



TOWN OF SOUTH BOSTON, VIRGINIA

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2022

TOWN OF SOUTH BOSTON, VIRGINIA

COUNCIL MEMBERS AND OFFICERS

MEMBERS OF COUNCIL

Edward Owens
Robert Hughes
Joseph Chandler
Thomas Elliott
Winston Harrell
Sharon Harris
Barbara Speece

Mayor
Vice-Mayor
Council Member
Council Member
Council Member
Council Member
Council Member

TOWN OFFICIALS

Tom Raab
Mickey Wilkerson
Bryan Young
C.W. Crowder
Steve Phillips
Danyell Duncan

Town Manager
Finance Director
Police Chief
Director of Public Works
Fire Chief
Clerk of Council

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Town Council
Town of South Boston, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities each major fund, and the aggregate remaining fund information of the Town of South Boston, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of South Boston, 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 business-type activities and the aggregate discretely presented component units of Town of South Boston, Virginia, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Specifications for Audits of Counties, Cities and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of South Boston, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of South Boston, 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.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of South Boston, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of South Boston, 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 budgetary comparison information and certain pension, group life insurance and line of duty act information as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of South Boston, Virginia's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, the computation of legal debt margin, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022 on our consideration of the Town of South Boston, 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 South Boston, 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 South Boston, Virginia's internal control over financial reporting and compliance.

Harris Harvey Neal & Co. LLP

Danville, Virginia
December 10, 2022

TOWN OF SOUTH BOSTON, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2022

Our discussion and analysis of Town of South Boston, Virginia's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the Town's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. For governmental activities, fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as an agent for the benefit of those outside of the government.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. You can think of the Town's net position—the difference between assets and liabilities—as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, the Town consists of the following activity:

- **Governmental activities**—Most of the Town's basic services are reported here, including the police, fire, public works, parks departments, and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.

Fund Financial Statements

Our analysis of the Town's major funds provides detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town has two kinds of funds—governmental and fiduciary—which use the following accounting approaches:

- **Governmental funds**—Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation at the bottom of the fund financial statements.

**TOWN OF SOUTH BOSTON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

- **Fiduciary funds**—The Town is responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWN AS A WHOLE

The Town's net position increased by 21.6 percent from the prior year. Our analysis below focuses on the Net Position (Table 1) and changes in Net Position (Table 2) of the Town's governmental activities.

Table 1
Net Position

	Governmental <u>Activities</u>	
	2022	2021
Current and other assets	\$ 14,880,523	\$ 15,079,455
Capital assets	16,515,333	15,848,450
Total assets	<u>\$ 31,395,856</u>	<u>\$ 30,927,905</u>
Long-term debt outstanding	\$ 6,690,222	\$ 7,458,550
Other liabilities	9,219,959	10,734,485
Total liabilities	<u>\$ 15,910,181</u>	<u>\$ 18,193,035</u>
Net position:		
Invested in capital assets, net of debt	\$ 12,324,859	\$ 11,503,519
Restricted	2,805,622	2,463,224
Unrestricted	355,194	(1,231,873)
Total net position	<u>\$ 15,485,675</u>	<u>\$ 12,734,870</u>

**TOWN OF SOUTH BOSTON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

Table 2
Changes in Net Position

	Governmental Activities	
	2022	2021
Revenues		
Program revenues:		
Charges for services	\$ 610,078	\$ 217,120
Grants and contributions	5,547,704	7,093,379
General revenues:		
Property taxes	1,945,038	1,854,267
Other taxes	5,582,818	5,174,550
Sale of cemetery lots	62,500	70,950
Investment earnings	64,916	103,815
Total revenues	13,813,054	14,514,081
Program expenses:		
General government	1,128,764	1,085,269
Public safety	4,305,543	4,141,726
Public works	3,824,412	4,499,301
Parks, recreation, and cultural	489,400	438,979
Community development	1,036,459	1,771,477
Nondepartmental	78,176	136,615
Landfill closure	78,909	201,326
Interest on long-term debt	101,728	115,405
Total expenses	11,043,391	12,390,098
Adjustment of estimated accumulated post-closure costs	(18,858)	(30,178)
Increase in net position	\$ 2,750,805	\$ 2,093,805

Governmental Activities

Revenues for the Town's governmental activities decreased 7.14 percent, while expenses decreased 10.80 percent. The revenue decrease is due mostly to less received in highway maintenance funds and the VDOT revenue sharing program as well as a CDBG grant received in the prior year relating to the Poplar Creek project. Other taxes increased due to an increase in occupancy and meals taxes collected due to an increase in travel due to less restrictions caused by the COVID-19 pandemic. Property taxes increased due to a reassessment done during the year. The Town recognized \$1,697,670 of revenue in the current year relating to ARPA funding received. Charges for services increased in the current year due to reimbursements from private businesses was more in the current year due less COVID-19 restrictions. Expenses decreased due to related expenses from revenue received mentioned previously.

**TOWN OF SOUTH BOSTON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds reported a fund balance of \$8,763,361, which is 10.1 percent higher than last year. The primary reason for the increase was due to the two bonds and one note payable that were paid off in full by the South Boston Industrial Development Authority in the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town budgets conservatively. Revenues are budgeted based on historic trends. Expenditures are budgeted based on the previous adopted levy.

The Town Council receives monthly financial statements. The Council approves budget amendments. Budget amendments are made for encumbrances, new Council directives, or adjustments such as grants received after budget approval.

Actual disbursements were \$671,478 lower than budgeted amounts. A majority of the difference is due to the accounting for the ARPA funds received and paid out, which are shown as a special revenue fund. Actual revenues were \$403,701 more than budgeted amounts due to an increase in meals, occupancy and business license taxes.

The budget was amended during the year for anticipated funding for various projects but was not received in fiscal year ended June 30, 2022.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2022, amounts to \$16,515,333 (net of accumulated depreciation). This investment in capital assets includes police and fire equipment, buildings, park facilities, and improvements. This amount represents a net increase (including additions and deductions) of \$666,883, or 4.2 percent, above last year.

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Land, building, and improvements	\$ 13,524,829	\$ 13,512,001
Machinery, equipment and vehicles	<u>2,990,504</u>	<u>2,336,449</u>
Totals	<u>\$ 16,515,333</u>	<u>\$ 15,848,450</u>

This year's major additions included:

Three SUV police vehicles, paid for with general revenue	\$ 166,926
Garbage truck, paid for with ARPA funds	218,175
Storm water projects, paid for with grant and general revenue	253,814
Police department renovation, paid for with ARPA funds	293,336
Fire truck, paid for with ARPA funds	578,616

**TOWN OF SOUTH BOSTON, VIRGINIA
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

Debt

At year-end, the Town had \$4,472,282 in bonds and notes outstanding compared to \$5,229,988 last year - an decrease of 14.4 percent as shown in the following table.

