	94,447	(88,403)
Meals tax	84,000	84,000	82,043	(1,957)
Franchise taxes	5,430	5,430	5,353	(77)
Motor vehicle licenses	33,285	33,285	31,482	(1,803)
Bank stock tax	<u>56,000</u>	<u>56,000</u>	<u>62,828</u>	<u>6,828</u>
Total Other Local Taxes	444,805	444,805	362,171	(82,634)
Fines and Forfeitures	1,200	1,200	4,271	3,071
Permits, Fees, and Licenses	6,200	6,200	3,575	(2,625)
Revenue from Use of Money and Property				
Revenue from use of money	230	230	8,665	8,435
Revenue from use of property	<u>48,700</u>	<u>48,700</u>	<u>56,615</u>	<u>7,915</u>
Total Revenue from Use of Money and Property	48,930	48,930	65,280	16,350
Charges for Services				
Garbage collection	<u>145,000</u>	<u>145,000</u>	<u>143,613</u>	<u>(1,387)</u>
Total Charges for Services	145,000	145,000	143,613	(1,387)
Recovered Costs				
Fire Department	50,158	50,158	50,154	(4)
Miscellaneous	1,200	1,200	1,550	350
DMV stop pay	<u>3,100</u>	<u>3,100</u>	<u>3,931</u>	<u>831</u>
Total Recovered Costs	54,458	54,458	55,635	1,177
Miscellaneous	9,275	9,275	3,443	(5,832)
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Communication tax	23,000	23,000	20,509	(2,491)
Rolling stock tax	142	142	104	(38)
Personal Property Tax Relief Act	<u>62,715</u>	<u>62,715</u>	<u>45,363</u>	<u>(17,352)</u>
Total Noncategorical Aid	85,857	85,857	65,976	(19,881)

Variance
With
Final Budget
Positive
(Negative)

Original
Budget

Final
Budget

Actual

Categorical Aid

State aid law enforcement	40,146	40,146	40,178	32
Litter grant	1,329	1,329	3,680	2,351
VRSA - safety grant	-	-	2,000	2,000
Virginia Outdoor Foundation grant	-	-	87,725	87,725
Emergency response and recovery	-	-	3,643	3,643
Fire program fund	15,000	15,000	15,000	-
Total Categorical Aid	56,475	56,475	152,226	95,751

Total Revenue from the Commonwealth
of Virginia

142,332 142,332 218,202 75,870

Revenue from the Federal Government

Police officer - Byrne grant	-	-	3,726	3,726
Dept. of Human Resources grant	13,650	13,650	-	(13,650)
DCJS - ARPA grant	104,001	104,001	151,000	46,999
Law enforcement block grant	3,000	3,000	-	(3,000)
Total Revenue from the Federal Government	120,651	120,651	154,726	34,075

Total Intergovernmental Revenue

262,983 262,983 372,928 109,945

Total Revenues

1,457,352 1,457,352 1,532,633 75,281

Expenditures

General Government Administration

Mayor, Vice Mayor, and Town Council	10,800	10,800	9,825	975
Professional fees	15,250	15,250	22,295	(7,045)
Town Manager/administration	195,713	195,713	195,385	328
Treasurer	90,430	90,430	101,585	(11,155)
Total General Government Administration	312,193	312,193	329,090	(16,897)

Public Safety

Police Department	459,056	459,056	495,272	(36,216)
Fire Department	74,470	74,470	86,089	(11,619)
Rescue Squad	10,000	10,000	27,032	(17,032)
Total Public Safety	543,526	543,526	608,393	(64,867)

Public Works

Maintenance of highways, streets, bridges, and sidewalks	25,000	25,000	24,071	929
Refuse collection and disposal	325,303	325,303	331,886	(6,583)
Maintenance of buildings and grounds	84,035	84,035	92,519	(8,484)
Total Public Works	434,338	434,338	448,476	(14,138)

Parks, Recreation, and Cultural

Library	8,265	8,265	8,265	-
Town park and recreation	3,700	3,700	89,039	(85,339)
Total Parks, Recreation, and Cultural	11,965	11,965	97,304	(85,339)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Community Development				
Airport	1,500	1,500	3,133	(1,633)
Bus service	<u>8,480</u>	<u>8,480</u>	<u>9,158</u>	<u>(678)</u>
Total Community Development	9,980	9,980	12,291	(2,311)
Debt Service	<u>145,350</u>	<u>145,350</u>	<u>249,130</u>	<u>(103,780)</u>
Total Expenditures	<u>1,457,352</u>	<u>1,457,352</u>	<u>1,744,684</u>	<u>(287,332)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(212,051)	(212,051)
Other Financing Sources (Uses)				
Issuance of debt	-	-	130,000	130,000
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>19,506</u>	<u>19,506</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>149,506</u>	<u>149,506</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(62,545)	<u>\$ (62,545)</u>
Fund Balance - Beginning of Year			<u>309,998</u>	
Fund Balance - End of Year			<u>\$ 247,453</u>	

