

TOWN OF RICHLANDS, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

TOWN OF RICHLANDS, VIRGINIA
 FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2025

TABLE OF CONTENTS

INTRODUCTORY SECTION

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

FINANCIAL SECTION

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

Basic Financial Statements:	<u>Exhibit</u>	<u>Page</u>
-----------------------------	----------------	-------------

Government-Wide Financial Statements:		
Statement of Net Position.....	1	17
Statement of Activities.....	2	18
Fund Financial Statements:		
Balance Sheet – Governmental Fund	3	19
Reconciliation of the Balance sheet of Governmental Fund to the Statement of Net Position	4	20
Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Fund	5	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Fund to the Statement of Activities.....	6	22
Statement of Net Position – Proprietary Funds	7	23
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	8	24
Statement of Cash Flows – Proprietary Funds.....	9	25
Notes to Financial Statements		26-69

Required Supplementary Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:		
General Fund.....	10	70
Pension Plan:		
Schedule of Changes in Net Pension Liability and Related Ratios	11	71
Schedule of Employer Contributions	12	72
Notes to Required Supplementary Information.....	13	73
Other Postemployment Benefits – Line of Duty Act (LODA) Program		
Schedule of Employer’s Share of NET LODA OPEB Liability	14	74
Schedule of Employer Contributions	15	75
Notes to Required Supplementary Information.....	16	76

Other Supplementary Information:

Supporting Schedules:	<u>Schedule</u>	<u>Page</u>
Schedule of Revenues – Budget and Actual – Governmental Fund	1	77-79
Schedule of Expenditures – Budget and Actual – Governmental Fund	2	80-81

TOWN OF RICHLANDS, VIRGINIA
 FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2025

TABLE OF CONTENTS (CONTINUED)

	<u>Table</u>	<u>Page</u>
Statistical Information:		
Government-Wide Information:		
Government-Wide Expenses by Function	1	82
Government-Wide Revenues	2	83
Fund Information:		
General Governmental Expenditures by Function	3	84
General Governmental Revenues by Source	4	85
Property Tax Levies and Collections	5	86
Assessed Value of Taxable Property	6	87
Property Tax Rates	7	88
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	8	89
Computation of Legal Debt Margin	9	90
 COMPLIANCE SECTION		
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>		91-92
Schedule of Findings and Responses		93

INTRODUCTORY SECTION

TOWN OF RICHLANDS, VIRGINIA

TOWN COUNCIL

Rod Cury, Mayor

Seth White

Laura Mollo

Rick Wood

Jannis White

Gary Jackson

Jordan Bales

OTHER OFFICIALS

Don Marr.....Interim Town Manager

Ronnie Campbell..... Director of Finance

FINANCIAL SECTION

Tucker, Brandenburg & Company, PLLC

Gregory D. Tucker, CPA
Member: AICPA, VASCPA, NCSCPA
Licensed in: VA, TN
gtucker@bthcpa.com

Bob D. Brandenburg, CPA
Member: AICPA, VASCPA
Licensed in: VA
bbrandenburg@bthcpa.com

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 505, Lebanon, VA 24266
(276) 889-3103

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Richlands, Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Richlands, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Richlands, Virginia, as of June 30, 2025, 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; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Richlands, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Richlands, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Richlands, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Richlands, Virginia's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis other required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Richlands, Virginia's basic financial statements. The accompanying supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2026, on our consideration of the Town of Richlands, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Richlands, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Richlands, Virginia's internal control over financial reporting and compliance.

Lucker, Brandenburg & Company, PLLC

Lebanon, Virginia
January 29, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) offers the readers of the Town of Richlands, Virginia (the Town) financial statements a narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2025.

Financial Highlights for Fiscal Year 2025

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$21,089,043 (net position). At June 30, 2025, the Town had unrestricted net position of (\$11,427,416).
- The Town's total net position decreased by \$161,964 compared to a decrease of \$375,886 in the prior year.
- The Town's total liabilities at the close of the current fiscal year were \$24,416,037, including \$21,108,161 in long-term obligations.
- Long-term obligations primarily represent amounts due on the Town's general obligation and revenue bonds, net pension liability and notes payable.
- As of the close of the current fiscal year, the Town's general fund reported an ending fund balance of \$4,094,550, an increase of \$177,050 from the prior year fund balance.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$4,008,548, or 37.72% of total general fund expenditures.
- At the close of the current fiscal year, the Town had construction in progress projects totaling \$13,688,827, which include the natural gas generation project (\$12,568,035) and engineering services and construction for the water and wastewater treatment plant upgrade & improvements (\$1,120,792).
- During the current fiscal year, the Town purchased several pieces of equipment including two loaders, several vehicles, and fire equipment totaling \$1,271,482.

Financial Highlights for Fiscal Year 2024 (Continued)

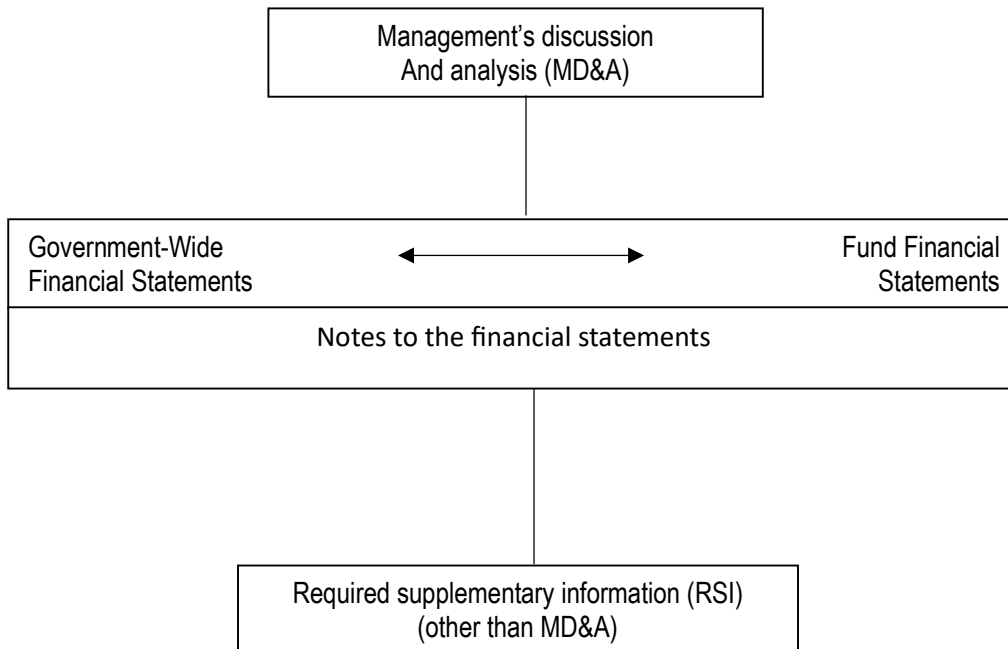
- The Town had one revenue bond at the end of the current fiscal year with a total balance of \$291,484.
- The Town had general obligation bonds at June 30, 2025, with an ending balance of \$1,011,334.
- The Town had capital leases at June 30, 2025, with an ending balance of \$406,077 in governmental activities and \$844,366 in business-type activities.
- The Town had a line of credit at June 30, 2025, with an outstanding balance of \$9,644,990 in business-type activities. The balance on the line of credit represents the activity for the power generation capacity project, the balance of which is intended to be refinanced by the Series 2024 and Series 2025 general obligation notes with First Bank and Trust Company.

Overview of the Financial Statements

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

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

Figure A
Required Components of Richland's Financial Statements



Government-Wide Financial Statements

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

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

The government-wide financial statements can be found on page 17-18 of this report.

Fund Financial Statements

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

Governmental Funds

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

The Town reports one major government fund:

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

The basic governmental fund financial statements can be found on pages 19 and 21 of this report.

Proprietary Funds

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

Proprietary Funds (Continued)

The Town reports the following major proprietary funds:

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

The basic proprietary fund statements can be found on pages 23-25 of this report.

Budgetary Comparison

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-69 of this report.

Government-Wide Financial Analysis

Statement of Net Position

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

**Table 1
Summary of Net Position
As of June 30, 2025**

	Governmental		Business-type		Totals	
	Activities		Activities		2024	2025
	2024	2025	2024	2025	2024	2025
Current and other assets	\$ 7,235,517	\$ 5,797,401	\$ 8,937,741	\$ 4,064,884	\$ 16,173,258	\$ 9,862,285
Capital assets	10,627,060	12,220,674	9,321,776	22,289,059	19,948,836	34,509,733
Total assets	17,862,577	18,018,075	18,259,517	26,353,943	36,122,094	44,372,018
Deferred outflows of resources	1,112,036	1,652,829	318,380	511,169	1,430,416	2,163,998
Long-term liabilities	6,955,740	7,162,724	3,749,926	13,945,437	10,705,666	21,108,161
Other liabilities	3,196,690	1,554,899	1,689,216	1,752,977	4,885,906	3,307,876
Total liabilities	10,152,430	8,717,623	5,439,142	15,698,414	15,591,572	24,416,037
Deferred inflows of resources	850,650	917,238	106,081	113,698	956,731	1,030,936
Net position:						
Net investment in capital assets	10,187,675	11,444,216	7,886,920	20,986,241	18,074,595	32,430,457
Restricted	275,436	86,002	-	-	275,436	86,002
Unrestricted	(2,491,578)	(1,494,175)	5,145,754	(9,933,241)	2,654,176	(11,427,416)
Total net position	\$ 7,971,533	\$ 10,036,043	\$ 13,032,674	\$ 11,053,000	\$ 21,004,207	\$ 21,089,043

Statement of Net Position (Continued)

Over time, net position may serve as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$21,089,043 at the close of fiscal year 2024. The largest portion of the Town's net position 153.78%, reflects its net investment in capital assets (e.g., land, buildings, plant in service, machinery and equipment), less any outstanding related debt used to acquire those assets. The Town uses these capital assets to provide services to citizens and consequently, these assets are not available for future spending. Since the capital assets themselves cannot be used to pay the related debt, the resources needed to service this debt must be provided from other sources.

Statement of Activities

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

Table 2
Changes in Net Position
For the Fiscal Year Ended June 30, 2025

	Governmental		Business-Type	
	Activities		Activities	
	2024	2025	2024	2025
Revenues:				
Program revenues:				
Charges for services	\$ 1,320,120	\$ 1,459,897	\$ 9,620,630	\$ 10,582,943
Operating grants & contributions	2,331,634	4,256,969	-	-
General revenue:				
Property taxes	698,293	706,075	-	-
Other local taxes	2,949,657	2,896,364	-	-
Unrestricted investment earnings	8,309	1,959	31,735	38,517
Other/miscellaneous	306,250	133,369	2,194	25,679
Grants and contributions not restricted	16,196	4,484	-	-
Total revenues	<u>7,630,459</u>	<u>9,459,117</u>	<u>9,654,559</u>	<u>10,647,139</u>
Expenses:				
General government administration	1,339,275	1,858,638	-	-
Public safety	3,521,478	3,587,251	-	-
Public works	2,120,870	2,514,854	-	-
Parks, recreation, culture	421,325	382,776	-	-
Community development	30,908	110,956	-	-
Nondepartmental	13,877	18,900	-	-
Electric	-	-	7,124,202	8,352,055
Water & sewer	-	-	3,088,969	3,442,790
Total expenses	<u>7,447,733</u>	<u>8,473,375</u>	<u>10,213,171</u>	<u>11,794,845</u>
Excess (deficiency)	182,726	985,742	(558,612)	(1,147,706)
Transfers	551,738	910,499	(551,738)	(910,499)
Change in net position	<u>734,464</u>	<u>1,896,241</u>	<u>(1,110,350)</u>	<u>(2,058,205)</u>
Net position-July 1	7,237,069	7,971,533	14,143,024	13,032,674
Prior period adjustment - GASB 101 implementation	-	168,269	-	78,531
Net position-June 30	<u>\$ 7,971,533</u>	<u>\$ 10,036,043</u>	<u>\$ 13,032,674</u>	<u>\$ 11,053,000</u>

Statement of Activities (Continued)

During the current fiscal year, the Town's net position decreased by \$161,964. This is comprised of an increase from governmental activities of \$1,896,241 and a decrease in business type activities of \$2,058,205.

Governmental activities – Governmental activities increased the Town's net position by \$1,896,241. Additional factors are noted below.

