Town of Kenbridge, Virginia

Annual Comprehensive Financial Report

Year Ended June 30, 2025

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

Town of Kenbridge, Virginia

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Year Ended June 30, 2025

FINANCIAL SECTION

Kenbridge
VIRGINIA

Creedle
Jones
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A Professional Corporation

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Kimberly W. Jackson, CPA

Sherwood H. Creedle, Founder

Members of
American Institute of Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Kenbridge, Virginia

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Kenbridge, Virginia, as of June 30, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Kenbridge, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2025, the Town adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*, GASB Statement No. 102, *Certain Risk Disclosures*, and GASB Statement No. 103, *Financial Reporting Model Improvements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Kenbridge, Virginia's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude, whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Kenbridge, Virginia's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 1–7, 65-68 on pages 69-77 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2026, on our consideration of the Town of Kenbridge, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Kenbridge, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Kenbridge, Virginia's internal control over financial reporting and compliance.

Creedle, Jones & Associates, P.C.

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

South Hill, Virginia
July 13, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Kenbridge, Virginia presents the following discussion and analysis as an overview of the Town of Kenbridge, Virginia's financial activities for the fiscal year ending June 30, 2025. We encourage readers to read this discussion and analysis in conjunction with the Town's basic financial statements.

Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town's governmental activities exceeded its liabilities and deferred inflows of resources by $2,818,331. Of this amount, the Town has an unrestricted balance of $1,517,798. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by $3,306,653 with an unrestricted deficit balance of $39,715.

- The Town's total net position decreased by $73,117 during the current fiscal year. Of this amount, an increase of $174,696 is related to governmental activities and a decrease of $247,813 is attributed to business-type activities.

- As of June 30, 2025, the Town's Governmental Funds reported combined ending fund balances of $1,339,028, an increase of $69,949 in comparison with the prior year. Approximately 22.12% of this amount is available for spending at the Town's discretion (unassigned fund balance).

- At the end of fiscal year 2025, the General Fund unassigned fund balance was $296,137, or approximately 18.12% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

The Town has three types of funds:

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

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

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

Notes to the Basic Financial Statements

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

Other

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2025 and 2024

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Assets						
Current assets	$ 868,563	$ 843,709	$ 494,159	$ 425,810	$ 1,362,722	$ 1,269,519
Capital assets (net)	2,429,951	2,540,456	7,791,360	8,175,989	10,221,311	10,716,445
Other assets	1,327,016	1,327,074	183,946	183,978	1,510,962	1,511,052
Total Assets	4,625,530	4,711,239	8,469,465	8,785,777	13,094,995	13,497,016
Deferred Outflows of Resources	73,125	44,581	41,131	25,078	114,256	69,659
Total Assets and Deferred Outflows of Resources	$4,698,655	$ 4,755,820	$ 8,510,596	$ 8,810,855	$ 13,209,251	$ 13,566,675
Liabilities						
Pooled cash deficit	$ -	$ -	$ 243,930	$ 169,855	$ 243,930	$ 169,855
Other liabilities	11,814	84,385	40,261	37,314	52,075	121,699
Long-term liabilities	1,481,540	1,594,521	4,875,279	4,976,614	6,356,819	6,571,135
Total Liabilities	1,493,354	1,678,906	5,159,470	5,183,783	6,652,824	6,862,689
Deferred Inflows of Resources	386,970	433,279	44,473	72,606	431,443	505,885
Net Position						
Net investment in capital assets	1,296,200	1,193,230	2,951,763	3,238,144	4,247,963	4,431,374
Restricted	4,333	74,222	394,605	341,271	398,938	415,493
Unrestricted (Deficit)	1,517,798	1,376,183	(39,715)	(24,949)	1,478,083	1,351,234
Total Net Position (Restated)	2,818,331	2,643,635	3,306,653	3,554,466	6,124,984	6,198,101
Total Liabilities, Deferred Inflows of Resources, and Net Position	$4,698,655	$ 4,755,820	$ 8,510,596	$ 8,810,855	$ 13,209,251	$ 13,566,675

Statement of Activities

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

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2025 and 2024

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
Revenues						
Program Revenues						
Charges for services	**$ 183,932**	$ 151,459	**$ 621,044**	$ 691,713	**$ 804,976**	$ 843,172
Operating grants and contributions	**381,931**	1,158,601	**16,366**	4,749	**398,297**	1,163,350
General Revenues						
General property taxes, real and personal	**616,358**	542,462	**-**	-	**616,358**	542,462
Other taxes	**343,065**	362,171	**-**	-	**343,065**	362,171
Grants and contributions not restricted to specific programs	**65,887**	65,976	**-**	-	**65,887**	65,976
Unrestricted revenues from use of money and property	**60,181**	72,166	**11,661**	12,028	**71,842**	84,194
Miscellaneous	**56,616**	118,810	**36,673**	73,332	**93,289**	192,142
Total Revenues	**1,707,970**	2,471,645	**685,744**	781,822	**2,393,714**	3,253,467
Expenses						
General government administration	**321,834**	291,590	**-**	-	**321,834**	291,590
Public safety	**417,110**	534,992	**-**	-	**417,110**	534,992
Public works	**626,353**	653,702	**-**	-	**626,353**	653,702
Parks, recreation, and cultural	**52,336**	116,808	**-**	-	**52,336**	116,808
Community development	**64,573**	12,291	**-**	-	**64,573**	12,291
Water and sewer	**-**	-	**829,229**	825,633	**829,229**	825,633
Interest on long-term debt	**51,492**	67,330	**103,904**	124,888	**155,396**	192,218
Total Expenses	**1,533,698**	1,676,713	**933,133**	950,521	**2,466,831**	2,627,234
Change in Net Position Before Transfers	**174,272**	794,932	**(247,389)**	(168,699)	**(73,117)**	626,233
Transfers	**424**	799	**(424)**	(799)	**-**	-
Change in Net Position	**174,696**	795,731	**(247,813)**	(169,498)	**(73,117)**	626,233
Beginning Net Position (Restated)	**2,643,635**	1,847,904	**3,554,466**	3,723,964	**6,198,101**	5,571,868
Ending Net Position	**$ 2,818,331**	$ 2,643,635	**$ 3,306,653**	$ 3,554,466	**$ 6,124,984**	$ 6,198,101

Governmental activities increased the Town's net position by $174,696 for fiscal year 2025. Revenues from governmental activities totaled $1,707,970. General property taxes, real and personal comprise the largest source of these revenues, totaling $616,358 or 36.09% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was $1,533,698. Public works was the Town's largest program with expenses totaling $626,353. Public safety, which totals $417,110, represents the second largest expense.

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

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2025 and 2024

	2025		2024	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government administration	$ 321,834	$ (319,384)	$ 299,017	$ (295,442)
Public safety	417,110	(345,407)	534,992	(315,174)
Public works	626,353	(393,349)	653,702	(344,424)
Parks, recreation, and cultural	52,336	(52,336)	116,808	(29,083)
Community development	64,573	194,133	12,291	677,373
Interest on long-term debt	51,492	(51,492)	67,330	(67,330)
Total	$1,533,698	$ (967,835)	$ 1,684,140	$ (374,080)

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The Town's governmental funds reported combined ending fund balances of $1,339,028. The combined governmental fund balance increased $69,949 from the prior year.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of $296,137. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 18.12% of total fund expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's General Fund saw an increase in fund balance of $48,017, with an ending fund balance of $302,897.

General property taxes were less than budget by $3,662. Of this amount, real estate taxes exceeded budget by $38,516 while personal property tax collections were $40,377 under budget. Revenue from the Commonwealth of Virginia was under budget by $233,477 due to DHCD grant reported in a different fund.

The General Fund expenditures were over budget by $150,394. Public works department represent $55,872 while debt service was $94,429 due to line of credit payments.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2025, the Town's governmental activities net capital assets total $2,429,951, which represents a net decrease of $110,505 or 4.35% over the previous fiscal year-end balance. The business-type activities net capital assets total $7,791,360 a decrease of $384,629 or 4.70% over the previous fiscal year.

Change in Capital Assets

Governmental Activities

	Balance July 1, 2024	Net Additions and Deletions	Balance June 30, 2025
Land, land improvements, and easements	$ 166,160	$ -	**$ 166,160**
Buildings and improvements	2,640,536	-	**2,640,536**
Infrastructure	1,152,257	-	**1,152,257**
Furniture, equipment, and vehicles	1,411,938	31,727	**1,443,665**
Total Capital Assets	5,370,891	31,727	**5,402,618**
Less: Accumulated depreciation	(2,830,435)	(142,232)	**(2,972,667)**
Total Capital Assets, Net	$ 2,540,456	$ (110,505)	**$ 2,429,951**

Business-Type Activities

	Balance July 1, 2024	Net Additions and Deletions	Balance June 30, 2025
Land	$ 65,589	$ -	**$ 65,589**
Land improvements and easements	41,000	-	**41,000**
Infrastructure	12,354,903	-	**12,354,903**
Furniture, equipment, and vehicles	471,642	-	**471,642**
Total Capital Assets	12,933,134	-	**12,933,134**
Less: Accumulated depreciation	(4,757,145)	(384,629)	**(5,141,774)**
Total Capital Assets, Net	$ 8,175,989	$ (384,629)	**$ 7,791,360**

Long-Term Debt

As of June 30, 2025, the Town's long-term obligations total $6,328,363.