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
General obligation bonds	<u>\$ 4,472,282</u>	<u>\$ 5,229,988</u>

The Town obtained a \$300,000 note payable for the South Boston Industrial Development Authority in the prior year and payments of principal and interest are being reimbursed by the Authority.

The Commonwealth limits the amount of general obligation debt that the Town can issue to 10.0 percent of the assessed value of all taxable property within the Town’s corporate limits.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town’s long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The Town received their second American Rescue Plan Act funds in the amount of \$3,936,338 which will be used to make strategic investments in long-lived assets, rebuild reserves to enhance financial stability, and cover temporary operating shortfalls.

Real estate tax rates will increase \$.06 but all other general fund tax rates will remain the same for the 2023 fiscal year.

All of these factors were considered in preparing the Town’s budget for the 2023 fiscal year.

CONTACTING THE TOWN ’S FINANCIAL MANAGEMENT

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 show the Town’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Finance Office at 436 Ferry Street, South Boston, Virginia. The Town’s phone number is 434-575-4210.

BASIC FINANCIAL STATEMENTS

TOWN OF SOUTH BOSTON, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2022

See Independent Auditors' Report

	Exhibit 1
	Governmental
ASSETS	Activities
Cash	\$ 8,970,345
Investments	192,595
Receivables (net of allowances for uncollectibles):	
Taxes, including penalties	243,552
Accounts	448,098
Notes	1,001,808
Due from other governmental units	1,335,248
Inventories, at cost	245,032
Fixed assets (net of accumulated depreciation)	16,515,333
Deferred outflows of resources-VRS	2,443,845
Total assets	<u>\$ 31,395,856</u>
LIABILITIES	
Excess of checks written over funds available	\$ 393,639
Accrued interest payable	35,326
Accounts payable	26,844
Deferred revenue	2,238,668
Long-term obligations:	
Due within one year	816,378
Due beyond one year	5,873,844
Net pension liability	1,808,341
Net group life insurance liability	196,412
Net line of duty act liability	873,375
Deferred inflows of resources-VRS	3,647,354
Total liabilities	<u>\$ 15,910,181</u>
NET POSITION	
Net investment in capital assets	\$ 12,324,859
Restricted for:	
Perpetual care:	
Expendable	278,906
Nonexpendable	836,716
Other purposes	1,690,000
Unrestricted	355,194
Total net position	<u><u>\$ 15,485,675</u></u>

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

TOWN OF SOUTH BOSTON, VIRGINIA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

See Independent Auditors' Report

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 1,128,764	\$ 555,805	\$ 316,014	\$ -	\$ (256,945)
Public safety	4,305,543	35,562	2,148,197	-	(2,121,784)
Public works	3,824,412	9,516	2,533,095	-	(1,281,801)
Parks, recreation, and cultural	489,400	9,195	-	-	(480,205)
Community development	1,036,459	-	365,713	43,973	(626,773)
Nondepartmental	78,176	-	-	-	(78,176)
Landfill closure	78,909	-	140,712	-	61,803
Interest on long-term debt	101,728	-	-	-	(101,728)
Total governmental activities	<u>\$ 11,043,391</u>	<u>\$ 610,078</u>	<u>\$ 5,503,731</u>	<u>\$ 43,973</u>	<u>\$ (4,885,609)</u>
General Revenues:					
Property taxes					\$ 1,945,038
Other taxes and revenues					5,582,818
Sale of cemetery lots					62,500
Unrestricted investment earnings					64,916
Total general revenues					<u>7,655,272</u>
Change in net position					2,769,663
Net position - beginning					12,734,870
Adjustment of estimated accumulated post-closure costs					<u>(18,858)</u>
Net position - ending					<u>\$ 15,485,675</u>

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

TOWN OF SOUTH BOSTON, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2022

See Independent Auditors' Report

Exhibit 3

	General	ARPA	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 5,799,388	\$ 2,247,925	\$ 923,032	\$ 8,970,345
Investments	-	-	192,595	192,595
Receivables (net of allowances for uncollectibles):				
Taxes, including penalties	243,552	-	-	243,552
Accounts	448,098	-	-	448,098
Notes	1,001,808	-	-	1,001,808
Due from other funds	62,232	-	-	62,232
Due from other governmental units	835,487	-	-	835,487
Inventories, at cost	245,032	-	-	245,032
Total assets	\$ 8,635,597	\$ 2,247,925	\$ 1,115,627	\$ 11,999,149
LIABILITIES AND FUND BALANCES				
Liabilities:				
Excess of checks written over funds available	\$ 393,639	\$ -	\$ -	\$ 393,639
Accounts payable	26,844	-	-	26,844
Unavailable revenue	229,363	2,238,668	-	2,468,031
Total liabilities	649,846	2,238,668	-	2,888,514
Fund balances:				
Nonspendable:				
Inventories	245,032	-	-	245,032
Restricted for:				
Perpetual care	-	-	1,115,627	1,115,627
Landfill closure	585,878	-	-	585,878
Assigned to:				
Construction of capital assets	1,690,000	-	-	1,690,000
Unassigned:				
Undesignated	5,464,841	9,257	-	5,474,098
Total fund balances	7,985,751	9,257	1,115,627	9,110,635
Total liabilities and fund balances	\$ 8,635,597	\$ 2,247,925	\$ 1,115,627	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				16,515,331
Other long-term assets and liabilities are not available to pay for current-period amounts and, therefore are deferred in the governmental funds.				341,165
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.				(6,399,819)
Some liabilities, including net pension, group life insurance, and line of duty obligations, are not due and payable in the current period and, therefore, are not reported in the funds.				(2,878,128)
Deferred outflows and inflows or resources related to pensions, group life insurance, and line of duty act are applicable to future periods and, therefore, are not reported in the funds.				(1,203,509)
Net position of governmental activities				\$ 15,485,675

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

TOWN OF SOUTH BOSTON, VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2022
 See Independent Auditors' Report