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

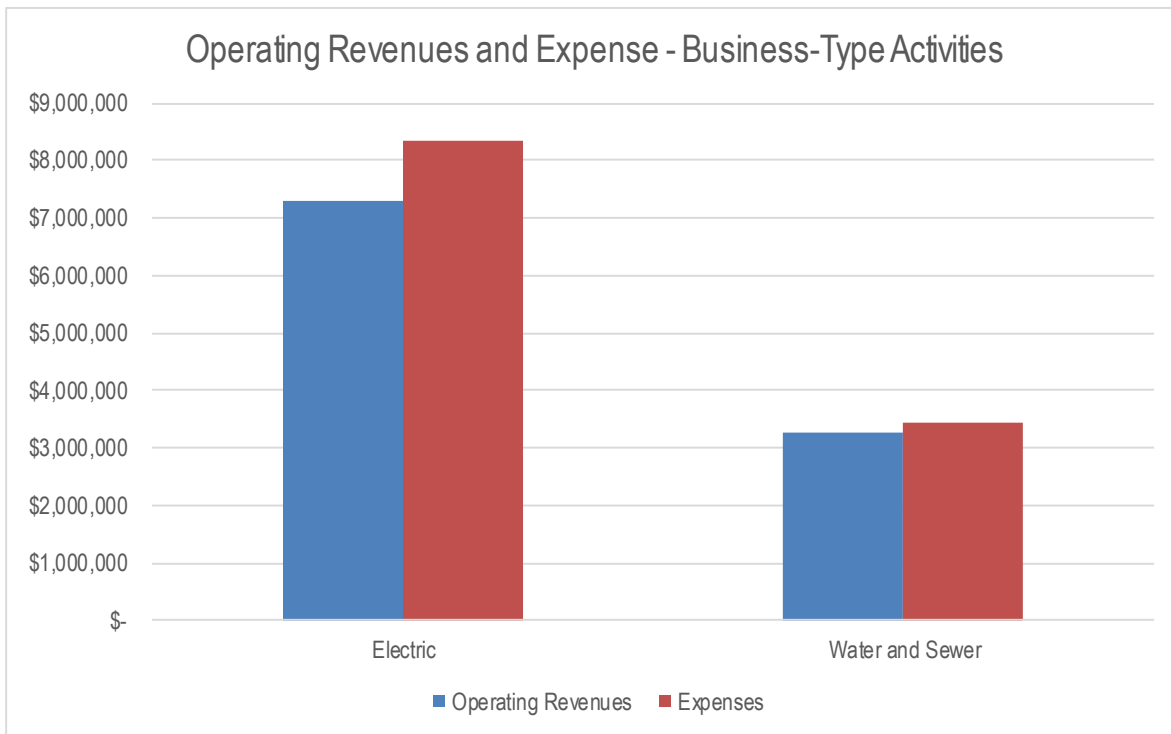
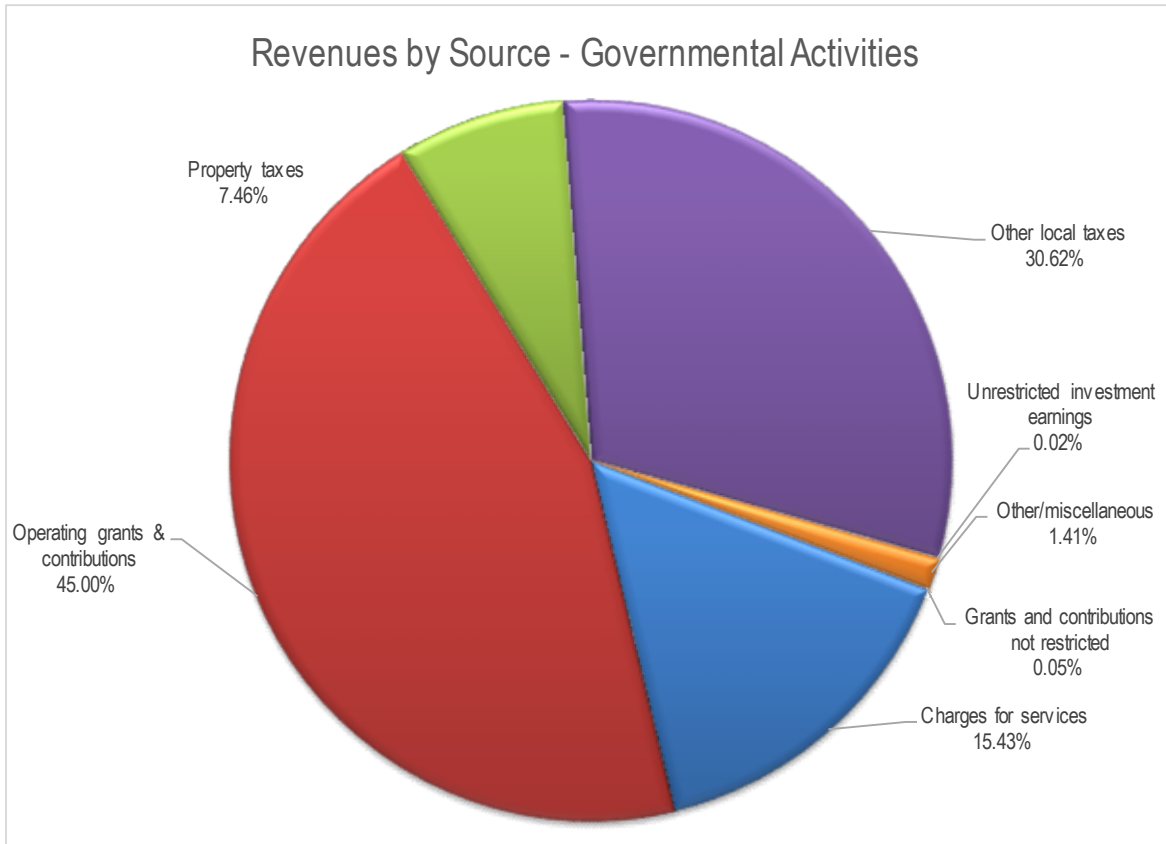
Expenses for governmental activities totaled \$9,459,117 with general governmental (21.94%), public safety (42.34%), public works (29.68%), accounting for approximately 93.95% of total governmental expenses. General government expenses administration increased by \$519,365, public safety increased by \$65,773, public works expenses increased by \$393,984, parks, recreation and culture decreased by \$38,549, and community development increased by \$80,048. The increase in expenses for public works was largely due to an increase in VDOT reimbursed expenses. The increase in general administration was due primarily to increases in payroll-related expenses.

Business-type activities – Net position of the business-type activities was \$11,053,000 at June 30, 2025. This was a decrease of \$2,058,205 from the prior year net position, as opposed to an increase of \$1,110,350 in the prior year. This is as a result of an increase in expenses partially offset by an increase in revenues.

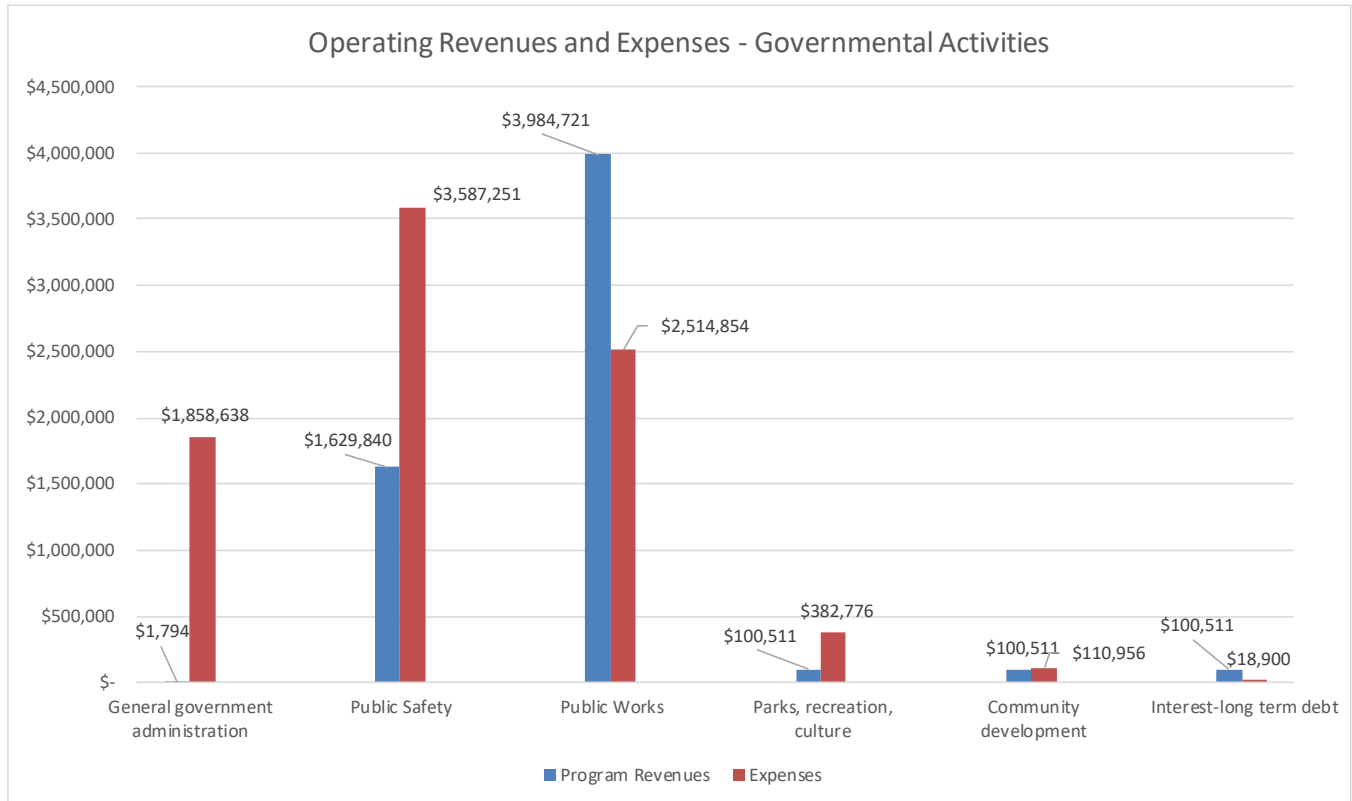
Total revenues for the business-type activities totaled \$10,647,139, of which \$10,582,943 is charges for services. Expenses totaled \$11,794,845.

- Operating revenues increased from the prior year by \$992,580.
- Proprietary operating expenses increased from the prior year by \$1,581,674.

Statement of Activities (Continued)



Statement of Activities (Continued)



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The general fund is the government's primary operating fund. At the end of the current fiscal year, the Town's general fund reported an ending fund balance of \$4,094,550, including an unassigned fund balance of \$4,008,548. Unassigned fund balance represents approximately 37.72% of total fund expenditures.

The fund balance of the Town's general fund increased during the current fiscal year by \$177,050 from current year activities. Total revenues increased by \$1,828,658 due primarily to an increase in grant revenues. Total expenditures increased by \$1,025,642, which is significantly due to an increase in payroll related expenses and VDOT reimbursed expenses.

Proprietary funds

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

Unrestricted net position of the electric and water and sewer funds amounted to \$1,118,225 and (\$11,051,466), respectively. The total decrease in net position was \$2,058,205 during the current fiscal year.

Electric fund

The electric fund net position decreased by \$1,463,039 from current year activities in fiscal year 2025 compared to a prior year decrease of \$627,948. The decrease from one year to the next was a result of an increase in expenses partially offset by an increase in revenues.

Water and Sewer fund

The water and sewer fund net position decreased by \$595,166 from current year activities in fiscal year 2025 compared to the prior year increase of \$482,402. The decrease in the change in net position was a result of an increase in operating expenses partially offset by an increase in operating revenues.

General Fund Budgetary Highlights

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

- Actual revenues were more than budgeted revenues by \$2,154,691. The variance is largely the result of recognizing previously deferred revenues for state highway funds.
- Actual expenditures were more than budgeted expenditures by \$1,362,611. This is a result of higher than anticipated capital outlays.

General Fund Budgetary Highlights (Continued)

**General Fund
Condensed Budget vs. Actual
Fiscal Year ended June 30, 2025**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues	\$ 7,261,780	\$ 7,261,780	\$ 9,416,471
Expenditures	9,264,569	9,264,569	10,627,179
Other Financing Sources	739,200	739,200	1,387,758
Change in Fund Balance	\$(1,263,589)	\$(1,263,589)	\$ 177,050

Capital Asset and Debt Administration

Capital Assets

The Town's net investment in capital assets for its governmental and business-type activities as of June 30, 2025, amounts to \$32,430,457. The net investment in capital assets includes land, construction in progress, buildings and improvements, improvements other than buildings, equipment, and public domain infrastructure additions in the current fiscal year.

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

- Capital asset acquisitions in governmental activities totaled \$2,715,518 (gross) in the current fiscal year. This was for machinery and equipment (\$2,271,482), buildings (\$40,811), and improvements other than buildings (\$1,403,225).
- Capital asset acquisitions in business-type activities totaled \$13,667,485 in the current fiscal year. This was for construction in progress (\$12,568,035), right-of-use assets (\$894,366), and machinery and equipment (\$205,084).