	Balance July 1, 2024	Net Additions and Deletions	Balance June 30, 2025
Governmental Activities			
General Fund	$ 1,568,852	$ (105,524)	**$ 1,463,328**
Total Governmental Activities	1,568,852	(105,524)	**1,463,328**
Business-Type Activities			
Water and Sewer Fund	4,962,176	(97,141)	**4,865,035**
Total Business-Type Activities	4,962,176	(97,141)	**4,865,035**
Total Primary Government	$ 6,531,028	$ (202,665)	**$ 6,328,363**

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2026 budget.

The average unemployment rate for the Town of Kenbridge, Virginia in June 2025, which uses Lunenburg County's rate, was 4.9%. This compares unfavorably to the state's rate of 3.9% and to the national rate of 4.1%.

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

These rates along with other indicators were taken into account when adopting the General Fund budget for 2026, which accounts for most of the Town's operational costs. The fiscal year 2026 adopted budget anticipates General Fund revenues and expenditures to be $1,462,797, a 5.18% increase over the fiscal year 2025 final budget.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

Exhibit 1

Town of Kenbridge, Virginia

Statement of Net Position

At June 30, 2025

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit - IDA
Assets				
Current Assets				
Cash and investments	$ 278,903	$ -	$ 278,903	$ 193,569
Cash - restricted	4,333	394,605	398,938	-
Receivables, net	548,267	99,554	647,821	-
Due from other governments	34,633	-	34,633	-
Inventory	2,427	-	2,427	-
Total Current Assets	868,563	494,159	1,362,722	193,569
Capital Assets				
Land and land easements	166,160	65,589	231,749	-
Land improvements	-	41,000	41,000	-
Other capital assets, net of accumulated depreciation	2,263,791	7,684,771	9,948,562	-
Capital Assets, Net	2,429,951	7,791,360	10,221,311	-
Other Assets				
Note receivable, net	1,000,000	-	1,000,000	-
Net pension asset	322,234	181,254	503,488	-
Net other post-employment asset	4,782	2,692	7,474	-
Total Other Assets	1,327,016	183,946	1,510,962	-
Total Assets	4,625,530	8,469,465	13,094,995	193,569
Deferred Outflows of Resources				
Pension	58,636	32,983	91,619	-
OPEB	14,489	8,148	22,637	-
Total Deferred Outflows of Resources	73,125	41,131	114,256	-
Total Assets and Deferred Outflows of Resources	$ 4,698,655	$ 8,510,596	$ 13,209,251	$ 193,569
Liabilities				
Current Liabilities				
Pooled cash deficit	$ -	$ 243,930	$ 243,930	$ -
Accounts payable and accrued expenses	11,814	21,233	33,047	-
Customer deposits	-	19,028	19,028	-
Total Current Liabilities	11,814	284,191	296,005	-
Long-Term Liabilities				
Due within one year				
Bonds, loans, other	413,279	106,320	519,599	-
Compensated absences	4,958	2,544	7,502	-
Due in more than one year				
Bonds, loans, other	1,000,472	4,733,277	5,733,749	-
Compensated absences	44,619	22,894	67,513	-
Net OPEB	18,212	10,244	28,456	-
Total Long-Term Liabilities	1,481,540	4,875,279	6,356,819	-
Total Liabilities	1,493,354	5,159,470	6,652,824	-
Deferred Inflows of Resources				
Pension	62,850	35,351	98,201	-
OPEB	16,218	9,122	25,340	-
Unavailable revenue - property taxes	307,902	-	307,902	-
Total Deferred Inflows of Resources	386,970	44,473	431,443	-
Net Position				
Net investment in capital assets	1,296,200	2,951,763	4,247,963	-
Restricted	4,333	394,605	398,938	-
Unrestricted (Deficit)	1,517,798	(39,715)	1,478,083	193,569
Total Net Position	2,818,331	3,306,653	6,124,984	193,569
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 4,698,655	$ 8,510,596	$ 13,209,251	$ 193,569

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

Exhibit 2

Town of Kenbridge, Virginia

Statement of Activities

For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position, Primary Government: Governmental Activities	Business-Type Activities	Total	Component Unit - IDA
Primary Government							
Governmental Activities							
General government administration	$ 321,834	$ 2,450	$ -	$ (319,384)		$ (319,384)	
Public safety	417,110	8,322	63,381	(345,407)		(345,407)	
Public works	626,353	173,160	59,844	(393,349)		(393,349)	
Parks, recreation, and cultural	52,336	-	-	(52,336)		(52,336)	
Community development	64,573	-	258,706	194,133		194,133	
Interest on long-term debt	51,492	-	-	(51,492)		(51,492)	
Total Governmental Activities	1,533,698	183,932	381,931	(967,835)		(967,835)	
Business-Type Activities							
Enterprise Funds	933,133	621,044	16,366		$ (295,723)	(295,723)	
Total Business-Type Activities	933,133	621,044	16,366		(295,723)	(295,723)	
Component Unit - IDA	-	-	-				$ -
Total Primary Government	$ 2,466,831	$ 804,976	$ 398,297				-
General Revenues							
Taxes							
General property taxes, real and personal				616,358	-	616,358	-
Other local taxes				343,065	-	343,065	-
Grants and contributions not restricted to specific programs				65,887	-	65,887	-
Unrestricted revenues from use of money and property				60,181	11,661	71,842	1,792
Miscellaneous				56,616	36,673	93,289	-
Transfers in (out)				424	(424)	-	-
Total General Revenues and Transfers				1,142,531	47,910	1,190,441	1,792
Change in Net Position				174,696	(247,813)	(73,117)	1,792
Net Position - Beginning of Year (Restated)				2,643,635	3,554,466	6,198,101	191,777
Net Position - End of Year				$ 2,818,331	$ 3,306,653	$ 6,124,984	$ 193,569

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

Town of Kenbridge, Virginia

Balance Sheet

Governmental Funds

At June 30, 2025

	General Fund	ARPA Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 270,469	$ -	$ 44	$ 8,390	$ 278,903
Cash - restricted	4,333	-	-	-	4,333
Property taxes receivable, net	503,255	-	-	-	503,255
Accounts receivable	44,865	-	147	-	45,012
Due from other governments	7,083	-	27,550	-	34,633
Inventory	2,427	-	-	-	2,427
Note receivable	-	-	1,000,000	-	1,000,000
Total Assets	$ 832,432	$ -	$ 1,027,741	$ 8,390	$ 1,868,563
Liabilities					
Accounts payable and accrued liabilities	$ 11,814	$ -	$ -	$ -	$ 11,814
Total Liabilities	11,814	-	-	-	11,814
Deferred Inflows of Resources					
Unavailable revenue - property taxes	517,721	-	-	-	517,721
Total Deferred Inflows of Resources	517,721	-	-	-	517,721
Fund Balance					
Nonspendable	2,427	-	-	-	2,427
Restricted	4,333	-	1,027,741	-	1,032,074
Assigned	-	-	-	8,390	8,390
Unassigned	296,137	-	-	-	296,137
Total Fund Balance	302,897	-	1,027,741	8,390	1,339,028
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 832,432	$ -	$ 1,027,741	$ 8,390	$ 1,868,563

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

Town of Kenbridge, Virginia

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

At June 30, 2025

Total Fund Balances for Governmental Funds		$ 1,339,028
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land, land improvements, and easements	$ 166,160	
Buildings and improvements, net of accumulated depreciation	1,544,984	
Infrastructure, net of accumulated depreciation	566,681	
Furniture, equipment, and vehicles, net of accumulated depreciation	152,126	
Total Capital Assets		2,429,951
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds statement.		
Unavailable revenue - property taxes		209,819
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	58,636	
Deferred inflows of resources related to pensions	(62,850)	
Deferred outflows of resources related to OPEB	14,489	
Deferred inflows of resources related to OPEB	(16,218)	
Total Deferred Outflows and Inflows of Resources		(5,943)
Liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.		
Balances of long-term liabilities affecting net position are as follows:		
Bonds and notes payable	(1,418,709)	
Net pension (liability) asset	322,234	
OPEB (obligation) asset	(13,430)	
Compensated absences	(44,619)	
Total		(1,154,524)
Total Net Position of Governmental Activities		$ 2,818,331

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

Town of Kenbridge, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2025

	General Fund	ARPA Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	$ 592,582	$ -	$ -	$ -	$ 592,582
Other local taxes	343,065	-	-	-	343,065
Fines and forfeitures	8,322	-	-	-	8,322
Permits, fees, and licenses	2,450	-	-	-	2,450
Use of money and property	57,833	55	1,048	1,245	60,181
Charges for services	173,160	-	-	-	173,160
Miscellaneous	51,791	-	-	4,825	56,616
Recovered costs	68,794	-	-	-	68,794
Intergovernmental					
Revenue from the Commonwealth of Virginia	125,543	-	-	-	125,543
Revenue from the Federal Government	4,765	58,804	258,706	-	322,275
Total Revenues	1,428,305	58,859	259,754	6,070	1,752,988
Expenditures					
General government administration	381,229	-	-	-	381,229
Public safety	460,277	-	-	-	460,277
Public works	520,862	60,388	-	-	581,250
Parks, recreation, and cultural	24,338	-	-	10,306	34,644
Community development	5,867	-	58,706	-	64,573
Debt service	241,869	-	232,202	-	474,071
Total Expenditures	1,634,442	60,388	290,908	10,306	1,996,044
Excess (Deficiency) of Revenues Over Expenditures	(206,137)	(1,529)	(31,154)	(4,236)	(243,056)
Other Financing Sources (Uses)					
Issuance of debt	253,875	-	58,706	-	312,581
Operating transfers in (out)	279	(2)	147	-	424
Total Other Financing Sources (Uses)	254,154	(2)	58,853	-	313,005
Net Change in Fund Balance	48,017	(1,531)	27,699	(4,236)	69,949
Fund Balance - Beginning of Year (Restated)	254,880	1,531	1,000,042	12,626	1,269,079
Fund Balance - End of Year	$ 302,897	$ -	$ 1,027,741	$ 8,390	$ 1,339,028