ARPA Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Revenue from Use of Money and Property	-	-	186	186
Recovered Costs	-	-	-	-
Intergovernmental				
<i>Revenue from the Federal Government</i>				
American Rescue Plan Act	-	-	161,985	161,985
Total Revenue from the Federal Government	-	-	161,985	161,985
Total Intergovernmental Revenue	-	-	161,985	161,985
Total Revenues	-	-	162,171	162,171
Expenditures				
Public Works				
Capital Outlay	-	-	162,020	(162,020)
Total Public Works	-	-	162,020	(162,020)
Total Expenditures	-	-	162,020	(162,020)
Excess (Deficiency) of Revenues Over Expenditures	-	-	151	151
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	151	<u>\$ 151</u>
Fund Balance - Beginning of Year			<u>1,380</u>	
Fund Balance (Deficit) - End of Year			<u>\$ 1,531</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 (in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service cost	\$ 91,149	\$ 49,730	\$ 41,672	\$ 47,222	\$ 43,152	\$ 42,108	\$ 41,168	\$ 49,654	\$ 41,981	\$ 44,982
Interest	103,111	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	(155,808)	(320,908)	(28,691)	26,153	46,479	113,827	19,893	21,149	(29,285)	-
Benefit Payments	(49,474)	(68,471)	(101,234)	(84,449)	(76,636)	(88,884)	(65,466)	(63,746)	(60,408)	(85,943)
Net change in total pension liability	(11,022)	(214,952)	88,026	87,374	147,038	148,315	63,036	79,241	22,981	26,951
Total pension liability - beginning	1,461,157	1,676,109	1,588,083	1,500,709	1,353,671	1,205,356	1,142,320	1,063,079	1,040,098	1,013,147
Total pension liability - ending (a)	\$ 1,450,135	\$ 1,461,157	\$ 1,676,109	\$ 1,588,083	\$ 1,500,709	\$ 1,353,671	\$ 1,205,356	\$ 1,142,320	\$ 1,063,079	\$ 1,040,098
Plan fiduciary net position										
Contributions - employer	\$ 41,427	\$ 49,296	\$ 33,244	\$ 20,417	\$ 21,614	\$ 19,569	\$ 18,935	\$ 24,346	\$ 23,175	\$ 20,926
Contributions - employee	28,781	25,655	21,522	20,765	21,803	33,955	19,928	19,780	18,760	16,958
Net investment income	119,766	(2,838)	393,992	28,289	94,603	98,814	150,517	21,424	54,852	167,496
Benefit Payments, including refunds	(49,474)	(68,471)	(101,234)	(84,449)	(76,636)	(88,884)	(65,466)	(63,746)	(60,408)	(85,943)
Administrator charges	(1,149)	(1,118)	(990)	(979)	(945)	(864)	(878)	(775)	(758)	(932)
Other	49	43	37	(33)	(59)	(89)	(133)	(9)	(12)	9
Net change in plan fiduciary net position	139,400	2,567	346,571	(15,990)	60,380	62,501	122,903	1,020	35,609	118,514
Plan fiduciary net position - beginning	1,821,787	1,819,220	1,472,649	1,488,639	1,428,259	1,365,758	1,242,855	1,241,835	1,206,226	1,087,712
Plan fiduciary net position - ending (b)	\$ 1,961,187	\$ 1,821,787	\$ 1,819,220	\$ 1,472,649	\$ 1,488,639	\$ 1,428,259	\$ 1,365,758	\$ 1,242,855	\$ 1,241,835	\$ 1,206,226
Political subdivision's net pension liability (asset) - ending (a - b)	\$ (511,052)	\$ (360,630)	\$ (143,111)	\$ 115,434	\$ 12,070	\$ (74,588)	\$ (160,402)	\$ (100,535)	\$ (178,756)	\$ (166,128)
Plan fiduciary net position as a percentage of the total Pension liability	-35.24%	-24.68%	-8.54%	7.27%	0.80%	-5.51%	-13.31%	-8.80%	-16.81%	-15.97%
Covered payroll	\$ 616,240	\$ 548,247	\$ 467,715	\$ 450,131	\$ 468,046	\$ 440,831	\$ 419,206	\$ 415,844	\$ 380,391	\$ 338,266
Political subdivision's net pension liability as a percentage of covered payroll	-120.58%	-152.02%	-326.82%	389.95%	3877.76%	-591.02%	-261.35%	-413.63%	-212.80%	-203.62%