Capital Assets (Continued)

**The Town's Capital Assets
(Net of Depreciation)
Fiscal Year ended June 30, 2025**

	Governmental Activities		Business-Type Activities	
	2024	2025	2024	2025
Land	\$ 1,424,895	\$ 1,424,895	\$ 517,913	\$ -
Construction in Progress	-	-	1,195,485	13,688,827
Buildings and Improvements Improvements Other Than Buildings	2,319,605	2,204,760	-	-
Right-of-use Assets	4,658,974	5,663,713	6,461,686	7,713,319
Equipment	-	-	-	886,913
	2,223,586	2,927,306	1,146,692	-
Total	<u>\$ 10,627,060</u>	<u>\$ 12,220,674</u>	<u>\$ 9,321,776</u>	<u>\$ 22,289,059</u>

Additional information on the Town's capital assets can be found in Note 11 on pages 65-66 of this report.

Long-term debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$1,302,817. Of this amount, \$291,483 is comprised of one revenue bond and the remaining balance of \$1,011,334 are general obligation bonds.

**The Town's Long-term Bond Debt
Fiscal Year ended June 30, 2025**

	Beginning Balance	Additions	Reductions	Ending Balance
Fiscal year 2024				
Business-Type Activities:				
General Obligation Bonds	\$ 1,185,724	\$ -	\$ (87,196)	\$ 1,098,528
Revenue Bonds	381,170	-	(44,844)	336,326
Total	<u>\$ 1,566,894</u>	<u>\$ -</u>	<u>\$ (132,040)</u>	<u>\$ 1,434,854</u>
Fiscal year 2025				
Business-Type Activities:				
General Obligation Bonds	\$ 1,098,528	\$ -	\$ (87,194)	\$ 1,011,334
Revenue Bonds	336,326	-	(44,843)	291,483
Total	<u>\$ 1,434,854</u>	<u>\$ -</u>	<u>\$ (132,037)</u>	<u>\$ 1,302,817</u>

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

Economic Factors and Next Year's Budget Rates –

- The unemployment rate as of December 2025 for the County of Tazewell, in which the Town resides, is 5%. This compares to the state's unemployment rate of 3.6% and the national rate of 4.4%.
- The Town is located in the AEP Zone of PJM Interconnection, LLC ("PJM"). The Town is also a member of American Municipal Power ("AMP") and has purchased block power from the PJM market through AMP to meet a portion of its energy needs. Additionally, through AMP, the Town is participating in several generation assets including: 2.588 MW of the Prairie State Coal plant unit #1 and unit #2 PSEC are in full commercial operation, 1.5 MW in the AMP Hydroelectric run-of-the river project (Cannelton, Smithland, and Willow Island) located on the Ohio River and 2.2 MW in the Fremont energy campus project that is in full commercial operation. The Town also purchases 0.5 MW of capacity and associated energy from Southeastern Power Administration ("SEPA") through a Purchase Power Agreement ("PPA") that is cancelable by either party. Exposure to the volatile energy commodity market will be greatly reduced by providing over 50% of the Town's load requirements from these projects. The Town will continue to monitor the effects of current economic conditions on energy costs in relation to powering water and wastewater plant facilities and rising costs of raw materials needed to maintain the Town and its infrastructure.
- The Town's Water and Wastewater Treatment Facilities are between 25-30 years old with equipment nearing its useful life. Thompson & Litton Engineering Firm has prepared a Water and Wastewater Asset Management/Capital Improvements Plan as well as a preliminary engineering report for the rehabilitation of the water and wastewater treatment plants. Because of the needed improvements and upgrades to both plants; the Town increased the water and sewer rates for the fiscal year 2022 based on recommendations from a Water and Sewer Rate Analysis Report. The Town has applied for funding through the Virginia Department of Health (VDH) for the water treatment plant improvements and upgrades; and has also applied for funding through the Virginia Department of Environmental Quality for upgrades and improvements at the Wastewater Treatment Plant. The Town increased the sewer rates for the fiscal year 2024 based on a revised Water and Sewer Rate Analysis report.
- The downturn in the area economy from the retirement of coal industry related jobs and companies has resulted in a negative economic impact for downtown Richlands and surrounding areas. The Town is working diligently on several projects to revitalize downtown and to stimulate growth and downtown development. The Richlands Council, Planning Commission and Richlands Industrial Development Authority are working together on several projects that will promote growth and stability in downtown Richlands through tourism and community development efforts.

All these factors were considered in preparing the Town's budget for fiscal year 2026.

The unassigned fund balance in the general fund was \$4,008,548 as of June 30, 2025. The Town has these funds available to be utilized in order to meet any additional obligations to its citizens or to fund future capital projects.

Requests for Information

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

Basic Financial Statements

Town of Richlands, Virginia
Statement of Net Position
At June 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,007,713	\$ 2,198,384	\$ 6,206,097
Investments	121,037	462,264	583,301
Receivables (net of allowance for uncollectibles):			
Taxes receivable	175,846	-	175,846
Accounts receivable	1,186,546	340,540	1,527,086
Due from other governmental units	170,267	705,521	875,788
Prepaid items	49,990	358,175	408,165
Restricted assets:			
Cash and cash equivalents	86,002	-	86,002
Capital assets (net of accumulated depreciation):			
Land	1,424,895	-	1,424,895
Buildings and system	2,204,760	-	2,204,760
Machinery and equipment	2,927,306	-	2,927,306
Infrastructure/utility plant and buildings in service	5,663,713	7,713,319	13,377,032
Right-of-use assets	-	886,913	886,913
Construction in progress	-	13,688,827	13,688,827
T total assets	<u>\$ 18,018,075</u>	<u>\$ 26,353,943</u>	<u>\$ 44,372,018</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 1,278,506	\$ 511,169	\$ 1,789,675
OPEB related items	374,323	-	374,323
T total deferred outflows of resources	<u>\$ 1,652,829</u>	<u>\$ 511,169</u>	<u>\$ 2,163,998</u>
T total assets and deferred outflow of resources	<u>\$ 19,670,904</u>	<u>\$ 26,865,112</u>	<u>\$ 46,536,016</u>
LIABILITIES			
Accounts payable	\$ 1,364,326	\$ 1,284,055	\$ 2,648,381
Accrued liabilities	182,648	58,122	240,770
Customers' deposits	-	284,325	284,325
Accrued interest payable	7,925	126,475	134,400
Long-term liabilities:			
Due within one year	279,968	221,370	501,338
Due in more than one year	6,882,757	13,724,067	20,606,824
T total liabilities	<u>\$ 8,717,623</u>	<u>\$ 15,698,414</u>	<u>\$ 24,416,037</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - prepaid taxes	\$ 20,884	\$ -	\$ 20,884
Pension related items	284,377	113,698	398,075
OPEB related items	611,977	-	611,977
T total deferred inflows of resources	<u>\$ 917,238</u>	<u>\$ 113,698</u>	<u>\$ 1,030,936</u>
NET POSITION			
Net investment in capital assets	\$ 11,444,216	\$ 20,986,241	\$ 32,430,457
Restricted	86,002	-	86,002
Unrestricted	(1,494,175)	(9,933,241)	(11,427,416)
T total net position	<u>\$ 10,036,043</u>	<u>\$ 11,053,000</u>	<u>\$ 21,089,043</u>
T total liabilities, deferred inflows of resources, and net position	<u>\$ 19,670,904</u>	<u>\$ 26,865,112</u>	<u>\$ 46,536,016</u>

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

Town of Richlands, Virginia
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government administration	\$ 1,858,638	\$ 1,794	\$ -	\$ -	\$ (1,856,844)	\$ -	\$ (1,856,844)
Public safety	3,587,251	724,860	904,980	-	(1,957,411)	-	(1,957,411)
Public works	2,514,854	632,732	3,351,989	-	1,469,867	-	1,469,867
Parks, recreation, and cultural	382,776	100,511	-	-	(282,265)	-	(282,265)
Community development	110,956	-	-	-	(110,956)	-	(110,956)
Interest on long-term debt	18,900	-	-	-	(18,900)	-	(18,900)
Total governmental activities	\$ 8,473,375	\$ 1,459,897	\$ 4,256,969	\$ -	\$ (2,756,509)	\$ -	\$ (2,756,509)
Business-type activities							
Water and sewer	\$ 3,442,790	\$ 3,272,804	\$ -	\$ -	\$ -	\$ (169,986)	\$ (169,986)
Electric	8,352,055	7,310,139	-	-	-	(1,041,916)	(1,041,916)
Total business-type activities	\$ 11,794,845	\$ 10,582,943	\$ -	\$ -	\$ -	\$ (1,211,902)	\$ (1,211,902)
Total primary government	\$ 20,268,220	\$ 12,042,840	\$ 4,256,969	\$ -	\$ (2,756,509)	\$ (1,211,902)	\$ (3,968,411)
General revenues:							
General property taxes					\$ 706,075	\$ -	\$ 706,075
Other local taxes:							
Local sales and use taxes					542,710	-	542,710
Consumers' utility taxes					229,639	-	229,639
Business license taxes					548,643	-	548,643
Motor vehicle licenses					1,444	-	1,444
Bank stock tax					284,328	-	284,328
Meals taxes					1,116,221	-	1,116,221
Other local taxes					173,379	-	173,379
Unrestricted revenues from use of money and property					1,959	38,517	40,476
Miscellaneous					133,369	25,679	159,048
Grants and contributions not restricted to specific programs					4,484	-	4,484
Transfers					910,499	(910,499)	-
Total general revenues and transfers					\$ 4,652,750	\$ (846,303)	\$ 3,806,447
Change in net position					\$ 1,896,241	\$ (2,058,205)	\$ (161,964)
Net position - beginning					7,971,533	13,032,674	21,004,207
Prior period adjustment - GASB 101 implementation					168,269	78,531	246,800
Net position - ending					\$ 10,036,043	\$ 11,053,000	\$ 21,089,043

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

Town of Richlands, Virginia
Balance Sheet
Governmental Fund
At June 30, 2025

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 4,093,715
Investments	121,037
Receivables (net of allowance for uncollectibles):	
Taxes receivable	175,846
Accounts receivable	1,186,546
Due from other governmental units	170,267
Prepaid expenses	49,990
Total assets	<u>5,797,401</u>
LIABILITIES	
Accounts payable	1,364,326
Accrued liabilities	182,648
Total liabilities	<u>1,546,974</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	134,993
Unavailable revenue - prepaid taxes	20,884
Total deferred inflows of resources	<u>155,877</u>
FUND BALANCES	
Restricted	86,002
Unassigned	4,008,548
Total fund balances	<u>4,094,550</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,797,401</u>

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

Town of Richlands, Virginia
 Reconciliation of the Balance Sheet of Governmental Fund
 To the Statement of Net Position
 At June 30, 2025

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Fund		\$ 4,094,550
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$ 1,424,895	
Buildings and system	2,204,760	
Machinery and equipment	2,927,306	
Infrastructure	5,663,713	
Construction in progress	-	12,220,674
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue - property taxes		134,993
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 1,278,506	
OPEB related items	374,323	1,652,829
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		
Notes payable	\$ (370,381)	
Capital lease	(406,077)	
Accrued interest payable	(7,925)	
Compensated absences	(207,081)	
Net pension liability	(5,182,389)	
Net OPEB liability	(996,796)	(7,170,649)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (284,377)	
OPEB related items	(611,977)	(896,354)
Net position of governmental activities		\$ 10,036,043

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

Town of Richlands, Virginia
Statement of Revenues, Expenditures, and Changes in fund Balances
Governmental Fund
For the Year Ended June 30, 2025

	General
REVENUES	
General property taxes	\$ 678,304
Other local taxes	2,896,364
Permits, privilege fees, and regulatory licenses	1,325
Fines and forfeitures	29,351
Revenue from the use of money and property	1,959
Charges for services	1,429,221
Miscellaneous	118,494
Recovered costs	489,178
Intergovernmental	3,772,275
Total revenues	9,416,471
EXPENDITURES	
Current:	
General government administration	1,840,723
Public safety	3,802,789
Public works	2,374,800
Parks, recreation, and cultural	301,462
Community development	119,541
Nondepartmental	1,696
Capital projects	2,066,457
Debt service:	
Principal retirement	105,125
Interest and other fiscal charges	14,586
Total expenditures	10,627,179
Excess (deficiency) of revenues over (under) expenditures	(1,210,708)
OTHER FINANCING SOURCES (USES)	
Transfers in	910,499
Issuance of capital leases	442,198
Sale of capital assets	35,061
Total other financing sources (uses)	1,387,758
Net change in fund balances	177,050
Fund balances - beginning	3,917,500
Fund balances - ending	\$ 4,094,550

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

Town of Richlands, Virginia
 Reconciliation of the Statement of Revenues,
 Expenditures, and changes in Fund Balances of Governmental Fund
 to the Statement of Activities
 For the Year Ended June 30, 2025

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

Net change in fund balances - total governmental fund	\$	177,050
---	----	---------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded the depreciation expense in the current period.