	General Fund	ARPA	Other Governmental Funds	Exhibit 4 Total Governmental Funds
Revenues:				
General property taxes	\$ 2,234,587	\$ -	\$ -	\$ 2,234,587
Other local taxes	5,507,105	-	-	5,507,105
Permits, privilege fees, and regulatory licenses	2,565	-	-	2,565
Fines and forfeitures	35,562	-	-	35,562
Interest and investment revenue	66,257	9,257	8,432	83,946
Charges for service	18,712	-	-	18,712
Miscellaneous	559,465	-	910	560,375
Recovered costs	318,597	-	-	318,597
Sale of cemetery lots	-	-	62,500	62,500
Intergovernmental	3,165,359	1,697,670	244,783	5,107,812
Total revenues	11,908,209	1,706,927	316,625	13,931,761
Expenditures:				
Current:				
General government administration	880,129	20,610	177,298	1,078,037
Public safety	4,385,777	-	244,783	4,630,560
Public works	3,381,569	-	-	3,381,569
Parks, recreation, and cultural	506,761	-	-	506,761
Community development	557,975	304,156	-	862,131
Nondepartmental	172,168	-	-	172,168
Capital projects	47,242	1,151,683	1,948	1,200,873
Landfill closure	68,666	-	-	68,666
Debt service:				
Principal retirement	747,250	-	-	747,250
Interest and fiscal charges	130,644	-	-	130,644
Total expenditures	10,878,181	1,476,449	424,029	12,778,659
Excess (deficiency) of revenues over (under) expenditures	1,030,028	230,478	(107,404)	1,153,102
Other financing sources (uses):				
Operating transfers in (out)	87,923	(221,221)	133,298	-
Total other financing sources	87,923	(221,221)	133,298	-
Net change in fund balances	1,117,951	9,257	25,894	1,153,102
Fund balance at beginning of year	6,867,800	-	1,089,734	7,957,534
Fund balance at end of year	\$ 7,985,751	\$ 9,257	\$ 1,115,628	\$ 9,110,636

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

TOWN OF SOUTH BOSTON, VIRGINIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

See Independent Auditors' Report

Exhibit 5

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

Net change in fund balances - total governmental funds	\$ 1,153,102
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	666,883
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	5,882
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds.	654,250
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.	45,836
Governmental funds report pension, group life insurance, and line of duty act contributions as expenditures. However, in the statement of activities, the cost of pension, group life insurance, and line of duty act benefits earned, net of employee contributions, is reported as expense.	<u>243,710</u>
Change in net position of governmental activities	<u><u>\$ 2,769,663</u></u>

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

TOWN OF SOUTH BOSTON, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2022

Exhibit 6

ASSETS	<u>Agency Fund</u>
Cash and cash equivalents	\$ 356,562
Land and buildings	3,939,517
Accounts receivable	<u>331,328</u>
Total assets	<u>4,627,407</u>
 LIABILITIES	
Accounts payable	2,000
Due to other governmental units	4,138,666
Note payable	<u>486,741</u>
Total liabilities	<u>4,627,407</u>
 NET POSITION	 <u><u>\$ -</u></u>

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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town of South Boston, Virginia (the primary government) is a municipal corporation governed by a seven-member council. The Town's major operations include police and fire protection, parks, library and recreation, public works, and general administrative services.

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

B. Basic Financial Statements - Government-Wide Statements

The Town's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of the Governmental Activities for the Town. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Town are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated. In the Statement of Activities, internal service fund transactions have been eliminated.

The Town does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

C. Basic Financial Statements—Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

- a. General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The American Rescue Plan Act fund is considered a special revenue fund for the current year.

2. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support Town programs. The reporting focus is on net position and changes in net position, which are reported using accounting principles similar to proprietary funds. The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (permanent and agency). These funds consist of the Cemetery Fund, which is a permanent fund and the Industrial Development Authority Fund, which is an agency fund. 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.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Financial Statement Amounts

1. Cash and Cash Equivalents:

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Additionally, each fund's equity in the Town's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Investments:

Investments, including deferred compensation funds, are stated at fair value (quoted market price or the best available estimate).

3. Allowances for Uncollectible Accounts:

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowances amounted to \$52,229 in the Governmental Activities at June 30, 2022.

4. Inventories:

Inventories in the general fund consist of expendable supplies held for the Town's use and are carried at cost using the first-in, first-out method.

5. Capital Assets:

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20–50 years
Machinery and equipment	5–10 years
Improvements	10–20 years
Other infrastructure	10–50 years

GASB Statement No. 34 requires the Town to report and depreciate new infrastructure assets. No new infrastructure assets were constructed or purchased during the year. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Financial Statement Amounts (Continued)

6. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

7. Expenditures:

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

8. Compensated Absences:

The Town accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

9. Bonds and Related Premiums, Discounts and Issuance Costs:

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In governmental fund financial statements, bond premiums, discounts and issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt issuance expenditures.

10. Pensions:

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 Town's Retirement Plan and the additions to/deductions from the Town'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.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Financial Statement Amounts (Continued)

11. Net Position:

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

12. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has three items that qualifies for reporting in this category. It is comprised of contributions to the pension plan, group life insurance plan, and line of duty act made during the current year and subsequent to the net pension, group life insurance, and line of duty liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension, group life insurance, and line of duty act notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Certain items related to the measurement of the net pension, group life insurance, and line of duty act liabilities are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on plan investments and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension, group life insurance, and line of duty act notes.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Financial Statement Amounts (Continued)

13. 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 Virginia Retirement System Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. Line of Duty Act Program:

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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. 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 percent to 130 percent of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

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

Investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town or its safekeeping agent in the Town's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the broker, or dealer bank's trust department, or safekeeping agent in the Town's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department, or safekeeping agent but not in the Town's name.

At year-end, the Town's investment balances were as follows:

	<u>Category 2</u>	<u>Carrying Amount</u>	<u>Market Value</u>
*45 Shares of Common Stock –			
U.S. Steel Corporation	\$ 2,019	\$ 2,019	\$ 1,173
Alliance U.S. Bond Fund	<u>226,406</u>	<u>226,406</u>	<u>191,422</u>
Total Investments	<u>\$228,425</u>	<u>\$228,425</u>	<u>\$192,595</u>

Note: *These shares of stock were donated to the Town in a prior year.

Note 3. Property Taxes Receivable

Property is assessed at its value on January 1st. Property taxes attach as an enforceable lien on property as of January 1st. Taxes are payable in one (1) installment on December 5th. The Town bills and collects its own property taxes.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Due From Other Governmental Units

Consisted of the following at June 30, 2022:

	General Fund	Nonmajor Governmental Funds	Total Governmental Activities
County of Halifax:			
Halifax County Service Authority	\$1,151,153	\$ -	\$1,151,153
Local sales taxes	47,353	-	47,353
Commonwealth of Virginia:			
Communications tax	<u>136,742</u>	<u>-</u>	<u>136,742</u>
 Total	 <u>\$1,335,248</u>	 <u>\$ -</u>	 <u>\$1,335,248</u>