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

Town of Kenbridge, Virginia

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

Year Ended June 30, 2025

Net Change in Fund Balances - Total Governmental Funds		$ 69,949
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Net capital outlays and disposition of assets	$ 53,878	
Depreciation	(164,383)	
		(110,505)
Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		23,776
Bonds, long-term purchase obligations, and lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.		
Issuance of long-term debt	(312,581)	
Repayments on debt (less conduit debt of IDA)	422,579	
Net Adjustment		109,998
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Changes in the following accounts are as follows:		
Net pension asset	(4,839)	
Deferred inflows - pension	57,611	
Deferred inflows - OPEB	(7,602)	
Deferred outflows - pension	30,822	
Deferred outflows - OPEB	(2,279)	
Other postemployment benefits	12,239	
Net Adjustment		85,952
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following:		
Compensated absences	(4,474)	
Net Adjustment		(4,474)
Change in Net Position of Governmental Activities		$ 174,696

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

Exhibit 5

Town of Kenbridge, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2025

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
Assets			
Current Assets			
Cash and investments	$ -	$ -	$ -
Cash and investments - restricted	3,676	390,929	394,605
Accounts receivable (net of allowance for bad debts)	45,623	53,931	99,554
Total Current Assets	49,299	444,860	494,159
Capital Assets			
Land	4,010	61,579	65,589
Land improvements and easements	-	41,000	41,000
Infrastructure and equipment	712,201	12,114,344	12,826,545
Less: Accumulated depreciation	(592,998)	(4,548,776)	(5,141,774)
Total Capital Assets	123,213	7,668,147	7,791,360
Other Assets			
Net pension asset	90,627	90,627	181,254
Net OPEB asset	1,346	1,346	2,692
Total Other Assets	91,973	91,973	183,946
Total Assets	264,485	8,204,980	8,469,465
Deferred Outflows of Resources			
Pension	16,491	16,492	32,983
OPEB	4,074	4,074	8,148
Total Deferred Outflows of Resources	20,565	20,566	41,131
Total Assets and Deferred Outflows of Resources	$ 285,050	$ 8,225,546	$ 8,510,596
Liabilities			
Current Liabilities			
Pooled cash deficit	$ 48,338	$ 195,592	$ 243,930
Accounts payable and accrued liabilities	10,172	11,061	21,233
Current portion of long-term debt	1,139	107,725	108,864
Total Current Liabilities	59,649	314,378	374,027
Noncurrent Liabilities			
Customer deposits	19,028	-	19,028
Net OPEB liability	5,122	5,122	10,244
Compensated absences, net of current portion	10,245	12,649	22,894
Long-term debt, net of current portion	-	4,733,277	4,733,277
Total Noncurrent Liabilities	34,395	4,751,048	4,785,443
Total Liabilities	94,044	5,065,426	5,159,470
Deferred Inflows of Resources			
Pension	17,675	17,676	35,351
OPEB	4,561	4,561	9,122
Total Deferred Inflows of Resources	22,236	22,237	44,473
Net Position			
Net investment in capital assets	123,213	2,828,550	2,951,763
Restricted	3,676	390,929	394,605
Unrestricted (Deficit)	41,881	(81,596)	(39,715)
Total Net Position	168,770	3,137,883	3,306,653
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 285,050	$ 8,225,546	$ 8,510,596

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

Exhibit 6

Town of Kenbridge, Virginia

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

Proprietary Funds

Year Ended June 30, 2025

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues			
Charges for services	$ 167,146	$ 434,714	$ 601,860
Penalties	18,217	-	18,217
Other charges	292	675	967
Other operating grants	16,366	-	16,366
Total Operating Revenues	202,021	435,389	637,410
Operating Expenses			
Salaries and wages	73,028	111,606	184,634
Fringe benefits	23,706	13,878	37,584
Utilities and telephone	23,556	36,748	60,304
Materials and maintenance	64,773	32,988	97,761
Insurance	5,285	5,288	10,573
Depreciation	18,727	365,902	384,629
Chemicals, lab testing and professional fees	25,313	20,110	45,423
Contingencies and miscellaneous	6,434	1,887	8,321
Total Operating Expenses	240,822	588,407	829,229
Operating Income (Loss)	(38,801)	(153,018)	(191,819)
Nonoperating Revenues (Expenses)			
Other income	36,673	-	36,673
Interest income	-	11,661	11,661
Interest expense	-	(103,904)	(103,904)
Total Nonoperating Revenues (Expenses)	36,673	(92,243)	(55,570)
Income (Loss) Before Operating Transfers	(2,128)	(245,261)	(247,389)
Operating Transfers In (Out)	1,960	(2,384)	(424)
Net Operating Transfers	1,960	(2,384)	(424)
Change in Net Position	(168)	(247,645)	(247,813)
Total Net Position - Beginning of Year (Restated)	168,938	3,385,528	3,554,466
Total Net Position - End of Year	$ 168,770	$ 3,137,883	$ 3,306,653

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

Town of Kenbridge, Virginia

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2025

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	$ 169,298	$ 436,166	$ 605,464
Other operating grants	16,366	-	16,366
Payments to personnel and related expenses	(120,187)	(149,272)	(269,459)
Payments to suppliers	(104,110)	(40,685)	(144,795)
Net Cash Provided by (Used in) Operating Activities	(38,633)	246,209	207,576
Cash Flows from Noncapital Financing Activities			
Transfer from (to) other funds	1,960	(2,384)	(424)
Other income	36,673	-	36,673
Net Cash Provided by (Used in) Noncapital Financing Activities	38,633	(2,384)	36,249
Cash Flows from Capital and Related Financing Activities			
Principal paid on capital debt	-	(98,248)	(98,248)
Interest paid on capital debt	-	(103,904)	(103,904)
Net Cash Used in Capital and Related Financing Activities	-	(202,152)	(202,152)
Cash Flows from Investing Activities			
Interest income	-	11,661	11,661
Net Cash Provided by Investing Activities	-	11,661	11,661
Net Increase (Decrease) in Cash	-	53,334	53,334
Cash - Beginning of Year	3,676	337,595	341,271
Cash - End of Year	$ 3,676	$ 390,929	$ 394,605
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities			
Operating loss	$ (38,801)	$ (153,018)	$ (191,819)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities			
Depreciation expense	18,727	365,902	384,629
Changes in assets and liabilities			
Receivables, net	(15,792)	777	(15,015)
Accounts payable and accrued expenses	2,615	897	3,512
Pooled cash deficit	18,636	55,439	74,075
Customer deposits	(565)	-	(565)
Compensated absences	721	386	1,107
Deferred outflows - pension	(8,668)	(8,669)	(17,337)
Deferred outflows - OPEB	642	640	1,282
Net pension asset	1,362	1,363	2,725
Net OPEB asset/liability	(3,443)	(3,442)	(6,885)
Deferred inflows - pension	(16,205)	(16,204)	(32,409)
Deferred inflows - OPEB	2,138	2,138	4,276
Net Cash Provided by (Used in) Operating Activities	$ (38,633)	$ 246,209	$ 207,576

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

Town of Kenbridge, Virginia

Statement of Fiduciary Net Position

Year Ended June 30, 2025

	Custodial Fund
	Kenbridge Recreation Commission
Assets	
Cash	$ 16,332
Total Assets	$ 16,332
Liabilities	
Amounts held for others	$ 16,332
Total Liabilities	$ 16,332

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

Town of Kenbridge, Virginia

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2025

	Custodial Fund Kenbridge Recreation Commission
Additions	
Interest	$ 19
Miscellaneous	16,392
Total Additions	16,411
Deductions	
Program and administrative expenses	12,380
Total Deductions	12,380
Net Increase in Fiduciary Net Position	4,031
Net Position - Beginning	12,301
Net Position - Ending	$ 16,332

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

1 Summary of Significant Accounting Policies

Narrative Profile

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

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

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

1-A. *Financial Reporting Entity*

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

Individual Component Unit Disclosures

Discretely Presented Component Unit

Industrial Development Authority of the Town of Kenbridge, Virginia

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

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

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

Exclusions from the Reporting Entity

Jointly Governed Organizations

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

There are no jointly governed organizations at this time.

1-B. Financial Reporting Model

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

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

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

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

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

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

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

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

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

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

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

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

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

1-C. Financial Statement Presentation

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

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

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

  - *General Fund* – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.

  - *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:

    - Farmers Market Fund, Town Park Fund, and ARPA Fund.

  - *Capital Projects Funds* – The Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

- ***Proprietary Funds*** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has two enterprise funds, the Water fund and Sewer fund, which account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges.

- ***Fiduciary Funds (Custodial Funds)*** – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Custodial funds. Custodial funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The Town's Fiduciary Fund is the Kenbridge Recreation Commission.

1-D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

1-E-1 Cash and Cash Equivalents

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

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

1-E-2 Investments

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

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

1-E-3 Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portions of the interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as internal balances.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $72,355 at June 30 for property tax receivables.