Capital outlays	\$ 2,683,523	
Capital asset disposals	\$ 11,810	
Depreciation expense	<u>(1,101,719)</u>	1,593,614

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

Property taxes		27,771
----------------	--	--------

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

Debt issued or incurred:

Issuance of notes payable	\$ (442,198)	
Principal repayments:		
Note Payable	69,004	
Capital lease	<u>36,121</u>	(337,073)

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

Change in compensated absences	\$ (18,165)	
Decrease (increase) in arbitrage rebate liability	-	
Change in accrued interest payable	(4,314)	
Change in pension related items	524,849	
Change in OPEB related items	<u>(67,491)</u>	434,879

Change in net position of governmental activities	\$	<u>1,896,241</u>
---	----	------------------

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

Town of Richlands, Virginia
Statement of Net Position
Proprietary Funds
At June 30, 2025

	<u>Water and Sewer</u>	<u>Electric</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,545,365	\$ 653,019	\$ 2,198,384
Investments	180,470	281,794	462,264
Accounts receivable, net of allowances for uncollectibles	303,809	36,731	340,540
Due from other governmental units	705,521	-	705,521
Prepaid items	16,027	342,148	358,175
Total current assets	<u>2,751,192</u>	<u>1,313,692</u>	<u>4,064,884</u>
Noncurrent assets:			
Capital assets:			
Utility plant and buildings in service	23,331,107	3,106,252	26,437,359
Right-of-use assets	-	894,366	894,366
Accumulated depreciation	(16,291,208)	(2,440,285)	(18,731,493)
Construction in progress	1,120,792	12,568,035	13,688,827
Net capital assets	<u>8,160,691</u>	<u>14,128,368</u>	<u>22,289,059</u>
Total noncurrent assets	<u>8,160,691</u>	<u>14,128,368</u>	<u>22,289,059</u>
Total assets	<u>10,911,883</u>	<u>15,442,060</u>	<u>26,353,943</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	411,940	99,229	511,169
Total deferred outflows of resources	<u>411,940</u>	<u>99,229</u>	<u>511,169</u>
Total assets and deferred outflow of resources	<u>\$ 11,323,823</u>	<u>\$ 15,541,289</u>	<u>\$ 26,865,112</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 79,543	\$ 1,204,512	\$ 1,284,055
Accrued wages	45,875	12,247	58,122
Customers' deposits	64,756	219,569	284,325
Accrued interest payable	-	126,475	126,475
Lease liability - current portion	-	3,644	3,644
Revenue bonds payable - current portion	44,844	-	44,844
GO and revenue bonds - current portion	87,194	-	87,194
Compensated absences - current portion	69,988	15,700	85,688
Total current liabilities	<u>392,200</u>	<u>1,582,147</u>	<u>1,974,347</u>
Noncurrent liabilities:			
Notes payable - net of current portion	-	9,611,990	9,611,990
Lease liability - net of current portion	-	840,722	840,722
Revenue bonds payable - net of current portion	246,640	-	246,640
GO and revenue bonds - net of current portion	924,140	-	924,140
Compensated absences - net of current portion	23,330	5,234	28,564
Net pension liability	1,669,788	402,223	2,072,011
Total noncurrent liabilities	<u>2,863,898</u>	<u>10,860,169</u>	<u>13,724,067</u>
Total liabilities	<u>3,256,098</u>	<u>12,442,316</u>	<u>15,698,414</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	91,627	22,071	113,698
Total deferred inflows of resources	<u>91,627</u>	<u>22,071</u>	<u>113,698</u>
NET POSITION			
Net investment in capital assets	6,857,873	14,128,368	20,986,241
Unrestricted	1,118,225	(11,051,466)	(9,933,241)
Total net position	<u>7,976,098</u>	<u>3,076,902</u>	<u>11,053,000</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 11,323,823</u>	<u>\$ 15,541,289</u>	<u>\$ 26,865,112</u>

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

Town of Richlands, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2025

OPERATING REVENUES	Water and Sewer	Electric	Total
Charges for services:			
Charges for services	\$ 3,220,731	\$ 7,215,618	\$ 10,436,349
Contract work	691	7,405	8,096
Lab testing and septic treatment	6,406	-	6,406
Penalties and service charges	37,526	78,976	116,502
Connection fees	7,450	-	7,450
Utility pole permits	-	8,140	8,140
Miscellaneous	25,342	-	25,342
Total operating revenues	3,298,146	7,310,139	10,608,285
OPERATING EXPENSES			
Salaries, wages and fringes	1,742,191	349,298	2,091,489
Insurance	34,563	13,195	47,758
Audit and legal	27,500	38,726	66,226
Dues, memberships and training	5,871	19,165	25,036
Office supplies and postage	19,857	16,500	36,357
Telecommunications	8,514	1,777	10,291
Equipment and vehicle maintenance	123,796	22,379	146,175
Building repairs and maintenance	49,621	-	49,621
Supplies	299,553	54,212	353,765
Utilities	363,011	13,416	376,427
Heating oil/fuel	41,647	-	41,647
Miscellaneous	39,336	11,703	51,039
Plant parts and repairs	53,359	-	53,359
Maintenance, repairs and upgrades	33,830	118,281	152,111
Instrument calibration	1,393	-	1,393
Power purchased	-	7,343,999	7,343,999
Street lighting	-	7,361	7,361
Distribution	-	9,419	9,419
Outside sludge hauling	19,502	-	19,502
Engineering	12,000	-	12,000
Testing	23,502	5,060	28,562
Depreciation	543,744	81,766	625,510
Total operating expenses	3,442,790	8,106,257	11,549,047
Operating income (loss)	(144,644)	(796,118)	(940,762)
NONOPERATING REVENUES (EXPENSES)			
Investment income	12,823	25,694	38,517
Miscellaneous	139	198	337
Interest expense	-	(245,798)	(245,798)
Total nonoperating revenues (expenses)	12,962	(219,906)	(206,944)
Income (loss) before contributions	(131,682)	(1,016,024)	(1,147,706)
Transfers out	(463,484)	(447,015)	(910,499)
Change in net position	(595,166)	(1,463,039)	(2,058,205)
Total net position - beginning	8,510,916	4,521,758	13,032,674
Prior period adjustment - GASB 101 implementation	60,348	18,183	78,531
Total net position - ending	\$ 7,976,098	\$ 3,076,902	\$ 11,053,000

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

Town of Richlands, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	<u>Water and Sewer</u>	<u>Electric</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 3,219,246	\$ 7,802,468	\$11,021,714
Payments to suppliers	(1,056,286)	(7,624,414)	(8,680,700)
Payments to and for employees	(1,940,464)	(457,624)	(2,398,088)
Net cash provided by (used for) operating activities	<u>222,496</u>	<u>(279,570)</u>	<u>(57,074)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	(463,484)	(447,015)	(910,499)
Net cash provided (used) by noncapital financing activities	<u>(463,484)</u>	<u>(447,015)</u>	<u>(910,499)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	(101,130)	(13,491,662)	(13,592,792)
Proceeds from the sale of surplus	139	198	337
Proceeds from the issuance of debt	-	10,506,356	10,506,356
Principal payments on general obligation and revenue bonds	(132,037)	-	(132,037)
Principal payments on lease liability	-	(50,000)	(50,000)
Interest expense	-	(245,798)	(245,798)
Net cash provided by (used for) capital and related financing activities	<u>(233,028)</u>	<u>(3,280,906)</u>	<u>(109,900)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	18,397	33,369	51,766
Net cash provided by (used for) investing activities	<u>18,397</u>	<u>33,369</u>	<u>51,766</u>
Net increase (decrease) in cash and cash equivalents	(455,619)	(3,974,122)	(4,429,741)
Cash and cash equivalents - beginning (including restricted of \$299,472)	2,000,984	4,627,141	6,628,125
Cash and cash equivalents - ending (including restricted of \$299,472)	<u>\$ 1,545,365</u>	<u>\$ 653,019</u>	<u>\$ 2,198,384</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	<u>\$ (144,644)</u>	<u>\$ (796,118)</u>	<u>\$ (940,762)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 543,744	\$81,766	\$625,510
(Increase) decrease in accounts receivable	(80,212)	496,701	416,489
(Increase) decrease in other receivables	60,442	-	60,442
(Increase) decrease in deferred outflows of resources	(162,163)	(30,626)	(192,789)
(Increase) decrease in prepaid items	(1,457)	(15,802)	(17,259)
Increase (decrease) in customer deposits	1,312	(4,372)	(3,060)
Increase (decrease) in accounts payable	41,584	66,581	108,165
Increase (decrease) in accrued wages	8,483	(1,104)	7,379
Increase (decrease) in compensated absences	(41,464)	(19,668)	(61,132)
Increase (decrease) in net pension liability	(11,829)	(55,845)	(67,674)
Increase (decrease) in deferred inflows of resources	8,700	(1,083)	7,617
Total adjustments	<u>367,140</u>	<u>516,548</u>	<u>883,688</u>
Net cash provided by (used for) operating activities	<u>\$ 222,496</u>	<u>\$ (279,570)</u>	<u>\$ (57,074)</u>

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 1-Summary of Significant Accounting Policies:

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

A. Financial reporting entity:

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

Blended Component Units – None

Discretely Presented Component Units – None

Related Organizations – None

Jointly Governed Organizations – None

B. Government-wide and fund financial statements:

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

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

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

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

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

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

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

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary funds:

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

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

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

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

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

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

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

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

1. Cash and Cash Equivalents

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

2. Prepaid Expenses

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

3. Receivables and Payables

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

4. Allowance for Uncollectible Accounts

For the General Fund, the allowance amounted to approximately \$11,580 for real estate taxes, \$63,468 for personal property taxes, \$28,280 for garbage billings, and \$550,542 for EMS billings at June 30, 2025. For the Proprietary Funds, the allowance amounted to approximately \$64,068 for water and sewer billings and \$126,478 for electric billings at June 30, 2025.

5. Property Taxes

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

6. Use of Estimates

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

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

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

7. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of GASB Statement No. 101, *Compensated Absences*, the Town accrues compensated absence liability for leave payable at termination and leave estimated to be used.

8. Capital Assets

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

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

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

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

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

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

9. Deferred Outflows/Inflows of Resources

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

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

10. Long-Term Obligations

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

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

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

11. Pensions

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

12. Other Postemployment Benefits (OPEB)

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

13. Net Position

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

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

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

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

13. Net Position (Continued)

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

14. Concentration of Credit Risk

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

15. Fund Balance

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

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

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

15. Fund Balance (Continued)

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The Town establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Town Council through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service, or for other purposes).

16. Accounting Pronouncements Implemented in Current Year

GASB Statements implemented in the current year are as follows.

Statement No. 100, Accounting Changes and Error Corrections, aims to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more information for making decisions or assessing accountability. This Statement is effective for the fiscal year ended June 30, 2025. This Statement affects financial reporting for accounting changes such as Statement No. 101.

Statement No. 101, Compensated Absences, requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This Statement is effective for the fiscal year ended June 30, 2025. After implementing this Statement, the Town accrues liability for leave payable at termination and estimated to be used in future years. In accordance with this Statement and No. 100, the Town recalculated its June 30, 2024, liability and recognized a reduction in liability of \$168,269 for governmental activities and \$78,531 for business-type activities as a prior period adjustment effective July 1, 2024.

Statement No. 102, Certain Risk Disclosures, requires governments to (1) assess whether a concentration or constraint makes the primary government reporting unit vulnerable to the risk of a substantial impact, (2) assess whether substantial impact events have occurred or more likely than not will occur within 12 months of financial statement issuance, and (3) if so, disclose the risk and circumstances. This Statement is effective for the fiscal year ended June 30, 2025. The Town and its taxes and services cover a relatively small geographic area. This could be considered a concentration under this Statement; however no specific vulnerability nor substantial impact events have been identified. Generalized risk from geographic proximity is disclosed in Note 1.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. The Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The General fund has a legally adopted budget.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. Only the Town Council can revise the appropriation for each fund. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units. The Town does not appropriate funds for the purchase of assets with debt financing unless the proceeds are received and disbursed directly by the Town. The Town does appropriate funds for the repayment of debt on financed assets.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the Town's accounting system.
9. Expenditures related to finance assets in which the Town will appropriate funds for the repayment of debt; however, funds are not appropriated for payments made by third parties

B. Excess of expenditures over appropriations

For the year ending June 30, 2025, expenditures exceed appropriations for the general fund by \$1,362,611, primarily due to additional capital projects and outlays. In the water/sewer fund there was a negative budget variance of \$468,059; however, once noncash depreciation of \$543,744 was eliminated, the variance was \$75,684, primarily due to salaries and wages. In the electric fund there was a negative budget variance of \$1,448,055; however, once noncash depreciation of \$ 81,766 was eliminated, the variance was \$1,381,274, primarily due to power purchased being more than budgeted.