Town of Kenbridge, Virginia

Schedule of Employer Contributions - Pension

For the Years Ended June 30, 2015 through 2024

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)		
2024	\$ 43,459	\$ 43,459	\$ -	\$ 652,029		6.67%
2023	44,244	44,244	-	616,240		7.18%
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%

* 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, 2024

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	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 2023

	<u>2023</u>	<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)	0.00262%	0.00252%	0.00227%	0.00219%	0.00239%	0.00232%	0.00227%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 31,422	\$ 30,343	\$ 26,429	\$ 36,547	\$ 38,892	\$ 35,000	\$ 34,000
Employer's Covered Payroll	\$ 616,240	\$ 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	5.10%	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	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

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

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 pages 130 and 131 of the VRS 2023 Annual Report.

Town of Kenbridge, Virginia

Schedule of Employer Contributions

Group Life Insurance OPEB Plan

For the Years Ended June 30, 2015 through 2024

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Payroll (5)
2024	\$ 3,538	\$ 3,538	\$ -	\$ 655,195	0.54%
2023	3,328	3,328	-	616,240	0.54%
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%

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, 2024

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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, 2023, 2022, 2021, 2020, 2019, 2018 and 2017

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total HIC OPEB liability							
Service cost	\$ 716	\$ 712	\$ 532	\$ 631	\$ 574	\$ 540	\$ 489
Interest	1,844	886	865	809	765	747	731
Changes in benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	(4,212)	(5,252)	(1,512)	347	589	187	-
Changes of assumptions	-	18,284	362	-	260	-	91
Benefit Payments	(327)	(547)	(775)	(1,135)	(1,119)	(1,320)	(833)
Net change in total HIC OPEB liability	(1,979)	14,083	(528)	652	1,069	154	478
Total HIC OPEB liability - beginning	26,767	12,684	13,212	12,560	11,491	11,337	10,859
Total HIC OPEB liability - ending (a)	\$ 24,788	\$ 26,767	\$ 12,684	\$ 13,212	\$ 12,560	\$ 11,491	\$ 11,337
Plan fiduciary net position							
Contributions - employer	\$ 493	\$ 822	\$ 702	\$ 586	\$ 608	\$ 529	\$ 503
Net investment income	933	9	3,069	240	747	848	1,251
Benefit Payments	(327)	(547)	(775)	(1,135)	(1,119)	(1,320)	(833)
Administrator charges	(23)	(26)	(37)	(22)	(16)	(19)	(20)
Other	(1)	-	-	-	(1)	(84)	65
Net change in plan fiduciary net position	1,075	258	2,959	(331)	219	(46)	966
Plan fiduciary net position - beginning	15,028	14,770	11,811	12,142	11,923	11,969	11,003
Plan fiduciary net position - ending (b)	\$ 16,103	\$ 15,028	\$ 14,770	\$ 11,811	\$ 12,142	\$ 11,923	\$ 11,969
Political subdivision's net HIC OPEB liability (asset) - ending (a) - (b)	\$ 8,685	\$ 11,739	\$ (2,086)	\$ 1,401	\$ 418	\$ (432)	\$ (632)
Plan fiduciary net position as a percentage of the total HIC OPEB liability	64.96%	56.14%	116.45%	89.40%	96.67%	103.76%	105.57%
Covered payroll	\$ 616,240	\$ 548,247	\$ 467,715	\$ 450,131	\$ 468,046	\$ 440,831	\$ 419,206
Political subdivision's net HIC OPEB liability as a percentage of covered payroll	1.41%	2.14%	-0.45%	0.31%	0.09%	-0.10%	-0.15%

Schedule is intended to show information for 10 years.
Since 2023 is the seventh year of presentation, only seven 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, 2015 through 2024

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2024	\$ 522	\$ 522	\$ -	\$ 652,029	0.08%
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%

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, 2024

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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, 2024