General fund - taxes	$ 575,610
Less: Allowance for uncollectible	(72,355)
General fund - taxes, net	$ 503,255

Real and Personal Property Tax Data

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

	Real Property	Personal Property
Levy	January 1	January 1
Due Date	July 15	July 15
Due Date	December 15	December 15
Lien Date	January 1	January 1

The Town bills and collects its own property taxes.

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

1-E-4 Prepaid Items

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

1-E-5 Capital Assets

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

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

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

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

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

1-E-6 Deferred Outflows/Inflows of Resources

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

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

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

1-E-7 Compensated Absences

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

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

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

1-E-8 Pensions

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

1-E-9 Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance

Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-10 Health Insurance Credit Program

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

1-E-11 Fund Equity

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

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

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

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

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

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

<u>Unassigned</u> – all amounts not classified as nonspendable, restricted, committed, or assigned.

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

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

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

1-E-12 Operating Revenues and Expenses

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

1-E-13 Interfund Activity

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

1-E-14 Long-Term Obligations

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

1-E-15 Adoption of New GASB Statements

The Town adopted the following GASB statements during the year ended June 30, 2025:

GASB Statement No. 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of the financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for the fiscal year June 30, 2025 for the Town.

GASB Statement No. 102, *Certain Risk Disclosures* – The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for the fiscal year June 30, 2025 for the Town.

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this statement are effective for the fiscal year ending June 30, 2025 for the Town.

1-F. Estimates

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

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

Budgetary Data

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

1. Prior to June, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain citizen comments.

3. Prior to July 1, the budget is legally enacted through passage of an Appropriations Resolution.

4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Town Council.

5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds.

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Expenditures exceeded appropriations in the General Fund at June 30, 2025.

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

Fund Deficits

No funds had fund deficits.

3 Deposits and Investments

Deposits

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

Investments

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

Custodial Credit Risk

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

Interest Rate Risk

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

The Town's investments consist of the following:

	Fair Value	Investment Maturity (in Years)
Certificates of deposit	$ 157,221	1 to 2
	$ 157,221	

Credit Risk

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

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

Rating (Moody's or S&P)	Fair Value
Unrated	157,221
	$ 157,221

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

	Governmental Activities	Business-Type Activities	Component Unit - IDA	Fiduciary Fund	Total
Deposits and Investments					
Cash on hand	$ 174	$ -	$ -	$ -	$ 174
Demand deposits (deficit)	283,062	(6,546)	193,569	16,332	486,417
Certificates of deposit	-	157,221	-	-	157,221
	$ 283,236	$ 150,675	$ 193,569	$ 16,332	$ 643,812

	Governmental Activities	Business-Type Activities	Component Unit - IDA	Fiduciary Fund	Total
Statement of Net Position					
Deposits and Investments					
Cash and cash equivalents	$ 283,236	$ 150,675	$ 193,569	$ 16,332	$ 643,812
	$ 283,236	$ 150,675	$ 193,569	$ 16,332	$ 643,812

4 Receivables

Receivables at June 30, 2025 consist of the following:

	Primary Government			
	General	Capital Projects Fund	Total Governmental Funds	Business-Type Activities
Property taxes	$ 575,610	$ -	$ 575,610	$ -
Other	26,177	147	26,324	-
Garbage	18,688	-	18,688	-
Water and sewer	-	-	-	99,554
Total	620,475	147	620,622	99,554
Less: Allowance for uncollectibles	(72,355)	-	(72,355)	-
Net Receivables	$ 548,120	$ 147	$ 548,267	$ 99,554

Notes receivable at June 30, 2025 consist of the following:

	Balance July 1, 2024	Increase	Decrease	Balance June 30, 2025	Due Within One Year
Primary Government					
Governmental Activities					
General Fund					
The Town has a note with 138 Main Street, LLC for the purpose of improvements to 138 Main Street. The note is payable in twenty-four interest only payments and thereafter monthly payments of principal and interest with a stated interest rate of 2.5 percent.	$ 1,000,000	$ -	$ -	$ 1,000,000	$ -
Total Notes Receivable	$ 1,000,000	$ -	$ -	$ 1,000,000	$ -

Remaining principal and interest on notes receivable are as follows:

Year Ended June 30,	Governmental Activities Principal	Governmental Activities Interest
2026	$ -	$ 25,000
2027	22,858	24,764
2028	25,506	24,204
2029	26,217	23,493
2030	26,880	22,830
2031-2035	144,883	103,665
2036-2040	164,118	84,430
2041-2045	186,011	62,537
2046-2050	210,762	37,786
2051-2055	192,765	10,220
	$ 1,000,000	$ 418,929

5 Interfund Transfers

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

Primary Government

	Transfer (To)	Transfer From
General Fund		
From Water for operating costs	$ -	$ 424
From ARPA to close out fund	-	2
To Capital Projects for operating costs	147	-
Total General Fund	147	426
Water Fund		
To General for operating costs	424	-
From Sewer for operating costs	-	2,384
Total Water Fund	424	2,384
Sewer Fund		
To Water for operating costs	2,384	-
Total Sewer Fund	2,384	-
ARPA Fund		
To General to close out fund	2	-
Total ARPA Fund	2	-
Capital Projects Fund		
From General Fund for operating costs	-	147
Total Capital Projects Fund	-	147
Total Transfers	$ 2,957	$ 2,957

6 Due from Other Governmental Units

Details of the Town's receivables from other governmental units, as of June 30, 2025, are as follows:

	Governmental Activities
Federal Government	
Virginia Department of Forestry	$ 1,040
Department of Housing and Community Development	27,550
Local law enforcement grant	3,200
Sales tax	2,843
	$ 34,633

7 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital Assets Not Being Depreciated				
Land and easements	$ 166,160	$ -	$ -	$ 166,160
Total Capital Assets Not Being Depreciated	166,160	-	-	166,160
Other Capital Assets				
Buildings and improvements	2,640,536	-	-	2,640,536
Infrastructure	1,152,257	-	-	1,152,257
Furniture, equipment, and vehicles	1,411,938	53,878	22,151	1,443,665
Total Other Capital Assets	5,204,731	53,878	22,151	5,236,458
Less: Accumulated depreciation for				
Buildings and improvements	1,041,029	54,523	-	1,095,552
Infrastructure	557,933	27,643	-	585,576
Furniture, equipment, and vehicles	1,231,473	82,217	22,151	1,291,539
Total Accumulated Depreciation	2,830,435	164,383	22,151	2,972,667
Other Capital Assets, Net	2,374,296	(110,505)	-	2,263,791
Net Capital Assets	$ 2,540,456	$ (110,505)	$ -	$ 2,429,951

Depreciation expense was allocated as follows:

General government administration	$ 23,331
Public safety	54,736
Public works	68,624
Parks, recreation, and cultural	17,692
Total Depreciation Expense	$ 164,383

Business-Type Activities

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital Assets Not Being Depreciated				
Land	$ 65,589	$ -	$ -	$ 65,589
Total Capital Assets Not Being Depreciated	65,589	-	-	65,589
Other Capital Assets				
Land improvements	41,000	-	-	41,000
Infrastructure	12,354,903	-	-	12,354,903
Furniture, equipment, and vehicles	471,642	-	-	471,642
Total Other Capital Assets	12,867,545	-	-	12,867,545
Less: Accumulated depreciation for				
Land improvements	5,467	2,050	-	7,517
Infrastructure	4,442,967	309,275	-	4,752,242
Furniture, equipment, and vehicles	308,711	73,304	-	382,015
Total Accumulated Depreciation	4,757,145	384,629	-	5,141,774
Other Capital Assets, Net	8,110,400	(384,629)	-	7,725,771
Net Capital Assets	$ 8,175,989	$ (384,629)	$ -	$ 7,791,360

8 Compensated Absences

Per the Town's policy, with the exception of the police department, 25% of accumulated sick leave is paid upon separation. The police department receives 100% of sick leave upon separation. Each employee may carryover a maximum of 80 hours of annual leave. Upon separation, 100% of unused annual leave is paid. The Town has outstanding compensated absences totaling $49,577 in the governmental activities and $25,438 in the business-type activities.

9 Long-Term Debt

PRIMARY GOVERNMENT

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

Year(s) Ended June 30,	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest
2026	$ 413,279	$ 43,224	$ 106,320	$ 95,832
2027	94,993	39,091	108,466	93,686
2028	98,911	35,174	110,453	91,700
2029	102,995	31,089	112,933	89,219
2030	109,246	27,161	115,165	86,987
2031-2035	344,920	87,256	611,495	399,265
2036-2040	249,407	14,189	675,635	335,125
2041-2045	-	-	746,851	263,909
2046-2050	-	-	825,395	185,365
2051-2055	-	-	912,063	98,697
2056-2060	-	-	369,489	31,081
2061-2063	-	-	145,332	3,259
Compensated absences	49,577	-	25,438	-
	$ 1,463,328	$ 277,184	$ 4,865,035	$ 1,774,125

Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the Town for the year ended June 30, 2025:

	Balance July 1, 2024	Increase	Decrease	Balance June 30, 2025	Due Within One Year
Primary Government					
Governmental Activities					
General Fund					
The Town had a five-year balloon loan with Benchmark Community Bank for the purpose of constructing an addition to the existing firehouse. The loan was renewed June 15, 2021 payable in five annual installments of $14,946 due on June 15, 2026. Interest in 3.25 percent.	$ 28,520	$ -	$ 14,025	**$ 14,495**	$ 14,495
The Town issued General Obligation Public Improvement Refunding Bond, Series 2019A to refund the General Obligation Series 2007 bond. Installments of interest payable monthly commencing March 1, 2019, and installments of principal payable monthly commencing July 1, 2019. The bond is due and payable on August 1, 2037. Interest is 4.00 percent.	639,900	-	34,222	**605,678**	36,017
The Town issued General Obligation Public Improvement Refunding Bond, Series 2019B to refund the General Obligation Series 2007 bond. Installments of interest payable monthly commencing March 1, 2019, and installments of principal payable monthly commencing July 1, 2019. The bond is due and payable on August 1, 2037. Interest is 4.30 percent.	284,723	-	14,875	**269,848**	15,724
The Town has a note with First Citizens Bank to purchase a new fire truck for $400,000. It is payable over 15 years with annual installments of $35,208. Interest is 3.40 percent.	194,083	-	28,719	**165,364**	29,711
The Town has a note with Benchmark Community Bank to purchase a truck for $53,875. It is payable over 5 years with monthly installments of $1,037. Interest is 5.73 percent.	-	53,875	3,059	**50,816**	9,782
The Town has a line of credit with Benchmark Community Bank up to $350,000 with an interest rate of 2.83 percent.	176,523	200,000	96,523	**280,000**	280,000
The Town has a line of credit with Benchmark Community Bank up to $1,000,000 with an interest rate of 7.49 percent for capital projects.	200,000	58,706	231,156	**27,550**	27,550
Compensated absences	45,103	4,474	-	**49,577**	4,958
Total Governmental Activities	1,568,852	317,055	422,579	**1,463,328**	418,237
Business-Type Activities					
Enterprise Funds					
Water Fund					
Compensated absences	10,663	721	-	**11,384**	1,139
Total Water Fund	10,663	721	-	**11,384**	1,139
Sewer Fund					
The Town issued general obligation sewer bonds Series 2015 with Rural Development with a combined amount of $3,590,000 to refinance loans #92-01, 92-03, 92-04, 92-05 and finance the rehabilitation of the Town's sewer pump stations. Interest only is due November 2016 then monthly payments will be $11,058 at a stated interest rate of 2.0 percent for 40 years.	3,085,625	-	65,539	**3,020,086**	72,951
The Town issued general obligation sewer bonds Series 2022 with Rural Development with a principal balance of $1,879,000. Interest only is due September 2022 through August 2023 then monthly payments will be $5,788 at a stated interest rate of 2.0 percent for 40 years.	1,852,220	-	32,709	**1,819,511**	33,369
Compensated absences	13,668	386	-	**14,054**	1,405
Total Sewer Fund	4,951,513	386	98,248	**4,853,651**	107,725
Total Business-Type Activities	4,962,176	1,107	98,248	**4,865,035**	108,864
Total Primary Government	$ 6,531,028	$ 318,162	$ 520,827	**$ 6,328,363**	$ 527,101

10 Line of Credit

The Town renewed their line of credit with Benchmark Community Bank on October 2023 in the amount of $350,000. As of June 30, 2025, this line has a balance of $280,000. Also, the Town has an additional line of credit for capital projects with Benchmark Community Bank in the amount of $1,000,000. As of June 30, 2025, this line has a balance of $27,550.

11 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2025 is determined as follows:

	Governmental Activities	Business-Type Activities
Net Investment in Capital Assets		
Cost of capital assets	$ 5,402,618	$ 12,933,134
Less: Accumulated depreciation	(2,972,667)	(5,141,774)
Book value	2,429,951	7,791,360
Less: Capital related debt	(1,133,751)	(4,839,597)
Net Investment in Capital Assets	$ 1,296,200	$ 2,951,763

12 Deferred Inflows of Resources

Deferred inflows of resources are comprised of the following:

Primary Government	
General Fund	
Delinquent taxes not collected within 60 days	$ 209,819
Prepaid property taxes - property taxes paid in advance	14,466
Second half property tax assessments	293,436
Total Deferred Inflows of Resources - Governmental Funds	$ 517,721

13 Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town joined together with other local governments in Virginia to form the Virginia Risk Sharing Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Town pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

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

Surety bond coverage is as follows:

Selective Insurance Company of Virginia

Chairman
Town Treasurer
Deputy Treasurer
Mayor
Vice Mayor
IDA Treasurer

14 Commitments and Contingencies

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

15 Litigation

At June 30, 2025, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions or pending matters not be favorable to such entities.

16 Legal Compliance

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

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Property	$ 97,077,936
Debt Limits per Constitution of Virginia - 10% Assessed Value	$ 9,707,794
Amount of Debt Applicable to Debt Limit	
Gross debt	1,413,751
Legal Debt Margin - June 30, 2025	$ 8,294,043

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

17 Pension Plan

Plan Description

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

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

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RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

Eligible Members

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

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

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

PLAN 2

About Plan 2

Same as Plan 1

Eligible Members

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

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

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

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

- The defined benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members

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

- Political subdivision employees*
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

**Non-Eligible Members*

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

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

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	***Retirement Contributions*** Same as Plan 1.	***Retirement Contributions*** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Service Credit 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.	***Service Credit*** Same as Plan 1.	***Service Credit*** **Defined Benefit Component:** Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contributions Component:** Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.
Vesting 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.	***Vesting*** Same as Plan 1.	***Vesting*** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. •After two years, a member is 50% vested and may withdraw 50% of employer contributions. •After three years, a member is 75% vested and may withdraw 75% of employer contributions. •After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution not required, except as governed by law until age 73.
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit, and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	***Calculating the Benefit*** See definition under Plan 1.	***Calculating the Benefit*** **Defined Benefit Component:** See definition under Plan 1. **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	***Average Final Compensation*** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	***Average Final Compensation*** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	***Service Retirement Multiplier*** **VRS:** Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased, or granted on or after January 1, 2013.	***Service Retirement Multiplier*** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.	**Sheriffs and regional jail superintendents:** Same as Plan 1.	**Sheriffs and regional jail superintendents:** Not applicable.
Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Political subdivision hazardous duty employees:** Same as Plan 1.	**Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component** Not applicable.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Normal Retirement Age	***Normal Retirement Age***	***Normal Retirement Age***
VRS: Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Defined Benefit Component:** **VRS:** Same as Plan 2. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility	***Earliest Unreduced Retirement Eligibility***	***Earliest Unreduced Retirement Eligibility***
VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. **Political subdivisions hazardous duty employees:** Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	**VRS:** Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equal 90. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Defined Benefit Component:** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equal 90. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility	***Earliest Reduced Retirement Eligibility***	***Earliest Reduced Retirement Eligibility***
VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. **Political subdivisions hazardous duty employees:** Age 50 with at least five years of service credit.	**VRS:** Age 60 with at least five years (60 months) of service credit. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Defined Benefit Component:** **VRS:** Age 60 with at least five years (60 months) of service credit. **Political subdivisions hazardous duty employees:** Not applicable **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement	***Cost-of-Living Adjustment (COLA) in Retirement***	***Cost-of-Living Adjustment (COLA) in Retirement***
The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. *Eligibility:* For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar 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.	The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. *Eligibility:* *Same as Plan 1*	**Defined Benefit Component:** Same as Plan 2 **Defined Contribution Component:** Not applicable *Eligibility:* *Same as Plan 1*

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: •The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. •The member retires on disability. •The member retires directly from short-term or long-term disability. •The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. •The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.	*Exceptions to COLA Effective Dates:* Same as Plan 1	*Exceptions to COLA Effective Dates:* Same as Plan 1
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.	***Disability Coverage*** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.	***Disability Coverage*** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	***Purchase of Prior Service*** Same as Plan 1	***Purchase of Prior Service*** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable

Employees Covered by Benefit Terms

As of the June 30, 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	11
Inactive members:	
Vested inactive members	8
Non-vested inactive members	8
LTD	0
Inactive members active elsewhere in VRS	13
Active members	13
Total covered employees	53

Contributions

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

If the employer used the certified rate: The Town of Kenbridge, Virginia's contractually required contribution rate for the year ended June 30, 2025 was 6.44% 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 of Kenbridge, Virginia were $44,750 and $43,459 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled $2,561 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled $-0- for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled $258,219 for the year ended June 30, 2025.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Town of Kenbridge, Virginia the net pension liability was measured as of June 30, 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.

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

Mortality rates:

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

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

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

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

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

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

The actuarial assumptions used in the June 30, 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

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 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

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

Long-Term Expected Rate of Return

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

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	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	**100.00%**		**7.07%**
*Expected arithmetic nominal return			**7.07%**

**The above allocation provides a one-year 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 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. 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 (Asset) (a) - (b)
Balances at June 30, 2023	$ 1,450,135	$ 1,961,187	$ (511,052)
Changes for the Year			
Service cost	89,407	-	89,407
Interest	100,962	-	100,962
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	80,109	-	80,109
Contributions - employer	-	43,459	(43,459)
Contributions - employee	-	30,375	(30,375)
Net investment income	-	190,251	(190,251)
Benefit payments, including refunds of employee contributions	(87,618)	(87,618)	-
Administrative expenses	-	(1,213)	1,213
Other changes	-	42	(42)
Net Changes	182,860	175,296	7,564
Balances at June 30, 2024	$ 1,632,995	$ 2,136,483	$ (503,488)

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's Net Pension Liability (Asset)	$ (306,090)	$ (503,488)	$ (665,581)

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

For the year ended June 30, 2025, the Town of Kenbridge, Virginia recognized pension expense/(income) of $(85,866). At June 30, 2025, the Town of Kenbridge, Virginia 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	$	46,869	$	44,912
Change in assumptions		-		-
Net difference between projected and actual earnings on pension plan investments		-		53,289
Employer contributions subsequent to the measurement date		44,750		-
Total	$	91,619	$	98,201

$44,750 reported as deferred outflows of resources related to pensions resulting from the Town of Kenbridge, Virginia's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 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:

Year Ended June 30,		
2026	$	(56,646)
2027		27,893
2028		(10,903)
2029		(11,676)
2030		-

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.