C. Deficit fund balance

At June 30, 2025, no funds reported a negative fund balance; however, unrestricted net position for Governmental Activities and Business-Type Activities was negative at year end.

Note 3-Deposits and Investments:

Deposits:

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 3-Deposits and Investments (Continued):

Investments:

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

The investments, as reported in the financial statements as of June 30, 2025, consist of nonnegotiable certificates of deposit with original maturity dates of 12 and 13 months, respectively, and have a balance of \$229,448 and \$353,853 at year end.

Note 4-Due from Other Governmental Units:

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

	General Fund	Water and Sewer Fund
<u>Local Government:</u>		
Tazewell County Public Service Authority	\$ -	\$ 705,521
<u>Commonwealth of Virginia:</u>		
Non-categorical aid	19,426	-
State sales tax	142,459	-
<u>Federal Government:</u>		
Categorical aid	8,382	-
Total	\$ 170,267	\$ 705,521

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 5-Long-Term Obligations:

Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2025.

	Balance June 30, 2024	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2025
Direct borrowing and placement:				
Notes payable	439,385	-	(69,004)	370,381
Capital lease	-	442,198	(36,121)	406,077
Compensated absences	188,917	18,165	-	207,082
Net pension liability	5,232,251	-	(49,862)	5,182,389
Net OPEB liability	926,919	69,877	-	996,796
Total	6,787,472	530,240	(154,987)	7,162,725

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

Year Ending June 30,	Direct borrowing and placement	
	Principal	Interest
2026	\$ 124,656	\$ 32,674
2027	129,684	27,646
2028	143,718	22,309
2029	167,748	15,671
2030	210,652	7,447
Totals	\$ 776,458	\$ 105,747

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 5-Long-Term Obligations: (Continued)

Governmental Activities Obligations: (Continued)

Details of long-term obligations:

Type/ Project	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Direct borrowing and placement:						
Notes payable	2.40%	Mar-20	2030	\$ 700,000	\$ 370,381	\$ 70,831
NCL capital lease	6.49%	Feb-25	2030	\$ 227,955	197,955	34,776
Caterpillar capital lease	5.49%	Feb-25	2030	\$ 214,243	208,122	19,049
Total direct borrowing and placement					<u>776,458</u>	<u>124,656</u>
Other obligations:						
Compensated absences	n/a	n/a	n/a	n/a	207,082	155,312
Net pension liability	n/a	n/a	n/a	n/a	5,182,389	-
Net OPEB liability	n/a	n/a	n/a	n/a	996,796	-
Total other obligations					<u>\$ 6,386,267</u>	<u>\$ 155,312</u>
Total long-term obligations					<u>\$ 7,162,725</u>	<u>\$ 279,968</u>

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

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 5-Long-Term Obligations: (Continued)

Business-type Activities Obligations:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2025.

	Balance June 30, 2024	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2025
Direct borrowings and placements:				
GO and revenue bonds	\$ 1,098,528	\$ -	\$ (87,194)	\$ 1,011,334
Revenue bond	336,327	-	(44,843)	291,484
Capital lease	-	894,366	(50,000)	844,366
Lines of credit	-	9,611,990		9,611,990
Compensated absences	96,853	17,399	-	114,252
Net pension liability	2,139,685	-	(67,674)	2,072,011
Total	\$ 3,671,393	\$ 10,523,755	\$ (249,711)	\$ 13,945,437

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

Year Ending June 30,	Direct borrowing and placement	
	Principal	Interest
2026	\$ 135,682	\$ 567,235
2027	9,747,872	414,119
2028	136,093	45,945
2029	136,316	45,722
2030	136,551	45,487
2031-2035	506,469	223,435
2036-2039	197,426	215,298
Thereafter	762,765	937,235
Totals	\$ 11,759,174	\$ 2,494,476

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 5-Long-Term Obligations: (Continued)

Business-type Activities Obligations: (Continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Direct Borrowings and Placements;						
Revenue Bond:						
Wastewater Series 2010	0.00%	2010	2024	\$ 1,121,250	\$ 291,484	\$ 44,844
General Obligation and Revenue Bonds:						
Series 2000	0.00%	2000	2031	175,000	35,000	5,833
Series 2005	0.00%	2005	2037	2,002,799	801,120	66,760
Series 2006	0.00%	2006	2037	438,037	175,214	14,601
Capital Lease	5.49%	2025	2075	894,366	844,366	3,644
Lines of Credit	3.75%	2025	2027	9,611,990	9,611,990	-
Total Direct Borrowings and Placements					<u>\$11,759,174</u>	<u>\$ 135,682</u>
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 114,252	\$ 85,689
Net Pension Liability	n/a	n/a	n/a	n/a	2,072,011	-
Total Other Obligations					<u>\$ 2,186,263</u>	<u>\$ 85,689</u>
Total Long-term Obligations					<u>\$13,945,437</u>	<u>\$ 221,371</u>

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

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

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

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 6-Pension Plan:

Plan Description

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by a VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 6-Pension Plan: (Continued)

Plan Description (Continued)

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 6-Pension Plan: (Continued)

Plan Description (Continued)

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 6-Pension Plan: (Continued)

Plan Description (Continued)

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 6-Pension Plan: (Continued)

Plan Description (Continued)

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 6-Pension Plan: (Continued)

Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>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%.</p> <p>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.</p>	<p>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.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <i>Defined Benefit Component:</i> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivision hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Political subdivision hazardous duty employees: Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 6-Pension Plan: (Continued)

Plan Description (Continued)

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 6-Pension Plan: (Continued)

Plan Description (Continued)

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 6-Pension Plan: (Continued)

Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>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.</p>	<p>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.</p> <p>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.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active-duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <i>Defined Benefit Component:</i> Same as Plan 1, with the following exception: • Hybrid Retirement Plan members are ineligible for ported service.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p>

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 6-Pension Plan: (Continued)

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	48
Inactive members:	
Vested inactive members	15
Non-vested inactive members	21
Active elsewhere in VRS	23
Total inactive members	59
Active members	67
Total covered employees	174

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2025, was 37.83% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$1,509,610 and \$762,656 for the years ended June 30, 2025, and June 30, 2024, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Town, the net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 6-Pension Plan: (Continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

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

Actuarial Assumptions – General Employees (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 6-Pension Plan: (Continued)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2023, 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, 2024:

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 6-Pension Plan: (Continued)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Hazardous Duty:

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 6-Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	32%	6.70%	2.14%
Fixed Income	16%	5.40%	0.86%
Credit Strategies	16%	8.10%	1.30%
Real Assets	15%	7.20%	1.08%
Private Equity	15%	8.70%	1.31%
PIP - Private Investment Partnership	1%	8.00%	0.08%
Diversifying Strategies	6%	5.80%	0.35%
Cash	2%	3.00%	0.06%
Leverage	-3%	3.50%	-0.11%
Total	<u>100%</u>		<u>7.07%</u>
	Expected arithmetic nominal return*		<u>7.07%</u>

* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, including expected inflation of 2.50%.

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 6-Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2024, the employer contribution rate is 100% of the actuarially determined employer contribution rate from the June 30, 2023, actuarial valuations. From July 1, 2024, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2023	\$ 16,237,721	\$ 8,865,786	\$ 7,371,935
Changes for the year:			
Service cost	\$ 334,494	\$ -	\$ 334,494
Interest	1,082,600	-	1,082,600
Benefit changes	-	-	-
Differences between expected and actual experience	206,516	-	206,516
Assumption changes	-	-	-
Contributions - employer	-	741,728	(741,728)
Contributions - employee	-	148,714	(148,714)
Net investment income	-	856,332	(856,332)
Benefit payments, including refunds of employee contributions	(1,067,396)	(1,067,396)	-
Administrative expenses	-	(5,800)	5,800
Other changes	-	171	(171)
Net changes	\$ 556,214	\$ 673,749	\$ (117,535)
Balances at June 30, 2024	\$ 16,793,935	\$ 9,539,535	\$ 7,254,400

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 6-Pension Plan: (Continued)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town Net Pension Liability	\$ 9,287,868	\$ 7,254,400	\$ 5,588,117

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

For the year ended June 30, 2025, the Town recognized pension expense of \$710,990. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 188,619	\$ 155,739
Change in assumptions	91,446	-
Net difference between projected and actual earnings on pension plan investments	-	242,336
Employer contributions subsequent to the measurement date	1,509,610	-
Total	\$ 1,789,675	\$ 398,075

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 6-Pension Plan: (Continued)

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

\$1,509,610 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2026. 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>	
2026	\$(129,073)
2027	80,066
2028	(16,194)
2029	(52,809)
2030	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/media/shared/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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

Plan Description

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

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

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

Eligible Employees

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

Benefit Amounts

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

- *Death:* The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:
 - \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.
 - \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. The benefit will be \$75,000 for approved presumptive deaths occurring on or after January 1, 2025.
 - An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.
- *Health Insurance:* The Line of Duty Act program provides health insurance benefits:
 - The health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors, and family members.

Contributions

The contribution requirements for the LODA Program are governed by § 9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2025, was \$1,015.00 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2024, and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$38,180 and \$36,683 for the years ended June 30, 2025, and June 30, 2024, respectively.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

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

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

At June 30, 2025, the entity reported a liability of \$996,796 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2024, and the total LODA OPEB Liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2024, relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2024, the entity's proportion was 0.25328% as compared to 0.23121% at June 30, 2023.

For the year ended June 30, 2025, the entity recognized LODA OPEB expense of \$115,197. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2025, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,682	\$ 243,487
Net difference between projected and actual earnings on LODA OPEB program investments	-	3,295
Change in assumptions	183,750	200,759
Changes in proportionate share	108,186	164,436
Employer contributions subsequent to the measurement date	47,705	-
Total	\$ 374,323	\$ 611,977

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

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

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

\$47,705 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2026	\$(27,223)
2027	(22,812)
2028	(29,595)
2029	(41,251)
2030	(47,430)
Thereafter	(117,047)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2023, 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, 2024.

Inflation	2.50%
Salary increase, including inflation- Locality employees	N/A
Medical cost trend rates assumption- Under age 65	7.00% - 4.75%
Ages 65 and older	5.375% - 4.25%
Year of ultimate trend rate Under age 65	Fiscal year ended 2034
Ages 65 and older	Fiscal year ended 2034
Investment rate of return	3.97%, including inflation*

*Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.97% was used since it approximates the risk-free rate of return.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

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

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2024, NOL amounts for the Line of Duty Act Program (LODA) are as follows (amounts expressed in thousands):

Total LODA OPEB Liability	\$398,395
Plan Fiduciary Net Position	<u>4,841</u>
LODA Net OPEB Liability (Asset)	<u>\$393,554</u>

Plan fiduciary Net Position as a Percentage of the Total LODA OPEB Liability 1.22%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.97% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments' 6.75% assumption. Instead, the assumed annual rate of return of 3.97% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Fidelity Fixed Income General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2024.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.97%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2024, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

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

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.97%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower 2.97% or one percentage point higher 4.97% than the current rate:

	1.00% Decrease 2.97%	Current Discount Rate 3.97%	1.00% Increase 4.97%
Covered Employers Proportionate Share of the LODA Net OPEB Liability	\$ 1,105,025	\$ 996,796	\$ 903,730

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

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using health care trend rate of 7.25% decreasing to 4.25%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.25% decreasing to 3.25%) or one percentage point higher (8.25% decreasing to 5.25%) than the current rate:

	1.00% Decrease 6.25% decreasing to 3.25%	Current Trend Rate 7.25% decreasing to 4.25%	1.00% Increase 8.25% decreasing to 5.25%
Covered Employers Proportionate Share of the LODA Net OPEB Liability	\$ 849,137	\$ 996,796	\$ 1,177,974

LODA OPEB Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 8-Unearned Revenue:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. The Town noted no unearned revenue for the period ending June 30, 2025

Note 9-Unavailable Revenue:

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available under the accrual basis, assessments for future periods are deferred. Unavailable revenue totaling \$155,877 is comprised of the following:

Property Taxes - Property tax revenue representing uncollected tax billings not available for funding current expenditures of \$134,993.

Prepaid Property Taxes – Property taxes due subsequent to June 30, 2025, but paid in advance by the taxpayers totaled \$20,884.