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance <u>7/1/21</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/22</u>
Governmental activities:				
Capital assets, being depreciated:				
Land, buildings, and improvements	\$ 18,873,321	\$ 667,492	\$ -	\$ 19,540,813
Equipment	<u>9,183,274</u>	<u>1,342,226</u>	<u>(14,867)</u>	<u>10,510,633</u>
Total capital assets being depreciated	<u>28,056,595</u>	<u>2,009,718</u>	<u>(14,867)</u>	<u>30,051,446</u>
Less accumulated depreciation for:				
Buildings and improvements	5,361,320	654,664	-	6,015,984
Equipment	<u>6,846,825</u>	<u>688,171</u>	<u>(14,867)</u>	<u>7,520,129</u>
Total accumulated depreciation	<u>12,208,145</u>	<u>1,342,835</u>	<u>(14,867)</u>	<u>13,536,113</u>
Governmental activities capital assets, net	<u>\$ 15,848,450</u>	<u>\$ 666,883</u>	<u>\$ -</u>	<u>\$ 16,515,333</u>

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Governmental activities:

General government	\$ 10,787
Public safety	414,479
Public works	801,227
Parks, recreation, and cultural	30,819
Community development	66,391
Landfill closure	10,243
Cemetery	8,889
	<hr/>
Total depreciation expense-governmental activities	<u><u>\$ 1,342,835</u></u>

Note 6. Long-Term Debt

Governmental activities:

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

General Obligation Public Improvement and Refunding Bond – Series 2013A

On June 5, 2013, the Town of South Boston entered into a refunding bond issue of \$2,246,663, for the purpose of refunding the Town's 2011 Bond Anticipation note and to reimburse the Town's costs already incurred and paid from the general fund to finance certain capital improvements of the Washington Coleman School Building. Interest is payable at 2.49 percent to 4.89 percent. Installments of principal are due annually on October 1, through October 1, 2037. Installments of interest are due on each October 1 and April 1, through October 1, 2037.

Year Ending

June 30,

General Obligation Public Improvement and Refunding Bond

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 75,467	\$ 64,641	\$ 140,108
2024	80,467	61,381	141,848
2025	80,467	58,026	138,493
2026	85,467	55,053	140,520
2027	90,467	51,669	142,136
2028-2032	502,335	200,546	702,881
2033-2037	607,335	88,384	695,719
2038	135,469	2,716	138,185
	<hr/>	<hr/>	<hr/>
	<u><u>\$ 1,657,474</u></u>	<u><u>\$ 582,416</u></u>	<u><u>\$ 2,239,890</u></u>

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

Advance Refunding

On March 13, 2015, the Town issued \$3,370,000 of General Obligation Refunding Bond, Series 2015A, with an interest rate of 2.20 percent.

The net proceeds (after issuance costs of \$67,156) were used to advance refund a portion of the Revenue Bond Series 2006B.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt services payments on the refunded bond. As a result, the refundable bonds are considered to be defeased, and the related liability for the bonds has been removed from the Town's liabilities.

Installments of principal are due annually on August 1, through August 1, 2026. Installments of interest are due on each August 1 and February 1, through August 1, 2026. 71.02 percent is allocable to the General Fund and 28.98 percent is allocable to the former Water and Sewer Fund, which will be reimbursed by the Halifax County Service Authority.

Annual debt service requirements to maturity are as follows:

Year Ending June 30,			Governmental <u>Activities</u> General Fund 71.02 Percent		Business-type <u>Activities</u> HCSA 28.98 Percent	
	<u>Principal</u>	<u>Interest</u>	<u>Landfill Closure Fund</u> <u>Principal</u>	<u>Interest</u>	<u>Water and Sewer Fund</u> <u>Principal</u>	<u>Interest</u>
2023	\$ 433,000	\$ 31,350	\$ 337,000	\$ 20,878	\$ 96,000	\$ 10,472
2024	441,000	21,780	343,000	13,431	98,000	8,349
2025	453,000	10,065	353,000	3,881	100,000	6,184
2026	101,000	3,982	-	-	101,000	3,982
2027	105,000	1,155	-	-	105,000	1,155
	<u>\$ 1,533,000</u>	<u>\$ 68,332</u>	<u>\$ 1,033,000</u>	<u>\$ 38,190</u>	<u>\$ 500,000</u>	<u>\$ 30,142</u>

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

General Obligation Bond 2016 – Revenue Sharing

On October 1, 2015, the Town issued \$2,500,000 General Obligation Bond, issued to fund the revenue sharing program administered by the Virginia Department of Transportation. The bond principal and interest are due in varying annual installments through December 2025. Interest is at 2.10 percent.

Annual debt services requirements to maturity are as follows:

Year Ending

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 250,000	\$ 21,000	\$ 271,000
2024	250,000	15,750	265,750
2025	250,000	10,500	260,500
2026	250,000	5,250	255,250
	<u>\$ 1,000,000</u>	<u>\$ 52,500</u>	<u>\$ 1,052,500</u>

Note Payable – Industrial Development Authority

On December 14, 2020, the Town obtained a \$300,000 Note Payable. The note was obtained to loan to the Industrial Development Authority of the Town of South Boston (IDA), who will, in turn, loan to a developer to assist with their hemp business. As funds were needed, the developer requested of the IDA, who, in turn, requested a draw down from the Town. The bond principal and interest are due in varying annual installments through December 2041. Interest is at 3.95 percent.

Annual debt services requirements to maturity are as follows:

Year Ending

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 10,662	\$ 11,055	\$ 21,717
2024	11,091	10,626	21,717
2025	11,537	10,180	21,717
2026	12,001	9,715	21,716
2027	12,484	9,233	21,717
2028-2032	70,367	38,218	108,585
2033-2037	85,704	22,881	108,585
2038-2042	67,962	5,129	73,091
	<u>\$ 281,808</u>	<u>\$ 117,037</u>	<u>\$ 398,845</u>

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

Changes in Long-Term Debt:

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2022:

	Payable at <u>7/1/21</u>	Plus <u>Additions</u>	Less <u>Retirements</u>	Payable at <u>6/30/22</u>	Due within <u>One year</u>
Governmental activities:					
Bonds and notes payable:					
General obligation bonds:					
06/05/13	\$ 1,732,931	\$ -	\$ 75,457	\$ 1,657,474	\$ 75,467
03/13/15	1,955,000	-	422,000	1,533,000	433,000
10/01/15	1,250,000	-	250,000	1,000,000	250,000
Notes payable:					
12/14/20	<u>292,057</u>	<u>-</u>	<u>10,249</u>	<u>281,808</u>	<u>10,662</u>
Total bonds and notes payable	<u>5,229,988</u>	<u>-</u>	<u>757,706</u>	<u>4,472,282</u>	<u>769,129</u>
Other liabilities:					
Compensated absences	423,224	37,670	67,150	393,744	47,249
Landfill post-closure care	<u>1,805,338</u>	<u>18,858</u>	<u>-</u>	<u>1,824,196</u>	<u>-</u>
Total other liabilities	<u>2,228,562</u>	<u>56,528</u>	<u>67,150</u>	<u>2,217,940</u>	<u>47,249</u>
Governmental activities					
long-term liabilities	<u>\$ 7,458,550</u>	<u>\$ 56,528</u>	<u>\$ 824,856</u>	<u>\$ 6,690,222</u>	<u>\$ 816,378</u>