Payables to the Pension Plan

The political subdivision recognizes $6,693 of payables to a pension plan outstanding at the end of the reporting period. This amount represents June 2025 legally required contributions to the pension plan due by July 10 per VRS reporting requirements.

18 Other Post-Employment Benefits - Group Life Insurance Program

Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.
Benefit Amounts The benefits payable under the Group Life Insurance Program has several components. • *Natural Death Benefit:* – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • *Accidental Death Benefit:* – The accidental death benefit is double the natural death benefit. • *Other Benefit Provisions:* – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: Accidental dismemberment benefit Safety belt benefit Repatriation benefit Felonious assault benefit Accelerated death benefit option
Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $9,532 as of June 30, 2025.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% X 60%) and the employer component was 0.47% (1.18% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2025 was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were $3,266 and $3,593 for the years ended June 30, 2025 and June 30, 2024, respectively.

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

At June 30, 2025, the participating employer reported a liability of $28,456 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 and the total GLI OPEB liability used to calculate the Net GLI 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 covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the participating employer's proportion was .00255% as compared to .00262% at June 30, 2023.

For the year ended June 30, 2025, the participating employer recognized GLI OPEB expense of $1,255. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,488	$ 695
Net difference between projected and actual earnings on GLI OPEB program investments	-	2,399
Change in assumptions	162	1,410
Changes in proportionate share	3,081	1,331
Employer contributions subsequent to the measurement date	3,266	-
Total	$ 10,997	$ 5,835

$3,266 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30,	
2026	$ (809)
2027	1,278
2028	730
2029	379
2030	318
Thereafter	-

Actuarial Assumptions

The total GLI 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 increases, including inflation -	
Locality - General employees	3.50% - 5.35%
Locality - Hazardous Duty employees	3.50% - 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

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

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

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

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

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

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

The actuarial assumptions used in the June 30, 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:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

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

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

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

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

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

The actuarial assumptions used in the June 30, 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:

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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$ 4,196,055
Plan Fiduciary Net Position	3,080,133
GLI Net OPEB Liability (Asset)	$ 1,115,922
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	73.41%

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

Long-Term Expected Rate of Return

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

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	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	**100.00%**		**7.07%**
*Expected arithmetic nominal return			**7.07%**

** The above allocation provides a one-year 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 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2024, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
State Agency's Proportionate Share of the Group Life Insurance Plan Net OPEB Liability	$ 44,253	$ 28,456	$ 15,694

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 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.

Payables to the VRS Group Life Insurance OPEB Plan

The political subdivision recognizes $714 of payables to a group life insurance OPEB plan outstanding at the end of the reporting period. This amount represents June 2025 legally required contributions to the OPEB plan due by July 10 per VRS reporting requirements.

19 Other Post-Employment Benefits – Health Insurance Credit Program

Plan Description

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

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

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
Eligible Employees The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: • Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
Benefit Amounts The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees: • *At Retirement*: – For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month. • *Disability Retirement*: – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.
Health Insurance Credit Program Notes: • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • No health insurance credit for premiums paid and qualified under LODA, however, the employee may receive the credit for the premiums paid for other qualified health plans. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Employees Covered by Benefit Terms

As of the June 30, 2024 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	3
Vested inactive members	9
Active members	13
Total covered employees	25

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Town of Kenbridge, Virginia's contractually required employer contribution rate for the year ended June 30, 2025 was 0.03% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Town of Kenbridge, Virginia to the Political Subdivision Health Insurance Credit Program were $208 and $522 for the years ended June 30, 2025 and June 30, 2024, respectively.

Net HIC OPEB Liability

The Town of Kenbridge, Virginia's net Health Insurance Credit OPEB liability was measured as of June 30, 2024. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2023, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions

The total HIC 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 increases, including inflation	
Locality - General Employees	3.50% - 5.35%
Locality - Hazardous Duty Employees	3.50% - 4.75%
Investment rate of return	6.75%, net of investment investment expenses, including inflation

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

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

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

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

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

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

The actuarial assumptions used in the June 30, 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:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 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:

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

Long-Term Expected Rate of Return

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

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	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	**100.00%**		**7.07%**
	*Expected arithmetic nominal return		**7.07%**

** The above allocation provides a one-year 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 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2024, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability:

		Increase (Decrease)	
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2023	$ 24,788	$ 16,103	$ 8,685
Changes for the Year			
Service cost	637	-	637
Interest	1,704	-	1,704
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	(16,472)	-	(16,472)
Contributions - employer	-	522	(522)
Net investment income	-	1,527	(1,527)
Benefit payments, including refunds of employee contributions	(348)	(348)	-
Administrative expenses	-	(21)	21
Other changes	-	-	-
Net Changes	(14,479)	1,680	(16,159)
Balances at June 30, 2024	$ 10,309	$ 17,783	$ (7,474)

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's Net HIC OPEB Liability	$ (6,243)	$ (7,474)	$ (8,499)

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

For the year ended June 30, 2025, the Town of Kenbridge, Virginia recognized Health Insurance Credit Program OPEB expense/(income) $(1,465). At June 30, 2025, the Town of Kenbridge, Virginia reported deferred outflows of resources and deferred inflows of resources related to the Town of Kenbridge, Virginia's Health Insurance Credit Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 130	$ 19,153
Net difference between projected and actual earnings on HIC OPEB program investments	-	352
Change in assumptions	11,302	-
Change in proportionate share	-	-
Employer contributions subsequent to the measurement date	208	-
Total	$ 11,640	$ 19,505

$208 reported as deferred outflows of resources related to the HIC OPEB resulting from the Town of Kenbridge, Virginia's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the Fiscal Year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30,	
2026	$ (2,935)
2027	(2,467)
2028	(1,988)
2029	(1,642)
2030	959
Thereafter	-

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2024 *Annual Comprehensive Financial 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.

Payables to the Political Subdivision Health Insurance Credit Program OPEB Plan

The political subdivision recognizes $18 of payables to a health insurance credit program OPEB plan outstanding at the end of the reporting period. This amount represents the June 2025 legally required contributions to the OPEB plan due by July 10 per VRS reporting requirements

20 Aggregate OPEB Information

	Primary Government				
	Deferred Outflows	Deferred Inflows	Net OPEB (Asset)	Net OPEB Liability	OPEB Expense
VRS OPEB Plans					
Group Life Insurance					
Primary Government	$ 10,997	$ 5,835	$ -	$ 28,456	$ 1,255
Health Insurance Credit					
Primary Government	11,640	19,505	(7,474)	-	(1,465)
Totals	$ 22,637	$ 25,340	$ (7,474)	$ 28,456	$ (210)

21 Fund Balances – Governmental Funds

As of June 30, 2025, fund balances are composed of the following:

	Primary Government				
	General Fund	Capital Projects Fund	Farmers Market Fund	Town Park Fund	Total Governmental Funds
Assigned for					
Farmers Market	$ -	$ -	$ 1,897	$ -	**$ 1,897**
Town park improvements	-	-	-	6,493	**6,493**
Restricted for					
Debt service	4,333	-	-	-	**4,333**
Capital projects	-	1,027,741	-	-	**1,027,741**
Nonspendable					
Inventory	2,427	-	-	-	**2,427**
	$ 6,760	$ 1,027,741	$ 1,897	$ 6,493	**$ 1,042,891**

22 Restatement

Beginning balances were restated due to the following:

	Governmental Activities	General Fund	Water Fund	Sewer Fund
Balance June 30, 2024	$ 2,636,208	$ 247,453	$ 156,963	$ 3,392,731
To properly record book payroll withholdings	7,427	7,427	11,975	(7,203)
Restated June 30, 2024	$ 2,643,635	$ 254,880	$ 168,938	$ 3,385,528

23 Upcoming Pronouncements

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

24 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2025 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2025 Management has performed their analysis through July 13, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Kenbridge, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2025

General Fund

	Original Budget	Final Budget	Variance With Original Budget Over (Under) Final Budget	Actual	Variance With Final Budget Over (Under) Actual Amounts
Revenues					
General Property Taxes					
Real property taxes	$ 362,777	$ 362,777	$ -	$ 401,293	$ 38,516
Personal property taxes	162,590	162,590	-	122,213	(40,377)
Machinery and tools taxes	30,177	30,177	-	32,192	2,015
Delinquent taxes - real estate	11,550	11,550	-	9,514	(2,036)
Delinquent taxes - personal property	11,650	11,650	-	4,368	(7,282)
Interest on taxes	10,000	10,000	-	11,697	1,697
Penalties on taxes	7,500	7,500	-	11,305	3,805
Total General Property Taxes	596,244	596,244	-	592,582	(3,662)
Other Local Taxes					
Local sales and use taxes	40,500	40,500	-	37,956	(2,544)
Utility taxes	44,730	44,730	-	45,600	870
Business license taxes	139,702	139,702	-	93,097	(46,605)
Meals tax	88,000	88,000	-	65,173	(22,827)
Franchise taxes	5,500	5,500	-	5,520	20
Motor vehicle licenses	34,325	34,325	-	28,873	(5,452)
Bank stock tax	45,000	45,000	-	66,846	21,846
Total Other Local Taxes	397,757	397,757	-	343,065	(54,692)
Fines and Forfeitures	3,000	3,000	-	8,322	5,322
Permits, Fees, and Licenses	3,625	3,625	-	2,450	(1,175)
Revenue from Use of Money and Property					
Revenue from use of money	230	230	-	982	752
Revenue from use of property	58,500	58,500	-	56,851	(1,649)
Total Revenue from Use of Money and Property	58,730	58,730	-	57,833	(897)
Charges for Services					
Garbage collection	144,000	144,000	-	173,160	29,160
Total Charges for Services	144,000	144,000	-	173,160	29,160
Recovered Costs					
Fire Department	50,158	50,158	-	50,154	(4)
Miscellaneous	1,000	1,000	-	15,447	14,447
DMV stop pay	3,100	3,100	-	3,193	93
Total Recovered Costs	54,258	54,258	-	68,794	14,536
Miscellaneous	8,500	39,931	31,431	51,791	11,860
Intergovernmental					
Revenue from the Commonwealth of Virginia					
Noncategorical Aid					
Communication tax	22,000	22,000	-	20,409	(1,591)
Rolling stock tax	285	285	-	115	(170)
Personal Property Tax Relief Act	45,362	45,362	-	45,363	1
Total Noncategorical Aid	67,647	67,647	-	65,887	(1,760)