Note 10-Restricted Fund Balance/Net Position:

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

Purpose	Amount
Public Safety Funds	\$ 42,339
Fire Program Funds	9,176
Asset Forfeiture/Policing Funds	34,487
Total	<u>\$ 86,002</u>

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 11-Capital Assets:

Capital asset activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,424,895	\$ -	\$ -	\$ 1,424,895
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>\$ 1,424,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,424,895</u>
Capital assets, being depreciated:				
Buildings and system	\$ 4,736,816	\$ 40,811	\$ (15,440)	\$ 4,762,187
Infrastructure	10,352,875	1,403,225	-	11,756,100
Machinery and equipment	8,940,989	1,271,482	(104,013)	10,108,458
Total capital assets being depreciated	<u>\$ 24,030,680</u>	<u>\$ 2,715,518</u>	<u>\$ (119,453)</u>	<u>\$ 26,626,745</u>
Accumulated depreciation:				
Buildings and system	\$ (2,417,211)	\$ (150,557)	\$ 10,341	\$ (2,557,427)
Infrastructure	(5,693,901)	(398,486)	-	(6,092,387)
Machinery and equipment	(6,717,403)	(552,676)	88,927	(7,181,152)
Total accumulated depreciation	<u>\$ (14,828,515)</u>	<u>\$ (1,101,719)</u>	<u>\$ 99,268</u>	<u>\$ (15,830,966)</u>
Total capital assets being depreciated, net	<u>\$ 9,202,165</u>	<u>\$ 1,613,799</u>	<u>\$ (20,185)</u>	<u>\$ 10,795,779</u>
Governmental activities capital assets, net	<u><u>\$ 10,627,060</u></u>	<u><u>\$ 1,613,799</u></u>	<u><u>\$ (20,185)</u></u>	<u><u>\$ 12,220,674</u></u>

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 11-Capital Assets: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 517,913	\$ -	\$ -	\$ 517,913
Construction in progress	1,195,485	12,568,035	(74,693)	13,688,827
Total capital assets not being depreciated	<u>\$ 1,713,398</u>	<u>\$ 12,568,035</u>	<u>\$ (74,693)</u>	<u>\$ 14,206,740</u>
Capital assets, being depreciated:				
Utility plant and buildings in service	22,588,690	-	-	22,588,690
Machinery and equipment	3,125,667	205,088	-	3,330,755
Right-of-use assets	-	894,366	-	894,366
Total capital assets being depreciated	<u>\$ 25,714,357</u>	<u>\$ 1,099,454</u>	<u>\$ -</u>	<u>\$ 26,813,811</u>
Accumulated depreciation:				
Utility plant and buildings in service	(15,804,265)	(489,004)	-	(16,293,269)
Machinery and equipment	(2,301,717)	(129,053)	-	(2,430,770)
Right-of-use assets	-	(7,453)	-	(7,453)
Total accumulated depreciation	<u>\$ (18,105,982)</u>	<u>\$ (625,510)</u>	<u>\$ -</u>	<u>\$ (18,731,492)</u>
Total capital assets being depreciated, net	<u>\$ 7,608,375</u>	<u>\$ 473,944</u>	<u>\$ -</u>	<u>\$ 8,082,319</u>
Business-type activities capital assets, net	<u>\$ 9,321,773</u>	<u>\$ 13,041,979</u>	<u>\$ (74,693)</u>	<u>\$ 22,289,059</u>

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

Governmental activities:	
General government administration	\$ 96,935
Public safety	303,239
Public works	601,914
Parks and recreation	89,369
Community development	10,262
Total depreciation expense - governmental activities	<u>\$ 1,101,719</u>
Business - type activities:	
Water and sewer	\$ 543,744
Electric	81,766
Total depreciation expense - business-type activities	<u>\$ 625,510</u>

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 12-Interfund Activity:

Interfund transfers for the year ended June 30, 2025, consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	\$ 910,499	\$ -
Water and Sewer Fund	-	(463,484)
Electric Fund	-	(447,015)
Total	\$ 910,499	\$ (910,499)

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

There were no interfund obligations at June 30, 2025.

Note 13-Risk Management:

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

Note 14-Contingent Liabilities:

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 15–Electric Power Agreement:

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

Note 16–Pledged Revenues:

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

Note 17–Electric Rate Stabilization Plan:

The Town entered into a rate stabilization plan with American Municipal Power, Inc. to reduce the effects of volatility in energy markets. As of June 30, 2025, the Town carried a balance of \$334,005 in an escrow account maintained for the Town's benefit. This amount has been reported in the financial statements as a prepaid item.

Note 18–Service Agreements:

On September 3, 2003, the Town and Tazewell County Public Service Authority (TCPSA) entered into an agreement to share the costs of construction and operation of a water transmission facility known as Kent's Ridge Road Project. The project was financed by two thirty-year, interest-free loans from the Virginia Resources Authority (VRA). The loans are secured by a pledge of revenues from the Town's water and wastewater systems and by a pledge of the Town's full faith and credit. Also, the County of Tazewell, Virginia has undertaken, to the extent permitted by law, a non-binding but moral obligation to pay such amounts as may be needed, with respect to the notes, for the payment of principal and interest pursuant to the terms of the agreement. The Town has recorded an amount due from the TCPSA of \$705,521 at year end for their share of debt service payments.

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

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

Town of Richlands, Virginia
Notes to Financial Statements
At June 30, 2025

Note 18-Service Agreements: (Continued)

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

Entity	Amounts
Town of Cedar Bluff	\$ 176,148
Tazewell County PSA	754,799
Tazewell County PSA - loan payments	60,442
Total	\$ 991,389

Note 19-Subsequent Events:

Subsequent events have been evaluated as of January 29, 2026, which is the date the financial statements were available to be issued.

Note 20-Upcoming Pronouncements:

Upcoming GASB Statements and implementation dates are as follows. Management has broadly estimated the effects.

Statement No. 103, Financial Reporting Model Improvements, emphasizes and refines certain requirements for financial reporting. This Statement is effective for the fiscal year ending June 30, 2026. Several requirements are continuations of requirements already implemented in the Town's financial statements. Application of this Statement might require relocation of existing disclosures or additional detail. The overall effect is expected to be immaterial.

Statement No. 104, Disclosure of Certain Capital Assets, requires intangible asset categories to be disclosed individually and also requires additional disclosures for capital assets held for sale. This Statement is effective for the fiscal year ending June 30, 2026. Lease assets have been separately disclosed for the fiscal year ended June 30, 2025. The Town currently does not have other right-to-use assets nor subscription assets. Application of this Statement might identify additional intangible categories to disclose, but the overall effect is expected to be immaterial. Generally, the Town's intangibles such as software are either prepaid annually or are fully depreciated while still in service.

Note 21-Prior Period Adjustment (PPA) for GASB 101 *Compensated Absences*:

The Town implemented GASB Statements No. 100 and No. 101 for the year ended June 30, 2025, as described in Note 1. Accordingly, the cumulative effect of the change in accounting principle for compensated absences is reported retroactively to the earliest period presented which is beginning net position at July 1, 2024. Compensated absence liability reported for the year ended June 30, 2024, was recalculated as described in Note 1. The recalculated liability was reported effective July 1, 2024, as a prior period adjustment as follows:

Compensated Absences	Governmental Activities			Business-type Activities		
	6/30/2024	7/1/2024	PPA	6/30/2024	7/1/2024	PPA
Holiday	\$ 146,266	\$ -	\$(146,266)	\$ 75,215	\$ -	\$(75,215)
Sick	45,427	44,686	(741)	18,222	21,960	3,738
Vacation	165,492	144,230	(21,262)	81,949	74,895	(7,054)
Compensated absence liability	\$ 357,185	\$ 188,916	\$(168,269)	\$ 175,386	\$ 96,855	\$(78,531)

Required Supplementary Information

Town of Richlands, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 666,000	\$ 666,000	\$ 678,304	\$ 12,304
Other local taxes	2,898,000	2,898,000	2,896,364	(1,636)
Permits, privilege fees, and regulatory licenses	1,000	1,000	1,325	325
Fines and forfeitures	65,100	65,100	29,351	(35,749)
Revenue from the use of money and property	5,000	5,000	1,959	(3,041)
Charges for services	1,560,400	1,560,400	1,429,221	(131,179)
Miscellaneous	55,500	55,500	118,494	62,994
Recovered costs	270,500	270,500	489,178	218,678
Intergovernmental	1,740,280	1,740,280	3,772,275	2,031,995
Total revenues	<u>7,261,780</u>	<u>7,261,780</u>	<u>9,416,471</u>	<u>2,154,691</u>
EXPENDITURES				
Current:				
General government administration	1,519,475	1,519,475	1,840,723	(321,248)
Public safety	3,508,636	3,508,636	3,802,789	(294,153)
Public works	3,014,969	3,014,969	2,374,800	640,169
Parks, recreation, and cultural	293,241	293,241	301,462	(8,221)
Community development	79,685	79,685	119,541	(39,856)
Nondepartmental	3,000	3,000	1,696	1,304
Capital projects and outlays	765,055	765,055	2,066,457	(1,301,402)
Debt service:				
Principal retirement	65,000	65,000	105,125	(40,125)
Interest and other fiscal charges	15,508	15,508	14,586	922
Total expenditures	<u>9,264,569</u>	<u>9,264,569</u>	<u>10,627,179</u>	<u>(1,362,610)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,002,789)</u>	<u>(2,002,789)</u>	<u>(1,210,708)</u>	<u>792,081</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	729,200	729,200	910,499	181,299
Issuance of capital leases	-	-	442,198	442,198
Sale of capital assets	10,000	10,000	35,061	25,061
Total other financing sources (uses)	<u>739,200</u>	<u>739,200</u>	<u>1,387,758</u>	<u>648,558</u>
Net change in fund balances	(1,263,589)	(1,263,589)	177,050	1,440,639
Fund balances - beginning	-	-	3,917,500	3,917,500
Fund balances - ending	<u>\$ (1,263,589)</u>	<u>\$ (1,263,589)</u>	<u>\$ 4,094,550</u>	<u>\$ 5,358,139</u>

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 334,494	\$ 297,735	\$ 291,420	\$ 309,910	\$ 299,881	\$ 261,942	\$ 243,691	\$ 254,948	\$ 248,209	\$ 233,924
Interest	1,082,600	1,052,712	1,047,508	974,522	926,577	894,632	868,052	856,598	794,150	790,952
Differences between expected and actual experience	206,516	51,132	(366,380)	(108,718)	382,012	228,801	(9,905)	(186,039)	367,567	(408,168)
Changes of assumptions	-	-	-	502,438	-	395,344	-	(156,273)	-	-
Benefit payments	(1,067,396)	(909,331)	(879,794)	(896,808)	(899,546)	(768,670)	(675,568)	(535,639)	(499,997)	(642,038)
Refund of contributions	-	(14,390)	-	-	-	-	-	-	-	-
Net change in total pension liability	556,214	477,858	92,754	781,344	708,924	1,012,049	426,270	233,595	909,929	(25,330)
Total pension liability - beginning	16,237,721	15,759,863	15,667,109	14,885,765	14,176,841	13,164,792	12,738,522	12,504,927	11,594,998	11,620,328
Total pension liability - ending (a)	<u>\$ 16,793,935</u>	<u>\$ 16,237,721</u>	<u>\$ 15,759,863</u>	<u>\$ 15,667,109</u>	<u>\$ 14,885,765</u>	<u>\$ 14,176,841</u>	<u>\$ 13,164,792</u>	<u>\$ 12,738,522</u>	<u>\$ 12,504,927</u>	<u>\$ 11,594,998</u>
Plan fiduciary net position										
Contributions - employer	\$ 741,728	\$ 693,742	\$ 664,248	\$ 676,426	\$ 653,595	\$ 601,271	\$ 573,053	\$ 548,986	\$ 592,036	\$ 556,985
Contributions - employee	148,714	139,845	142,362	145,667	150,529	139,528	132,681	128,023	126,916	120,115
Net investment income	856,332	543,267	(10,918)	1,838,404	132,137	421,049	434,183	633,234	92,686	205,782
Benefit payments, including refunds of employee contributions	(1,067,396)	(923,721)	(879,794)	(896,808)	(899,546)	(768,670)	(675,568)	(535,639)	(499,997)	(642,038)
Administrative charges	(5,800)	(5,334)	(5,215)	(4,504)	(4,263)	(4,044)	(3,629)	(3,447)	(2,781)	(2,752)
Other	171	220	198	175	(152)	(268)	(393)	(573)	(37)	(46)
Net change in plan fiduciary net position	673,749	448,019	(89,119)	1,759,360	32,300	388,866	460,327	770,584	308,823	238,046
Plan fiduciary net position - beginning	8,865,786	8,417,767	8,506,886	6,747,526	6,715,226	6,326,360	5,866,033	5,095,449	4,786,626	4,548,580
Plan fiduciary net position - ending (b)	<u>\$ 9,539,535</u>	<u>\$ 8,865,786</u>	<u>\$ 8,417,767</u>	<u>\$ 8,506,886</u>	<u>\$ 6,747,526</u>	<u>\$ 6,715,226</u>	<u>\$ 6,326,360</u>	<u>\$ 5,866,033</u>	<u>\$ 5,095,449</u>	<u>\$ 4,786,626</u>
Town's net pension liability - ending (a) - (b)	\$ 7,254,400	\$ 7,371,935	\$ 7,342,096	\$ 7,160,223	\$ 8,138,239	\$ 7,461,615	\$ 6,838,432	\$ 6,872,489	\$ 7,409,478	\$ 6,808,372
Plan fiduciary net position as a percentage of the total pension liability	56.80%	54.60%	53.41%	54.30%	45.33%	47.37%	48.06%	46.05%	40.75%	41.28%
Covered payroll	\$ 3,990,511	\$ 3,204,438	\$ 2,989,738	\$ 3,042,640	\$ 3,307,974	\$ 2,893,205	\$ 2,726,708	\$ 2,611,141	\$ 2,594,810	\$ 2,433,045
Town's net pension liability as a percentage of covered payroll	181.79%	230.05%	245.58%	235.33%	246.02%	257.90%	250.79%	263.20%	285.55%	279.83%