Note 7. Fund Balances – Governmental Funds

The Town of South Boston, Virginia reports fund balance in accordance with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the Town Council, the Town's highest level of decision making authority. Commitments may be modified or rescinded only through ordinances approved by the Town's Council. The Town has not reported any amounts that are committed in the current year.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Fund Balances – Governmental Funds (Continued)

- Assigned – includes amounts that the Town intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the Governmental Funds Balance Sheet. Restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted by Council or the assignment has been changed by the Mayor. Decreases to fund balance first reduce unassigned fund balance; in the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

Note 8. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the Town of South Boston, Virginia 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 as follows:

VRS-Plan 1

About the Plan:

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.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

VRS-Plan 1 (continued)

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.

Retirement Contributions:

Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Service Credit:

Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting:

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

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

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.

Average Final Compensation:

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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

VRS-Plan 1 (Continued)

Service Retirement Multiplier VRS:

The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for nonhazardous duty members is 1.70%.

Normal Retirement Age VRS:

Age 65.

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.

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.

Cost-of-Living Adjustment (COLA) in Retirement:

The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.

Eligibility:

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

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 (60 months) 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.

Cost-of-Living Adjustment (COLA) in Retirement (Continued):

Exceptions to COLA Effective Dates (Continued)

- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

VRS PLAN 1 (Continued)

Disability Coverage:

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.

Purchase of Prior Service:

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

VRS - PLAN 2

About the Plan:

Plan 2 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 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.

Retirement Contributions:

Same as Plan 1.

Service Credit:

Same as Plan 1.

Vesting:

Same as Plan 1.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

VRS PLAN 2 (Continued)

Calculating the Benefit:

See definition under Plan 1.

Average Final Compensation:

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

Service Retirement Multiplier VRS:

Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For nonhazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.

Normal Retirement Age:

Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility VRS:

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

Earliest Reduced Retirement Eligibility VRS:

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

Cost-of-Living Adjustment (COLA) in Retirement:

The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.

Eligibility:

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 1.65% on all service, regardless of when it was earned, purchased or granted.

Purchase of Prior Service:

Same as Plan 1.

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.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

HYBRID RETIREMENT PLAN (Continued)

About the Hybrid Retirement Plan (Continued):

- 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:

- Agency 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:

- Agency 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.

Retirement Contributions:

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Service Credit:

Defined Benefit Component - Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

HYBRID RETIREMENT PLAN (Continued)

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.

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 (24 months), a member is 50% vested and may withdraw 50% of employer contributions.
- After three years (36 months), a member is 75% vested and may withdraw 75% of employer contributions.
- After four (4) or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distributions not required, except as governed by law.

Calculating the Benefit:

Defined Benefit Component - See definition under Plan 1.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation:

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier:

Defined Benefit Component VRS: The retirement multiplier for the defined benefit component is 1.00%.

For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Defined Contribution Component - Not applicable.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

HYBRID RETIREMENT PLAN (Continued)

Normal Retirement Age:

Defined Benefit Component VRS - Same as Plan 2.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility:

Defined Benefit Component VRS - Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and plus service credit equals 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility:

Defined Benefit Component VRS - Age 60 with at least five years (60 months) of service credit.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement:

Defined Benefit Component - Same as Plan 2.

Defined Contribution Component - Not applicable.

Eligibility - Same as Plan 1 and Plan 2.

Exceptions to COLA Effective Dates - Same as Plan 1 and Plan 2.

Disability Coverage:

Employees of Agency (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Purchase of Prior Service:

Defined Benefit Component - Same as Plan 1 with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component - Not applicable

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>96</u>
Inactive members:	
Vested inactive members	14
Non-vested inactive members	19
Inactive members active elsewhere in VRS	<u>28</u>
Total inactive members	<u>61</u>
Active members	<u>76</u>
Total covered employees	<u><u>233</u></u>

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2022 was 16.46% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$584,878 and \$573,351 for the years ended June 30, 2022 and 2021, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020 rolled forward to the measurement date of June 30, 2021.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees

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

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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study 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 with Hazardous Duty Benefits in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, 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% for females set forward 2 years.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

Mortality rates (continued)

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 rate.

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

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

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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.14%. 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. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11 %, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2021 on,

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

Discount Rate (Continued)

participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Increase (Decrease)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2021	\$ 25,170,599	\$ 20,323,768	\$ 4,846,831
Changes for the year:			
Service cost	445,491	-	445,491
Interest	1,653,369	-	1,653,369
Changes of assumptions	1,132,729	-	1,132,729
Difference between expected and actual experience	(43,364)	-	(43,364)
Contributions - employer	-	562,485	(562,485)
Contributions - employee	-	169,142	(169,142)
Net investment income	-	5,508,513	(5,508,513)
Benefit payments, including refunds of employee contributions	(1,333,851)	(1,333,851)	-
Refunds of contributions	(18,634)	(18,634)	-
Administrative expense	-	(13,942)	13,942
Other changes	-	517	(517)
Net changes	1,835,740	4,874,230	(3,038,490)
Balances at June 30, 2022	\$ 27,006,339	\$ 25,197,998	\$ 1,808,341

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

The following presents the net pension liability of the political subdivision using the discount rate of 6.75%, as well as what the political subdivision'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:

	(5.75%)	(6.75%)	(7.75%)
Political subdivision's			
Net Pension Liability	\$ 5,084,780	\$ 1,808,341	\$ (922,772)

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2022, the Town recognized pension expense of \$286,689. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 69,657	\$ 28,202
Change in assumptions	736,670	-
Net difference between projected and actual earnings on pension plan investments	612,880	3,342,794
Employer contributions subsequent to the measurement date	584,878	-
Total	<u>\$ 2,004,085</u>	<u>\$ 3,370,996</u>

\$584,878 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30

2023	\$ (189,331)
2024	(295,971)
2025	(634,873)
2026	(831,614)
Thereafter	-
	<u>\$ (1,951,789)</u>

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

Pension Plan Data

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

Note 9. Postemployment Benefits Other Than Pension Benefits-Group Life Insurance

General information about the 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 below:

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.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Postemployment Benefits Other Than Pension Benefits-Group Life Insurance (Continued)

Benefit amounts

The benefits payable under the Group Life Insurance Program have 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 benefits 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 \$8,722 as of June 30, 2022.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.31% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$47,614 and \$46,676 for the years ended June 30, 2022 and June 30, 2021, respectively.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Postemployment Benefits Other Than Pension Benefits-Group Life Insurance (Continued)