	Original Budget	Final Budget	Variance With Original Budget Over (Under) Final Budget	Actual	Variance With Final Budget Over (Under) Actual Amounts
Categorical Aid					
State aid law enforcement	37,336	41,616	4,280	41,616	-
Department of Forestry	-	-	-	1,040	1,040
DHCD grant	-	231,157	231,157	-	(231,157)
Litter grant	1,600	1,600	-	-	(1,600)
VRSA - safety grant	2,000	2,000	-	2,000	-
Fire program fund	15,000	15,000	-	15,000	-
Total Categorical Aid	55,936	291,373	235,437	59,656	(231,717)
Total Revenue from the Commonwealth of Virginia	123,583	359,020	235,437	125,543	(233,477)
Revenue from the Federal Government					
Police officer - Byrne grant	1,000	4,765	3,765	4,765	-
Total Revenue from the Federal Government	1,000	4,765	3,765	4,765	-
Total Intergovernmental Revenue	124,583	363,785	239,202	130,308	(233,477)
Total Revenues	1,390,697	1,661,330	270,633	1,428,305	(233,025)
Expenditures					
General Government Administration					
Mayor, Vice Mayor, and Town Council	9,900	9,900	-	9,450	(450)
Professional fees	16,250	16,250	-	19,116	2,866
Town Manager/administration	191,542	245,417	53,875	253,395	7,978
Treasurer	100,650	100,650	-	99,268	(1,382)
Total General Government Administration	318,342	372,217	53,875	381,229	9,012
Public Safety					
Police Department	369,836	381,686	11,850	373,598	(8,088)
Fire Department	79,750	79,750	-	73,665	(6,085)
Rescue Squad	11,500	11,500	-	13,014	1,514
Total Public Safety	461,086	472,936	11,850	460,277	(12,659)
Public Works					
Maintenance of highways, streets, bridges, and sidewalks	26,500	26,500	-	24,723	(1,777)
Refuse collection and disposal	336,859	347,485	10,626	392,030	44,545
Maintenance of buildings and grounds	74,005	91,005	17,000	104,109	13,104
Total Public Works	437,364	464,990	27,626	520,862	55,872
Parks, Recreation, and Cultural					
Library	8,265	8,265	-	8,265	-
Town park and recreation	4,050	4,050	-	16,073	12,023
Total Parks, Recreation, and Cultural	12,315	12,315	-	24,338	12,023

	Original Budget	Final Budget	Variance With Original Budget Over (Under) Final Budget	Actual	Variance With Final Budget Over (Under) Actual Amounts
Community Development					
Airport	5,670	5,670	-	-	(5,670)
Bus service	8,480	8,480	-	5,867	(2,613)
Total Community Development	14,150	14,150	-	5,867	(8,283)
Debt Service	147,440	147,440	-	241,869	94,429
Total Expenditures	1,390,697	1,484,048	93,351	1,634,442	150,394
Excess (Deficiency) of Revenues Over Expenditures	-	177,282	177,282	(206,137)	(383,419)
Other Financing Sources (Uses)					
Issuance of debt	-	53,875	53,875	253,875	200,000
Operating transfers in (out)	-	(231,157)	(231,157)	279	231,436
Total Other Financing Sources (Uses)	-	(177,282)	(177,282)	254,154	431,436
Net Change in Fund Balance	$ -	$ -	$ -	48,017	$ 48,017
Fund Balance - Beginning of Year (Restated)				254,880	
Fund Balance - End of Year				$ 302,897	

ARPA Fund

	Original Budget	Final Budget	Variance With Original Budget Over (Under) Final Budget	Actual	Variance With Final Budget Over (Under) Actual Amounts
Revenues					
Revenue from Use of Money and Property	$ -	$ -	$ -	$ 55	$ 55
Intergovernmental					
Revenue from the Federal Government					
American Rescue Plan Act	-	-	-	58,804	58,804
Total Revenue from the Federal Government	-	-	-	58,804	58,804
Total Intergovernmental Revenue	-	-	-	58,804	58,804
Total Revenues	-	-	-	58,859	58,859
Expenditures					
Public Works					
Capital outlay	-	-	-	60,388	60,388
Total Public Works	-	-	-	60,388	60,388
Total Expenditures	-	-	-	60,388	60,388
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	(1,529)	(1,529)
Other Financing Sources (Uses)					
Operating transfers in (out)	-	-	-	(2)	(2)
Total Other Financing Sources (Uses)	-	-	-	(2)	(2)
Net Change in Fund Balance	$ -	$ -	$ -	(1,531)	$ (1,531)
Fund Balance - Beginning of Year				1,531	
Fund Balance - End of Year				$ -	

Town of Kenbridge, Virginia

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

For the Plan Years Ended June 30 (in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	$ 89,407	$ 91,149	$ 49,730	$ 41,672	$ 47,222	$ 43,152	$ 42,108	$ 41,168	$ 49,654	$ 41,981
Interest	100,962	103,111	114,183	103,779	98,448	92,075	81,264	77,671	72,184	70,693
Assumption changes	-	-	-	72,500	-	41,968	-	(10,230)	-	-
Changes in benefit terms	-	-	10,514	-	-	-	-	-	-	-
Difference between expected and actual experience	80,109	(155,808)	(320,908)	(28,691)	26,153	46,479	113,827	19,893	21,149	(29,285)
Benefit Payments	(87,618)	(49,474)	(68,471)	(101,234)	(84,449)	(76,636)	(88,884)	(65,466)	(63,746)	(60,408)
Net change in total pension liability	182,860	(11,022)	(214,952)	88,026	87,374	147,038	148,315	63,036	79,241	22,981
Total pension liability - beginning	1,450,135	1,461,157	1,676,109	1,588,083	1,500,709	1,353,671	1,205,356	1,142,320	1,063,079	1,040,098
Total pension liability - ending (a)	$ 1,632,995	$ 1,450,135	$ 1,461,157	$ 1,676,109	$ 1,588,083	$ 1,500,709	$ 1,353,671	$ 1,205,356	$ 1,142,320	$ 1,063,079
Plan fiduciary net position										
Contributions - employer	$ 43,459	$ 41,427	$ 49,296	$ 33,244	$ 20,417	$ 21,614	$ 19,569	$ 18,935	$ 24,346	$ 23,175
Contributions - employee	30,375	28,781	25,655	21,522	20,765	21,803	33,955	19,928	19,780	18,760
Net investment income	190,251	119,766	(2,838)	393,992	28,289	94,603	98,814	150,517	21,424	54,852
Benefit Payments, including refunds	(87,618)	(49,474)	(68,471)	(101,234)	(84,449)	(76,636)	(88,884)	(65,466)	(63,746)	(60,408)
Administrator charges	(1,213)	(1,149)	(1,118)	(990)	(979)	(945)	(864)	(878)	(775)	(758)
Other	42	49	43	37	(33)	(59)	(89)	(133)	(9)	(12)
Net change in plan fiduciary net position	175,296	139,400	2,567	346,571	(15,990)	60,380	62,501	122,903	1,020	35,609
Plan fiduciary net position - beginning	1,961,187	1,821,787	1,819,220	1,472,649	1,488,639	1,428,259	1,365,758	1,242,855	1,241,835	1,206,226
Plan fiduciary net position - ending (b)	$ 2,136,483	$ 1,961,187	$ 1,821,787	$ 1,819,220	$ 1,472,649	$ 1,488,639	$ 1,428,259	$ 1,365,758	$ 1,242,855	$ 1,241,835
Political subdivision's net pension liability (asset) - ending (a - b)	$ (503,488)	$ (511,052)	$ (360,630)	$ (143,111)	$ 115,434	$ 12,070	$ (74,588)	$ (160,402)	$ (100,535)	$ (178,756)
Plan fiduciary net position as a percentage of the total Pension liability	-30.83%	-35.24%	-24.68%	-8.54%	7.27%	0.80%	-5.51%	-13.31%	-8.80%	-16.81%
Covered payroll	$ 652,029	$ 616,240	$ 548,247	$ 467,715	$ 450,131	$ 468,046	$ 440,831	$ 419,206	$ 415,844	$ 380,391
Political subdivision's net pension liability as a percentage of covered payroll	-129.50%	-120.58%	-152.02%	-326.82%	389.95%	3877.76%	-591.02%	-261.35%	-413.63%	-212.80%