	Industrial Park Fund #90	Equipment Reserve Fund #40	Farmers Market Fund #43	Town Park Fund #57	Total Other Governmental Funds
Assets					
Cash and investments	\$ -	\$ -	\$ 1,485	\$ 11,141	\$ 12,626
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,485</u>	<u>\$ 11,141</u>	<u>\$ 12,626</u>
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance					
Assigned	<u>-</u>	<u>-</u>	<u>1,485</u>	<u>11,141</u>	<u>12,626</u>
Total Fund Balance	<u>-</u>	<u>-</u>	<u>1,485</u>	<u>11,141</u>	<u>12,626</u>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,485</u>	<u>\$ 11,141</u>	<u>\$ 12,626</u>

Town of Kenbridge, Virginia

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

Other Governmental Funds

At June 30, 2024

	Industrial Park Fund #90	Equipment Reserve Fund #40	Farmers Market Fund #43	Town Park Fund #57	Total Other Governmental Funds
Revenues					
Use of money and property	\$ 3	\$ 36	\$ 623	\$ -	\$ 662
Miscellaneous	-	-	21	5,010	5,031
Total Revenues	3	36	644	5,010	5,693
Expenditures					
Parks, recreation, and cultural	-	-	498	1,314	1,812
Total Expenditures	-	-	498	1,314	1,812
Excess (Deficiency) of Revenues over Expenditures	3	36	146	3,696	3,881
Other Financing Sources (Uses)					
Transfers	(2,537)	(16,170)	10	(10)	(18,707)
Total Other Financing Sources (Uses)	(2,537)	(16,170)	10	(10)	(18,707)
Net Change in Fund Balances	(2,534)	(16,134)	156	3,686	(14,826)
Fund Balance - Beginning of Year	2,534	16,134	1,329	7,455	27,452
Fund Balance - End of Year	\$ -	\$ -	\$ 1,485	\$ 11,141	\$ 12,626

Town of Kenbridge, Virginia

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

Statement of Net Position

June 30, 2024

Assets

Current Assets

Cash	\$ 191,777
Total Assets	\$ 191,777

Liabilities and Net Position

Liabilities	\$ -
Total Liabilities	-

Net Position

Unrestricted	191,777
Total Net Position	191,777
Total Liabilities and Net Position	\$ 191,777

Town of Kenbridge, Virginia

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

Statement of Activities

Year Ended June 30, 2024

Operating Income	\$ <u> -</u>
Operating Expenses	<u> -</u>
Operating Income (Loss)	-
Non-Operating Revenues (Expenses)	
Interest income	<u> 287</u>
Non-Operating Revenues (Expenses)	<u> 287</u>
Change in Net Position	287
Total Net Position - Beginning of Year	<u> 191,490</u>
Total Net Position - End of Year	<u><u> \$ 191,777</u></u>

Town of Kenbridge, Virginia

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

Statement of Cash Flows

Year Ended June 30, 2024

Cash Flows from Operating Activities

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

Net Cash Provided by (Used in) Operating Activities	-
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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	191,490
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Cash and Cash Equivalents - End of Year	\$ 191,777
---	------------

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

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

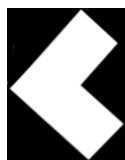
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities

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, 2024, 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 March 29, 2025.

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.

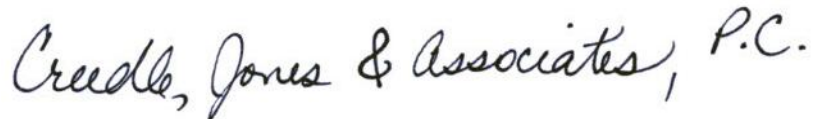
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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
March 29, 2025



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, 2024. 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, 2024.

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
March 29, 2025

Town of Kenbridge, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

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>
U. S. Department of Justice			
Pass-Through Payments			
<i>Virginia Department of Criminal Justice Services</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	140	\$ 3,726
U.S. Department of Health and Human Services			
Pass-Through Payments			
<i>Virginia Department of Health</i>			
Preventative Health and Health Services Block Grant	93.991	601	4,749
U. S. Department of Treasury			
Direct Payments			
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	161,985
Pass-Through Payments			
<i>Virginia Department of Housing and Community Development</i>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	165	682,309
<i>Virginia Department of Criminal Justice Services</i>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	140	151,000
Subtotal U.S. Department of Treasury			<u>995,294</u>
Grand Totals			<u><u>\$ 1,003,769</u></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, 2024

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, 2024. 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.

Town of Kenbridge, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

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:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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21.027	Coronavirus State and Local Fiscal Recovery Funds
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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