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

At June 30, 2022, the participating employer reported a liability of \$196,412 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was .01687% as compared to .01699% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$8,857. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,402	\$ 1,497
Net difference between projected and actual earnings on GLI OPEB program invest- ments		46,879
Change in assumptions	10,828	26,873
Changes in proportion	5,929	3,478
Employer contributions subsequent to the measurement date	19,188	-
Total	<u>\$ 58,347</u>	<u>\$ 78,727</u>

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Postemployment Benefits Other Than Pension Benefits-Group Life Insurance (Continued)

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

\$19,188 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30

2023	\$ (8,866)
2024	(6,686)
2025	(7,163)
2026	(14,045)
2027	(2,808)
Thereafter	-

Actuarial assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50 percent
Salary increases, including inflation –	
General state employees	3.50 percent – 5.35 percent
Teachers	3.50 percent – 5.95 percent
SPORS employees	3.50 percent – 4.75 percent
VaLORS employees	3.50 percent – 4.75 percent
JRS employees	4.50 percent
Locality – General employees	3.50 percent – 5.35 percent
Locality – Hazardous Duty employees	3.50 percent – 4.75 percent
Investment rate of return	6.75 percent, net of investment expenses, Including inflation*

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Postemployment Benefits Other Than Pension Benefits-Group Life Insurance (Continued)

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; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

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

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

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace loan 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 ages 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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Postemployment Benefits Other Than Pension Benefits-Group Life Insurance (Continued)

Mortality rates – non-largest ten locality employers – hazardous duty employees

Pre-retirement:

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

Post-retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Increased age 50 rates and lowered rates at older ages
Withdrawal rates	Adjusted termination rates to better fit experience at each age and service year
Disability rates	Adjusted rates to better match experience
Salary scale	No change
Line of duty disability	Decreased rate from 60% to 45%
Discount rate	Decrease rate from 7.00% to 6.75%

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Postemployment Benefits Other Than Pension Benefits-Group Life Insurance (Continued)

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 June 30, 2021, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	\$ 3,577,346
Plan fiduciary net position	2,413,074
Employers' net GLI OPEB liability (asset)	<u>\$ 1,164,272</u>
Plan fiduciary net position as a percentage of the total GLI OPEB liability	67.45%

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

Long-term expected rate of return

The long-term expected rate of return on the System's investments was determined using a log-normal 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:

TOWN OF SOUTH BOSTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 9. Postemployment Benefits Other Than Pension Benefits-Group Life Insurance (Continued)

Long-term expected rate of return (continued)

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

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

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 member contributions will be made per the VRS guidance 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. Through the fiscal year ending June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to 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.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Postemployment Benefits Other Than Pension Benefits-Group Life Insurance (Continued)

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%)
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 286,965	\$ 196,412	\$ 123,286

Group life insurance program fiduciary net position

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

Note 10. Postemployment Benefits Other Than Pension Benefits-Line of Duty Act Program

General information about the Line of Duty Act Program

Plan description

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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Postemployment Benefits Other Than Pension Benefits-Line of Duty Act Program (Continued)

General information about the Line of Duty Act Program

Plan description (Continued)

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

Line of Duty Act Program (LODA) Plan Provisions

Eligible employees:

The eligible employees of the Line of Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).

Benefit amounts:

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

- Death - The Line of Duty Act Program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:
 - \$100,000 when a death occurs as a direct or proximate result of performing duty as of January 1, 2006, or after.
 - \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
 - An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.
- Health insurance - The Line of Duty Act Program provides health insurance benefits.
 - Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program.
 - Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

Contributions

The contribution requirements for the Line of Duty Act Program (LODA) are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2022 was \$722.55 per covered full-time-equivalent

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Postemployment Benefits Other Than Pension Benefits-Line of Duty Act Program (Continued)

General information about the Line of Duty Act Program

Contributions (Continued)

employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go

rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the entity were \$27,457 and \$27,258 for the years ended June 30, 2022 and June 30, 2021, respectively.

Line of Duty Act Program (LODA) OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2022, the entity reported a liability of \$873,075 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2021 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2021, the entity's proportion was .19798% as compared to .19215% at June 30, 2020.

For the year ended June 30, 2022, the entity recognized LODA OPEB expense of \$81,523. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 72,791	\$ 132,191
Net difference between projected and actual earnings on LODA OPEB program investments	-	5,056
Change in assumptions	241,609	41,763
Changes in proportion	38,918	18,621
Employer contributions subsequent to the measurement date	27,457	-
Total	<u>\$ 380,775</u>	<u>\$ 197,631</u>

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Postemployment Benefits Other Than Pension Benefits-Line of Duty Act Program (Continued)

\$27,457 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year ended June 30

2023	\$ 21,183
2024	21,415
2025	21,484
2026	21,557
2027	24,531
Thereafter	45,517

Actuarial assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2020.

Inflation	2.50 percent
Salary increases, including inflation –	
General state employees	N/A
SPORS employees	N/A
VaLORS employees	N/A
Locality employees	N/A
Medical cost trend rates assumption –	
Under age 65	7.00 percent – 4.75 percent
Ages 65 and older	5.375 percent – 4.75percent
Year of ultimate trend rate –	
Under age 65	Fiscal year ended 2029
Ages 65 and older	Fiscal year ended 2024
Investment rate of return	2.16 percent, including inflation*

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.16% was used since it approximates the risk-free rate of return.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Postemployment Benefits Other Than Pension Benefits-Line of Duty Act Program (Continued)

Mortality rates – non-largest ten locality employers with public safety employees

Pre-retirement:

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

Post-retirement:

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

Post-disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

Mortality rates (pre-retirement, 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 ages from 65 to 70
Withdrawal rates	Decreased rates and changed rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability rates	No change
Salary scale	No change
Line of duty disability	No change

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Postemployment Benefits Other Than Pension Benefits-Line of Duty Act Program (Continued)

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2021, NOL amounts for the Line of Duty Act Program (LODA) is as follows (amounts expressed in thousands):

	Line of Duty Act Program
Total LODA OPEB liability	\$ 448,542
Plan fiduciary net position	7,553
Employers' net OPEB liability (asset)	<u>\$ 440,989</u>
Plan fiduciary net position as a percentage of the total LODA OPEB liability	1.68%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 2.16% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 2.16% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2021.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 2.16%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2021, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Postemployment Benefits Other Than Pension Benefits-Line of Duty Act Program (Continued)

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 2.16%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current rate:

	1.00% Decrease (1.16%)	Current Discount Rate (2.16%)	1.00% Increase (3.16%)
Covered employer's proportionate share of the total LODA Net OPEB liability	\$ 1,004,356	\$ 873,375	\$ 768,761

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

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using health care trend rate of 7.00% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	1.00% Decrease (6.00% decreasing to 3.75%)	Health Care Trend Rates (7.00% decreasing to 4.75%)	1.00% Increase (8.00% decreasing to 5.75%)
Covered employer's proportionate share of the total LODA Net OPEB liability	\$ 716,380	\$ 873,375	\$ 1,073,990

LODA OPEB Plan Fiduciary Net Position:

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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Contingent Liabilities

The Town participates in federally-assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for and including the year ended June 30, 2022, and previous years have been conducted by the grantors or their representatives.