Town of Kenbridge, Virginia

Schedule of Employer Contributions - Pension

For the Years Ended June 30, 2016 through 2025

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Date	Contractually Required Contribution (1)*	Contribution in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2025	**$ 44,750**	**$ 44,750**	**$ -**	**$ 694,881**	**6.44%**
2024	43,459	43,459	-	652,029	6.67%
2023	44,244	44,244	-	616,240	7.18%
2022	49,296	49,296	-	548,247	8.99%
2021	35,531	35,531	-	467,715	7.60%
2020	22,597	22,597	-	450,131	5.02%
2019	23,496	23,496	-	468,046	5.02%
2018	21,110	21,110	-	440,831	4.79%
2017	20,122	20,828	(706)	419,206	4.97%
2016	25,616	24,972	644	415,844	6.01%

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

For Reference Only:

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

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

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

Town of Kenbridge, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 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	Rates Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Town of Kenbridge, Virginia

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

For the Measurement Dates of June 30, 2017 through 2024

	2024	2023	2022	2021	2020	2019	2018	2017
Employer's Proportion of the Net GLI OPEB Liability (Asset)	**0.00255%**	0.00262%	0.00252%	0.00227%	0.00219%	0.00239%	0.00232%	0.00227%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	**$ 28,456**	$ 31,422	$ 30,343	$ 26,429	$ 36,547	$ 38,892	$ 35,000	$ 34,000
Employer's Covered Payroll	**$ 655,195**	$ 616,240	$ 548,247	$ 467,715	$ 450,132	$ 468,046	$ 440,831	$ 419,206
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	**4.34%**	5.10%	5.53%	5.65%	8.12%	8.31%	7.94%	8.11%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	**73.41%**	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

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.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on pages 130 and 131 of the VRS 2024 Annual Report.

Town of Kenbridge, Virginia

Schedule of Employer Contributions

Group Life Insurance OPEB Plan

For the Years Ended June 30, 2016 through 2025

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Payroll (5)
2025	**$ 3,266**	**$ 3,266**	**$ -**	**$ 694,881**	**0.47%**
2024	3,538	3,538	-	655,195	0.54%
2023	3,328	3,328	-	616,240	0.54%
2022	2,961	2,961	-	548,247	0.54%
2021	2,526	2,526	-	467,715	0.54%
2020	2,341	2,341	-	450,132	0.52%
2019	2,434	2,434	-	468,046	0.52%
2018	2,292	2,292	-	440,831	0.52%
2017	2,180	2,180	-	419,206	0.52%
2016	1,977	1,977	-	411,904	0.48%

For Reference Only:

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

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

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

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:

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers – Hazardous Duty Employees

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

Town of Kenbridge, Virginia

Schedule of Changes in the Political Subdivision's Net HIC OPEB Liability
and Related Ratios
(expressed in thousands)
For the Measurement Dates of June 30, 2024, 2023, 2022, 2021, 2020, 2019, 2018 and 2017

	2024	2023	2022	2021	2020	2019	2018	2017
Total HIC OPEB liability								
Service cost	$ 637	$ 716	$ 712	$ 532	$ 631	$ 574	$ 540	$ 489
Interest	1,704	1,844	886	865	809	765	747	731
Changes in benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(16,472)	(4,212)	(5,252)	(1,512)	347	589	187	-
Changes of assumptions	-	-	18,284	362	-	260	-	91
Benefit Payments	(348)	(327)	(547)	(775)	(1,135)	(1,119)	(1,320)	(833)
Net change in total HIC OPEB liability	(14,479)	(1,979)	14,083	(528)	652	1,069	154	478
Total HIC OPEB liability - beginning	24,788	26,767	12,684	13,212	12,560	11,491	11,337	10,859
Total HIC OPEB liability - ending (a)	$ 10,309	$ 24,788	$ 26,767	$ 12,684	$ 13,212	$ 12,560	$ 11,491	$ 11,337
Plan fiduciary net position								
Contributions - employer	$ 522	$ 493	$ 822	$ 702	$ 586	$ 608	$ 529	$ 503
Net investment income	1,527	933	9	3,069	240	747	848	1,251
Benefit Payments	(348)	(327)	(547)	(775)	(1,135)	(1,119)	(1,320)	(833)
Administrator charges	(21)	(23)	(26)	(37)	(22)	(16)	(19)	(20)
Other	-	(1)	-	-	-	(1)	(84)	65
Net change in plan fiduciary net position	1,680	1,075	258	2,959	(331)	219	(46)	966
Plan fiduciary net position - beginning	16,103	15,028	14,770	11,811	12,142	11,923	11,969	11,003
Plan fiduciary net position - ending (b)	$ 17,783	$ 16,103	$ 15,028	$ 14,770	$ 11,811	$ 12,142	$ 11,923	$ 11,969
Political subdivision's net HIC OPEB liability (asset) - ending (a) - (b)	$ (7,474)	$ 8,685	$ 11,739	$ (2,086)	$ 1,401	$ 418	$ (432)	$ (632)
Plan fiduciary net position as a percentage of the total HIC OPEB liability	172.50%	64.96%	56.14%	116.45%	89.40%	96.67%	103.76%	105.57%
Covered payroll	$ 652,029	$ 616,240	$ 548,247	$ 467,715	$ 450,131	$ 468,046	$ 440,831	$ 419,206
Political subdivision's net HIC OPEB liability as a percentage of covered payroll	-1.15%	1.41%	2.14%	-0.45%	0.31%	0.09%	-0.10%	-0.15%

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

Town of Kenbridge, Virginia

Schedule of Employer Contributions

Health Insurance Credit

For the Years Ended June 30, 2016 through 2025

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2025	**$ 208**	**$ 208**	**$ -**	**$ 694,881**	**0.03%**
2024	522	522	-	652,029	0.08%
2023	493	493	-	616,240	0.08%
2022	822	822	-	548,247	0.15%
2021	702	702	-	467,715	0.15%
2020	585	585	-	450,131	0.13%
2019	608	608	-	468,046	0.13%
2018	529	529	-	440,831	0.12%
2017	503	503	-	419,206	0.12%
2016	453	453	-	411,904	0.11%

For Reference Only:

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

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

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

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:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers – Hazardous Duty Employees

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

OTHER SUPPLEMENTARY INFORMATION

Town of Kenbridge, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2025

	Farmers Market Fund #43	Town Park Fund #57	Total Other Governmental Funds
Assets			
Cash and investments	$ 1,897	$ 6,493	$ 8,390
Total Assets	$ 1,897	$ 6,493	$ 8,390
Liabilities	$ -	$ -	$ -
Fund Balance			
Assigned	1,897	6,493	8,390
Total Fund Balance	1,897	6,493	8,390
Total Liabilities and Fund Balance	$ 1,897	$ 6,493	$ 8,390

Town of Kenbridge, Virginia

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

Other Governmental Funds

At June 30, 2025

	Farmers Market Fund #43	Town Park Fund #57	Total Other Governmental Funds
Revenues			
Use of money and property	$ 1,245	$ -	$ 1,245
Miscellaneous	25	4,800	4,825
Total Revenues	1,270	4,800	6,070
Expenditures			
Parks, recreation, and cultural	858	9,448	10,306
Total Expenditures	858	9,448	10,306
Excess (Deficiency) of Revenues over Expenditures	412	(4,648)	(4,236)
Other Financing Sources (Uses)			
Transfers	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	412	(4,648)	(4,236)
Fund Balance - Beginning of Year	1,485	11,141	12,626
Fund Balance - End of Year	$ 1,897	$ 6,493	$ 8,390

Town of Kenbridge, Virginia

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

Statement of Net Position

June 30, 2025

Assets

Current Assets	
Cash	$ 193,569
Total Assets	$ 193,569

Liabilities and Net Position

Liabilities	$ -
Total Liabilities	-
Net Position	
Unrestricted	193,569
Total Net Position	193,569
Total Liabilities and Net Position	$ 193,569

Town of Kenbridge, Virginia

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

Statement of Activities

Year Ended June 30, 2025

Operating Income	$ -
Operating Expenses	-
Operating Income (Loss)	-
Non-Operating Revenues (Expenses)	
Interest income	1,792
Non-Operating Revenues (Expenses)	1,792
Change in Net Position	1,792
Total Net Position - Beginning of Year	191,777
Total Net Position - End of Year	$ 193,569

Town of Kenbridge, Virginia

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

Statement of Cash Flows

Year Ended June 30, 2025

Cash Flows from Operating Activities	
Payments to suppliers	$ -
Net Cash Provided by (Used in) Operating Activities	-
Cash Flows from Investing Activities	
Interest income	1,792
Net Cash Provided by Investing Activities	1,792
Net Increase in Cash and Cash Equivalents	1,792
Cash and Cash Equivalents - Beginning of Year	191,777
Cash and Cash Equivalents - End of Year	$ 193,569
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Changes in assets and liabilities	-
Net Cash Provided by (Used in) Operating Activities	$ -

COMPLIANCE SECTION

Creedle Jones & Associates
A Professional Corporation

Robin B. Jones, CPA, CFP
Kimberly W. Jackson, CPA

Sherwood H. Creedle, Founder

Members of
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants

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

To the Town Council
Town of Kenbridge, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Kenbridge, Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Town of Kenbridge, Virginia's basic financial statements, and have issued our report thereon dated July 13, 2026.

Report on Internal Control over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Kenbridge, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Creedle, Jones & Associates, P.C.

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

South Hill, Virginia
July 13, 2026