Town of Richlands, Virginia
 Schedule of Employer Contributions
 Pension Plan
 For the Years Ended June 30, 2015, through June 30, 2025

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2025	\$ 1,509,610	\$ 1,509,610	\$ -	\$ 3,990,511	37.83%
2024	762,656	762,656	-	3,204,438	23.80%
2023	711,558	711,558	-	2,989,738	23.80%
2022	682,160	682,160	-	3,042,640	22.42%
2021	676,426	676,426	-	3,082,539	21.94%
2020	653,595	653,595	-	3,307,974	19.76%
2019	601,271	601,271	-	2,893,205	20.78%
2018	573,053	573,053	-	2,726,708	21.02%
2017	548,986	548,986	-	2,611,141	21.02%
2016	592,036	592,036	-	2,594,810	22.82%

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

Town of Richlands, Virginia
Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2025

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, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Town of Richlands, Virginia
 Schedule of Employer's Share of Net LODA OPEB Liability
 Line of Duty Act (LODA) Program
 For the Measurement Dates of June 30, 2017, through June 30, 2024

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll* (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2024	0.25328%	\$ 996,796	\$ 1,612,213	61.83%	1.22%
2023	0.23121%	926,919	1,474,015	62.88%	1.31%
2022	0.26232%	992,764	1,568,645	63.29%	1.87%
2021	0.27614%	1,217,754	1,494,696	81.47%	1.68%
2020	0.27524%	1,152,748	1,479,088	77.94%	1.02%
2019	0.28920%	1,037,717	1,426,561	72.74%	0.79%
2018	0.28230%	885,000	1,369,285	64.63%	0.60%
2017	0.26300%	691,000	1,312,173	52.66%	1.30%

Schedule is intended to show information for 10 years. Since 2024 is the eighth year for this presentation, there are only eight years available. However, additional years will be included as they become available.

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

Town of Richlands, Virginia
 Schedule of Employer Contributions
 Line of Duty Act (LODA) Program
 For the Years Ended June 30, 2017, through June 30, 2025

Date	Contributions in Relation to			Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2025	\$ 94,815	\$ 47,705	\$ (47,110)	\$ 1,612,213	2.96%
2024	36,128	36,128	-	1,474,015	2.45%
2023	30,683	30,683	-	1,568,645	1.96%
2022	36,128	36,128	-	1,494,696	2.42%
2021	38,017	38,017	-	1,482,204	2.56%
2020	37,406	37,406	-	1,479,088	2.53%
2019	38,817	38,817	-	1,426,561	2.72%
2018	30,071	30,071	-	1,369,285	2.20%
2017	28,369	28,369	-	1,312,173	2.16%

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

Town of Richlands, Virginia
Notes to Required Supplementary Information
Line of Duty Act (LODA) Program
For the Year Ended June 30, 2025

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, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Other Supplementary Information

Supporting Schedules

Town of Richlands, Virginia
Schedule of Revenues – Budget and Actual
Governmental Fund
For the Year Ended June 30, 2025

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 596,000	\$ 596,000	\$ 576,737	\$ (19,263)
Personal property taxes	1,000	1,000	28,142	27,142
Real and personal public service corporation taxes	46,000	46,000	46,362	362
Mobile home taxes	8,000	8,000	6,680	(1,320)
Penalties and Interest	15,000	15,000	20,383	5,383
Total general property taxes	<u>\$ 666,000</u>	<u>\$ 666,000</u>	<u>\$ 678,304</u>	<u>\$ 12,304</u>
Other local taxes:				
Local sales and use taxes	\$ 565,000	\$ 565,000	\$ 542,710	\$ (22,290)
Consumers utility tax	230,000	230,000	229,639	(361)
Local consumption tax	18,000	18,000	19,629	1,629
Business license taxes	575,000	575,000	548,643	(26,357)
Motor vehicle licenses	35,000	35,000	1,444	(33,556)
Bank stock taxes	225,000	225,000	284,328	59,328
Tobacco taxes	200,000	200,000	153,750	(46,250)
Meals taxes	1,050,000	1,050,000	1,116,221	66,221
Total other local taxes	<u>\$ 2,898,000</u>	<u>\$ 2,898,000</u>	<u>\$ 2,896,364</u>	<u>\$ (1,636)</u>
Permits, privilege fees, and regulatory licenses:				
Zoning permits	\$ 1,000	\$ 1,000	\$ 1,325	\$ 325
Total permits, privilege fees, and regulatory licenses	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 1,325</u>	<u>\$ 325</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 65,100	\$ 65,100	\$ 26,993	\$ (38,107)
E-citation fees	-	-	2,358	2,358
Total fines and forfeitures	<u>\$ 65,100</u>	<u>\$ 65,100</u>	<u>\$ 29,351</u>	<u>\$ (35,749)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 5,000	\$ 5,000	\$ 1,959	\$ (3,041)
Revenue from use of property	-	-	-	-
Total revenue from use of money and property	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 1,959</u>	<u>\$ (3,041)</u>

Town of Richlands, Virginia
Schedule of Revenues – Budget and Actual
Governmental Fund
For the Year Ended June 30, 2025

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Revenue from local sources: (continued)				
Charges for services:				
Contract work - Streets	\$ 5,000	\$ 5,000	\$ 3,513	\$ (1,487)
Rescue squad billings	806,000	806,000	694,184	(111,816)
Swimming pool fees	15,000	15,000	21,384	6,384
Concession collections	25,000	25,000	35,092	10,092
Basketball fees	20,000	20,000	18,425	(1,575)
Volleyball fees	10,000	10,000	11,519	1,519
Outdoor tennis fees	100	100	-	(100)
Membership fees	10,000	10,000	2,025	(7,975)
Room rental	4,000	4,000	5,095	1,095
Miscellaneous recreation fees	5,300	5,300	6,971	1,671
Convenience fees	5,000	5,000	1,794	(3,206)
Garbage collections	655,000	655,000	629,219	(25,781)
Total charges for services	<u>\$ 1,560,400</u>	<u>\$ 1,560,400</u>	<u>\$ 1,429,221</u>	<u>\$ (131,179)</u>
Miscellaneous:				
Miscellaneous	\$ 17,000	\$ 17,000	\$ 38,833	\$ 21,833
Downtown and community development	-	-	37,183	37,183
Gifts and donations	-	-	1,000	1,000
Gifts and donations - Fire	15,500	15,500	22,385	6,885
Gifts and donations - Recreation	10,000	10,000	50	(9,950)
Gifts and donations - Police	10,000	10,000	14,370	4,370
Gifts and donations - Rescue	3,000	3,000	4,673	1,673
Total miscellaneous	<u>\$ 55,500</u>	<u>\$ 55,500</u>	<u>\$ 118,494</u>	<u>\$ 62,994</u>
Recovered costs:				
County of Tazewell - fire program	\$ 270,000	\$ 270,000	\$ 475,000	\$ 205,000
Returned check fees	500	500	1,500	1,000
Restitution	-	-	12,678	12,678
Total recovered costs	<u>\$ 270,500</u>	<u>\$ 270,500</u>	<u>\$ 489,178</u>	<u>\$ 218,678</u>
Total revenue from local sources	<u>\$ 5,521,500</u>	<u>\$ 5,521,500</u>	<u>\$ 5,644,196</u>	<u>\$ 122,696</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 2,000	\$ 2,000	\$ 225	\$ (1,775)
Motor vehicles carrier's tax	5,000	5,000	4,222	(778)
Railroad rolling stock tax	-	-	37	37
Total noncategorical aid	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 4,484</u>	<u>\$ (2,516)</u>

Town of Richlands, Virginia
Schedule of Revenues – Budget and Actual
Governmental Fund
For the Year Ended June 30, 2025

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Revenue from the Commonwealth: (continued)				
Categorical aid:				
Other categorical aid:				
Litter control grant	\$ 3,000	\$3,000	\$ 5,212	\$ 2,212
Street maintenance	1,354,717	1,354,717	3,346,777	1,992,060
Law enforcement grant	150,000	150,000	178,100	28,100
Drug enforcement	76,087	76,087	-	(76,087)
EMS grants	-	-	36,750	36,750
Fire grants	25,000	25,000	40,688	15,688
Other state revenue	14,500	14,500	16,249	1,749
Total categorical aid	<u>\$1,623,304</u>	<u>\$1,623,304</u>	<u>\$3,623,776</u>	<u>\$2,000,472</u>
Total categorical aid	<u>\$1,623,304</u>	<u>\$1,623,304</u>	<u>\$3,623,776</u>	<u>\$2,000,472</u>
Total revenue from the Commonwealth	<u>\$1,630,304</u>	<u>\$1,630,304</u>	<u>\$3,628,260</u>	<u>\$1,997,956</u>
Revenue from the federal government:				
Categorical aid:				
Police grants	\$ 90,976	\$ 90,976	\$135,481	\$ 44,505
High intensity drug trafficking areas grant	19,000	19,000	8,534	(10,466)
Total categorical aid	<u>\$ 109,976</u>	<u>\$ 109,976</u>	<u>\$ 144,015</u>	<u>\$ 34,039</u>
Total revenue from the federal government	<u>\$ 109,976</u>	<u>\$ 109,976</u>	<u>\$ 144,015</u>	<u>\$ 34,039</u>
Other financing sources:				
Net transfers in (out)	\$ 729,200	\$ 729,200	\$910,499	\$ 181,299
Proceeds from capital lease	-	-	442,198	442,198
Sale of capital assets	10,000	10,000	35,061	25,061
Total other financing sources	<u>\$ 739,200</u>	<u>\$ 739,200</u>	<u>\$ 1,387,758</u>	<u>\$ 648,558</u>
Total General Fund	<u>\$8,000,980</u>	<u>\$8,000,980</u>	<u>\$10,804,229</u>	<u>\$ 2,803,249</u>

Town of Richlands, Virginia
Schedule of Expenditures – Budget and Actual
Governmental Fund
For the Year Ended June 30, 2025