Note 12. Industrial Development Authority

The Industrial Development Authority of the Town of South Boston was created on July 15, 1977, as a political subdivision of the Commonwealth with such public and corporate powers as are set forth in the Industrial Development and Revenue Bond Act, Chapter 33, Title 15.1 Code of Virginia. The Authority was created for the specific purpose of promoting and developing commercial, industrial, and manufacturing enterprises and encouraging employment within the boundaries of the Town. The seven members of the Board of Directors are all appointed by Town Council.

The law authorizes the Authority to issue industrial development bonds to qualified applicants after approval by the Town Council. The bonds do not constitute indebtedness of either the Town or the Commonwealth and are secured solely by the assets of the commercial organizations on whose behalf the bonds are issued. The Town assumes no responsibility for the day-to-day operating expenses of the Authority; such expenses are financed by fees charged to the commercial enterprises. Beginning in the year ended June 30, 1991, the Town started acting in a fiduciary capacity for the Authority, which is now included as an Agency Fund in these financial statements.

Note 13. Legal Compliance

Expenditures did not exceed appropriations in any of the Government Fund types.

Note 14. Surety Bonds

VML –	
Tom Raab – Town Manager	\$350,000
VML –	
Blanket Bond – All Town Employees	\$250,000
Forgery Bond – All Town Employees	\$250,000

Note 15. Government Services Provided by Authorities/Organizations

The Town also participates with Halifax County in the Regional Library. During the year, the Town contributed \$85,400 to the Library.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 16. Municipal Solid Waste Landfill

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town records a liability for a portion of these closure and post closure care costs in each period based on landfill capacity used as of each balance sheet date. Closure of the County's landfill site is complete. The \$1,824,196 reported as landfill post closure care liability at June 30, 2022,

represents the cumulative amount reported based on the use of 100 percent of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all post closure care in 2022. Actual cost may be higher due to inflation, changes in technology, or changes in regulation. The Town intends to fund these costs from tipping fee revenues and from any fund accumulated for this purpose. The Town demonstrates financial assurance for potential corrective action costs of \$233,886. The Town also has demonstrated financial assurance requirements for closure and post closure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA-20-70 of the Virginia Administrative Code.

Note 17. Transfer of Water and Sewer Fund

On June 30, 2007 a comprehensive agreement was made between the Town of South Boston, Virginia, the Town of Halifax, Virginia, the County of Halifax, Virginia and the Halifax County Service Authority. These localities concluded that a full service water and wastewater authority would be the best vehicle for ensuring the citizens of the localities the most reliable means of providing water and wastewater treatment.

The localities agreed to sell, assign, transfer, convey, and deliver to the Authority all real property and equipment, together with any easements or any other interests in land owned by the localities, personal property, cash, securities, software, inventories, intangible assets, and accounts receivable, including amounts on deposit. The authority agreed to assume the liabilities and obligations of the localities. The authority also agreed to pay to the Town of South Boston the amount of negative cash position payments as of the date of the agreement.

The debt that was transferred to the Authority remains in the name of each locality and the Authority pays the localities five working days before the due date of the payment. A receivable has been recorded to offset the debt payments.

The effective date of the agreement was January 1, 2008.

Note 18. Contingencies

The Town is a defendant in lawsuits arising in the normal course of business. In the aggregate, these claims seek monetary damages in significant amounts. The outcome of these claims cannot be determined at this time so no loss has been accrued, nor can an estimate of any loss be estimated.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 19. ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

On June 25, 2021, the Town received \$3,936,338 of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$2,238,668 from the initial allocation are reported as unearned revenue as of June 30, 2022.

Note 20. Account Receivable

Accounts receivable at year end includes \$347,275 due from Southside Outreach Group, Inc.. The Town obtained a \$700,000 grant for the Poplar Creek project for Southside Outreach Group, Inc. in the prior year but actual expenses were \$1,047,275 which will be reimbursed.

Note 21. Subsequent Events

Management has evaluated subsequent events through December 10, 2022, the date which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SOUTH BOSTON, VIRGINIA
BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS
GENERAL FUND
For the Year ended June 30, 2022
See Independent Auditors' Report

Exhibit 7

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Revenues:				
General property taxes	\$ 2,022,081	\$ 2,022,081	\$ 2,234,587	\$ 212,506
Other local taxes	4,757,000	4,761,000	5,507,105	746,105
Permits, privilege fees, and regulatory licenses	1,700	1,700	2,565	865
Fines and forfeitures	50,650	50,650	35,562	(15,088)
Interest and investment revenue	65,981	65,981	66,257	276
Charges for service	15,000	15,000	18,712	3,712
Miscellaneous	208,188	208,188	559,465	351,277
Recovered costs	437,211	437,211	318,597	(118,614)
Intergovernmental	<u>3,610,889</u>	<u>7,348,254</u>	<u>3,165,359</u>	<u>(4,182,895)</u>
Total revenues	<u>11,168,700</u>	<u>14,910,065</u>	<u>11,908,209</u>	<u>(3,001,856)</u>
Expenditures:				
Current:				
General government administration	968,203	972,203	880,129	92,074
Public safety	4,107,160	4,107,160	4,385,777	(278,617)
Public works	3,049,922	3,049,922	3,381,569	(331,647)
Parks, recreation, and cultural	455,387	455,387	506,761	(51,374)
Community development	1,023,909	4,761,274	557,975	4,203,299
Nondepartmental	270,427	270,427	172,168	98,259
Capital projects	722,475	722,475	47,242	675,233
Landfill closure	74,200	74,200	68,666	5,534
Debt service:				
Principal retirement	747,249	747,249	747,250	(1)
Interest and fiscal charges	<u>142,194</u>	<u>142,194</u>	<u>130,644</u>	<u>11,550</u>
Total expenditures	<u>11,561,126</u>	<u>15,302,491</u>	<u>10,878,181</u>	<u>4,424,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(392,426)</u>	<u>(392,426)</u>	<u>1,030,028</u>	<u>1,422,454</u>
Other financing sources (uses):				
General obligation bond issued	-	-	-	-
Operating transfers in (out)	(146,490)	(146,490)	87,923	234,413
Prior year re-appropriations	<u>538,916</u>	<u>538,916</u>	<u>-</u>	<u>(538,916)</u>
Total other financing sources	<u>\$ 392,426</u>	<u>\$ 392,426</u>	<u>87,923</u>	<u>\$ (304,503)</u>
Net change in fund balances			1,117,951	
Fund balance at beginning of year			<u>6,867,800</u>	
Fund balance at end of year			<u><u>\$ 7,985,751</u></u>	