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund:				
General government administration:				
General and financial administration:				
Town Council	\$ 67,000	\$ 67,000	\$ 60,320	\$ 6,680
Administration	1,335,300	1,335,300	1,613,245	(277,945)
Information technology	117,175	117,175	167,158	(49,983)
Total general government administration	<u>\$ 1,519,475</u>	<u>\$ 1,519,475</u>	<u>\$ 1,840,723</u>	<u>\$ (321,248)</u>
Total general government administration	<u>\$ 1,519,475</u>	<u>\$ 1,519,475</u>	<u>\$ 1,840,723</u>	<u>\$ (321,248)</u>
Public safety:				
Law enforcement and traffic control:				
Police grants	\$ 100,596	\$ 100,596	\$ 139,295	\$ (38,699)
Drug task force	94,630	94,630	142,189	(47,559)
Police department	2,164,996	2,164,996	2,202,477	(37,481)
Asset forfeiture	-	-	20,170	(20,170)
Total law enforcement and traffic control	<u>\$ 2,360,222</u>	<u>\$ 2,360,222</u>	<u>\$ 2,504,131</u>	<u>\$ (143,909)</u>
Fire and rescue services:				
Fire Department	\$ 188,886	\$ 188,886	\$ 266,259	\$ (77,373)
Rescue Squad	959,528	959,528	1,032,399	(72,871)
Total fire and rescue services	<u>\$ 1,148,414</u>	<u>\$ 1,148,414</u>	<u>\$ 1,298,658</u>	<u>\$ (150,244)</u>
Total public safety	<u>\$ 3,508,636</u>	<u>\$ 3,508,636</u>	<u>\$ 3,802,789</u>	<u>\$ (294,153)</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 2,436,902	\$ 2,436,902	\$ 1,823,357	\$ 613,545
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 2,436,902</u>	<u>\$ 2,436,902</u>	<u>\$ 1,823,357</u>	<u>\$ 613,545</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 578,067	\$ 578,067	\$ 551,443	\$ 26,624
Total sanitation and waste removal	<u>\$ 578,067</u>	<u>\$ 578,067</u>	<u>\$ 551,443</u>	<u>\$ 26,624</u>
Total public works	<u>\$ 3,014,969</u>	<u>\$ 3,014,969</u>	<u>\$ 2,374,800</u>	<u>\$ 640,169</u>
Parks, recreation, and cultural:				
Cultural enrichment:				
Recreation	\$ 293,241	\$ 293,241	\$ 301,462	\$ (8,221)
Total cultural enrichment	<u>\$ 293,241</u>	<u>\$ 293,241</u>	<u>\$ 301,462</u>	<u>\$ (8,221)</u>
Total parks, recreation, and cultural	<u>\$ 293,241</u>	<u>\$ 293,241</u>	<u>\$ 301,462</u>	<u>\$ (8,221)</u>

Town of Richlands, Virginia
Schedule of Expenditures – Budget and Actual
Governmental Fund
For the Year Ended June 30, 2025

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Community development:				
Planning and community development:				
Downtown activities	\$ 79,685	\$ 79,685	\$ 119,541	\$ (39,856)
Total planning and community development	<u>\$ 79,685</u>	<u>\$ 79,685</u>	<u>\$ 119,541</u>	<u>\$ (39,856)</u>
Total community development	<u>\$ 79,685</u>	<u>\$ 79,685</u>	<u>\$ 119,541</u>	<u>\$ (39,856)</u>
Nondepartmental:				
Total nondepartmental	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 1,696</u>	<u>\$ 1,304</u>
	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 1,696</u>	<u>\$ 1,304</u>
Capital projects/outlays:				
Capital projects and capital outlays	\$ 765,055	\$ 765,055	\$ 2,066,457	\$ (1,301,402)
Total capital projects	<u>\$ 765,055</u>	<u>\$ 765,055</u>	<u>\$ 2,066,457</u>	<u>\$ (1,301,402)</u>
Debt service:				
Principal retirement	\$ 65,000	\$ 65,000	\$ 105,125	\$ (40,125)
Interest and other fiscal charges	15,508	15,508	14,586	922
Total debt service	<u>\$ 80,508</u>	<u>\$ 80,508</u>	<u>\$ 119,711</u>	<u>\$ (39,203)</u>
Total General Fund	<u><u>\$9,264,569</u></u>	<u><u>\$9,264,569</u></u>	<u><u>\$ 10,627,179</u></u>	<u><u>\$ (1,362,610)</u></u>

Statistical Information

Table 1
 Town of Richlands, Virginia
 Government-Wide Expenses by Function
 Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Water and Sewer	Electric	Total
2015-16	\$ 292,353	\$ 2,749,662	\$ 1,719,756	\$ 379,405	\$ 27,499	\$ 2,628	\$ 2,465,129	\$ 6,005,247	\$ 13,641,679
2016-17	333,731	2,828,938	1,773,908	377,855	25,850	3,873	2,489,894	6,091,102	13,925,151
2017-18	235,766	2,795,730	2,200,116	403,439	30,235	226	2,719,717	6,780,758	15,165,987
2018-19	343,375	2,764,887	1,802,564	491,984	53,940	-	2,790,540	6,486,240	14,733,530
2019-20	470,072	3,030,837	1,960,923	464,361	88,556	-	3,024,508	6,655,149	15,694,406
2020-21	1,258,099	2,851,043	1,963,818	350,199	145,290	22,699	2,781,476	6,176,555	15,549,179
2021-22	1,172,424	3,623,021	2,131,224	357,273	62,423	16,914	2,885,959	5,758,956	16,008,194
2022-23	1,139,835	3,433,823	2,030,602	498,853	27,605	17,174	2,877,446	6,479,542	16,504,880
2023-24	1,339,275	3,521,478	2,120,870	421,325	30,908	13,877	3,088,969	7,124,202	17,660,904
2024-25	1,858,638	3,587,251	2,514,854	382,776	110,956	18,900	3,442,790	8,352,055	20,268,220

Table 2

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

Fiscal Year	Program Revenues			General Revenues						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2015-16	\$9,066,108	\$ 1,319,735	\$ 1,225	\$467,740	\$2,014,265	\$ 14,016	\$ 170,664	\$ 22,046	\$ 13,075,799	
2016-17	9,416,956	1,105,238	33,838	485,587	1,961,647	13,769	103,080	15,893	13,136,008	
2017-18	10,185,432	1,458,570	364,500	538,056	2,044,120	16,787	61,537	4,954	14,673,956	
2018-19	10,813,722	1,048,098	-	497,664	2,207,338	22,729	104,766	15,515	14,709,832	
2019-20	10,307,589	1,157,222	88,697	485,528	2,109,952	24,087	96,128	15,358	14,284,561	
2020-21	10,321,161	1,450,816	-	492,385	2,378,573	18,779	144,429	49,294	14,855,437	
2021-22	11,136,169	4,228,150	-	745,445	2,614,154	6,543	234,666	9,005	18,974,132	
2022-23	11,149,740	4,038,164	-	738,118	2,793,540	17,898	224,576	7,510	18,969,546	
2023-24	10,940,750	2,331,634	-	698,293	2,949,657	40,044	308,444	16,196	17,285,018	
2024-25	12,042,840	4,256,969	-	706,075	2,896,364	40,476	159,048	4,484	20,106,256	

Table 3

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

Fiscal Year	General and Financial Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total (1)
2015-16	\$ 280,546	\$2,681,036	\$ 1,367,609	\$ 341,942	\$ 27,499	\$ 113,910	\$ 95,376	\$ 4,907,918
2016-17	316,937	2,631,827	1,226,139	323,389	25,850	-	92,806	4,616,948
2017-18	285,390	2,704,981	1,883,504	356,127	30,235	-	38,681	5,298,918
2018-19	295,268	2,806,069	1,483,770	462,720	54,309	-	7,260	5,109,396
2019-20	350,447	2,998,785	1,512,717	343,549	88,556	-	7,260	5,301,314
2020-21	968,909	3,084,616	1,561,742	282,590	145,102	677	98,970	6,142,606
2021-22	944,194	3,125,386	1,532,950	256,164	58,804	2,944	212,576	6,133,018
2022-23	989,074	3,194,148	1,527,171	411,105	27,605	2,244	160,539	6,311,886
2023-24	1,231,745	3,226,472	1,665,357	335,865	37,682	2,564	160,539	6,660,224
2024-25	1,840,723	3,802,789	2,374,800	301,462	119,541	1,696	119,711	8,560,722

(1) Excludes Capital Projects

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2015-16	\$ 467,433	\$ 2,014,265	\$ 1,280	\$ 107,308	\$ 9,238	\$ 1,122,305	\$ 164,755	\$ 73,104	\$ 1,343,006	\$ 5,302,694
2016-17	484,317	1,961,647	1,290	93,918	7,985	965,461	101,516	77,446	1,144,891	4,838,471
2017-18	558,985	2,044,120	1,265	66,354	8,219	1,015,274	59,575	82,917	1,818,102	5,654,811
2018-19	466,610	2,207,338	1,145	49,339	10,125	1,240,329	102,805	89,681	1,063,613	5,230,985
2019-20	499,413	2,109,952	1,295	38,418	13,351	1,061,344	94,127	104,752	1,172,580	5,095,232
2020-21	489,769	2,378,573	1,600	25,073	14,239	1,135,608	116,400	284,236	1,500,110	5,945,608
2021-22	733,349	2,614,155	1,140	29,074	2,307	1,221,681	158,453	287,146	3,940,009	8,987,314
2022-23	739,800	2,793,540	1,485	52,297	3,523	1,247,794	204,747	280,776	3,764,898	9,088,860
2023-24	675,721	2,949,657	1,390	39,164	8,309	1,279,565	228,026	317,884	2,029,945	7,529,661
2024-25	678,304	2,896,364	1,325	29,351	1,959	1,429,221	118,494	489,178	3,772,275	9,416,471

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2015-16	\$ 455,304	\$ 426,994	93.78%	\$ 21,212	\$ 448,206	98.44%
2016-17	458,300	428,053	93.40%	27,776	455,829	99.46%
2017-18	469,457	452,063	96.29%	60,038	512,101	109.08%
2018-19	463,375	381,222	82.27%	46,711	427,933	92.35%
2019-20	465,547	454,496	97.63%	27,445	481,941	103.52%
2020-21	467,391	452,241	96.76%	27,492	479,733	102.64%
2021-22	563,866	530,657	94.11%	12,600	543,257	96.35%
2022-23	571,053	539,504	94.48%	26,430	565,934	99.10%
2023-24	565,216	522,270	92.40%	64,414	586,684	103.80%
2024-25	608,701	551,206	90.55%	36,087	587,293	96.48%

(1) Exclusive of penalties and interest

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

Table 6

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

Fiscal Year	Real Estate/ Mobile Homes	Public Service Corporation	Total
2015-16	\$ 275,640,700	\$ 11,200,407	\$ 286,841,107
2016-17	276,450,600	12,692,299	289,142,899
2017-18	276,560,400	19,530,975	296,091,375
2018-19	271,870,300	20,337,852	292,208,152
2019-20	271,417,800	22,100,928	293,518,728
2020-21	271,804,900	23,053,429	294,858,329
2021-22	275,430,500	22,806,548	298,237,048
2022-23	275,181,100	20,616,338	295,797,438
2023-24	274,477,100	15,782,999	290,260,099
2024-25	323,884,432	24,401,258	348,285,690

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

<u>Fiscal Year</u>	<u>Real Estate (1)</u>
2015-16	0.16
2016-17	0.16
2017-18	0.16
2018-19	0.16
2019-20	0.16
2020-21	0.16
2021-22	0.21
2022-23	0.21
2023-24	0.21
2024-25	0.19

(1) Per \$100 of assessed value

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

Fiscal Year	Population (1)	Assessed Value (in thousands)	Gross and Net Bonded Debt (2)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2015-16	5,823	\$286,841	\$ 1,762,704	0.61%	\$303
2016-17	5,823	289,143	1,675,511	0.58%	288
2017-18	5,823	296,091	1,588,315	0.54%	273
2018-19	5,265	292,208	1,501,121	0.51%	285
2019-20	5,265	293,519	1,447,308	0.49%	275
2020-21	5,261	294,858	1,360,113	0.46%	259
2021-22	5,189	298,237	1,272,918	0.43%	245
2022-23	5,189	295,797	1,185,724	0.40%	229
2023-24	5,095	290,260	1,098,528	0.38%	216
2024-25	5,261	348,286	1,011,334	0.29%	192

(1) U.S. Census Bureau

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

Town of Richlands, Virginia
Computation of Legal Debt Margin
At June 30, 2025

Total assessed value of taxed real property	\$ 320,368,900
Debt limit - 10 percent of total assessed value	32,036,890
Amount of debt applicable to debt limit	<u>(1,011,334)</u>
Legal debt margin	<u>\$ 31,025,556</u>

Compliance Section

Tucker, Brandenburg & Company, PLLC

Gregory D. Tucker, CPA
Member: AICPA, VASCPA, NCSCPA
Licensed in: VA, TN
gtucker@bthcpa.com

Bob D. Brandenburg, CPA
Member: AICPA, VASCPA
Licensed in: VA
bbrandenburg@bthcpa.com

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 505, Lebanon, VA 24266
(276) 889-3103

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund, of Town of Richlands, Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Town of Richlands, Virginia's basic financial statements, and have issued our report thereon dated January 29, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Richlands, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

Lucker, Brandenburg & Company, PLLC

Lebanon, Virginia
January 29, 2026

Town of Richlands, Virginia
Schedule of Findings and Responses
For the Year Ended June 30, 2025

Section I – Summary of Auditors’ Results

Financial Statements

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

Section II – Financial Statement Findings

None reported

Prior Year Findings

2024-001 In the prior period the Town had significant deferred revenue as a result of budgeted underspending of State Highway Funds. The Town has worked VDOT to address the issue and have identified prior qualified expenses that had not been applied to the program. As a result, the Town no longer has a deferred revenue item for the program and the matter is resolved.