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

TOWN OF SOUTH BOSTON, VIRGINIA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
For the Plan Years Ended June 30, 2014 - 2021

	See Independent Auditors' Report						Exhibit 8	
	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service costs	\$ 445,491	\$ 452,049	\$ 406,674	\$ 396,485	\$ 391,298	\$ 383,666	\$ 380,507	\$ 406,713
Interest	1,653,369	1,588,835	1,582,687	1,499,042	1,465,904	1,437,223	1,368,308	1,320,647
Differences between expected and actual experience	(43,364)	263,145	(520,675)	305,199	(320,146)	(389,726)	293,119	-
Changes in assumptions	1,132,729	-	643,628	-	(32,983)	-	-	-
Benefit payments, including refunds of employee contributions	(1,352,485)	(1,343,444)	(1,024,234)	(987,343)	(1,074,023)	(968,845)	(1,146,011)	(946,978)
Net change in total pension liability	1,835,740	960,585	1,088,080	1,213,383	430,050	462,318	895,923	780,382
Total pension liability - beginning	25,170,599	24,210,014	23,121,934	21,908,551	21,478,501	21,016,183	20,120,260	19,339,878
Total pension liability - ending	<u>\$ 27,006,339</u>	<u>\$ 25,170,599</u>	<u>\$ 24,210,014</u>	<u>\$ 23,121,934</u>	<u>\$ 21,908,551</u>	<u>\$ 21,478,501</u>	<u>\$ 21,016,183</u>	<u>\$ 20,120,260</u>
Plan fiduciary net position								
Contributions - employer	\$ 562,485	\$ 529,117	\$ 493,177	\$ 476,099	\$ 453,409	\$ 503,073	\$ 509,712	\$ 505,682
Contributions - employee	169,142	171,994	162,312	155,480	156,096	149,590	151,932	153,057
Net investment income	5,508,513	384,358	1,306,976	1,375,350	2,060,599	294,852	760,783	2,323,304
Benefit payments, including refunds of employee contributions	(1,352,485)	(1,343,444)	(1,024,234)	(987,343)	(1,074,023)	(968,845)	(1,146,011)	(946,978)
Administrative expenses	(13,942)	(13,668)	(13,012)	(11,939)	(12,121)	(10,705)	(10,718)	(12,352)
Other expenses	517	(458)	(822)	(1,221)	(1,824)	(125)	(159)	123
Net change in plan fiduciary net position	4,874,230	(272,101)	924,397	1,006,426	1,582,136	(32,160)	265,539	2,022,836
Plan fiduciary net position - beginning	20,323,768	20,595,869	19,671,472	18,665,046	17,082,910	17,115,070	16,849,531	14,826,995
Plan fiduciary net position - ending	<u>\$ 25,197,998</u>	<u>\$ 20,323,768</u>	<u>\$ 20,595,869</u>	<u>\$ 19,671,472</u>	<u>\$ 18,665,046</u>	<u>\$ 17,082,910</u>	<u>\$ 17,115,070</u>	<u>\$ 16,849,831</u>
Political subdivision's net pension liability - ending	<u>\$ 1,808,341</u>	<u>\$ 4,846,831</u>	<u>\$ 3,614,145</u>	<u>\$ 3,450,462</u>	<u>\$ 3,243,505</u>	<u>\$ 4,395,591</u>	<u>\$ 3,901,113</u>	<u>\$ 3,270,429</u>
Plan fiduciary net position as a percentage of the total pension liability	93.30%	80.74%	85.07%	85.08%	85.20%	79.53%	81.44%	83.75%
Covered-employee payroll	\$ 3,483,358	\$ 3,496,459	\$ 3,250,927	\$ 3,197,314	\$ 3,044,855	\$ 2,980,538	\$ 2,982,516	\$ 2,958,935
Political subdivision's net pension liability as a percentage covered-employee payroll	51.91%	138.62%	111.17%	107.92%	106.52%	147.48%	130.80%	110.53%

TOWN OF SOUTH BOSTON, VIRGINIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Years Ended June 30, 2015 through 2022
See Independent Auditors' Report

Exhibit 8

SCHEDULE OF EMPLOYER CONTRIBUTIONS						
Date	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Employees Payroll	Contribution as a % of Covered Employees Payroll	
2015	\$ 509,712	\$ 509,712	\$ -	\$ 2,982,516	17.09%	
2016	\$ 509,374	\$ 509,374	\$ -	\$ 2,980,538	17.09%	
2017	\$ 462,209	\$ 462,209	\$ -	\$ 3,044,855	15.18%	
2018	\$ 485,352	\$ 485,352	\$ -	\$ 3,197,314	15.18%	
2019	\$ 501,823	\$ 501,823	\$ -	\$ 3,252,257	15.43%	
2020	\$ 501,618	\$ 501,618	\$ -	\$ 3,250,927	15.43%	
2021	\$ 573,351	\$ 573,351	\$ -	\$ 3,483,358	16.46%	
2022	\$ 585,311	\$ 585,311	\$ -	\$ 3,555,958	16.46%	

Schedule is intended to show information for 10 years. Since 2022 is the eighth year for this presentation, no other data is available. However, additional years will be included as they become available.

See the related notes.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 2022

See Independent Auditors' Report

Exhibit 8

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2020, valuations were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and the 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 and changed final retirement age from 65 to 70

Withdrawal Rates – Rates decreased and changed from rates based on age and services 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 SOUTH BOSTON, VIRGINIA

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
GROUP LIFE INSURANCE PROGRAM
For the Years Ended June 30, 17 through 2021*
See Independent Auditors' Report

Exhibit 9

	2021	2020	2019	2018	2017
Employer's proportion of the net					
GLI OPEB liability (asset)	0.01687%	0.01699%	0.01663%	0.01687%	0.01652%
Employer's proportionate share of the net					
GLI OPEB liability (asset)	\$ 196,412	\$ 283,535	\$ 270,615	\$ 256,000	\$ 249,000
Employer's covered payroll	\$ 3,483,358	\$ 3,496,237	\$ 3,267,860	\$ 3,260,577	\$ 3,212,892
Employer's proportionate share of the net					
GLI OPEB liability (asset) as a percentage					
of its covered payroll	5.63858%	8.10972%	8.28110%	7.85137%	7.75003%
Plan fiduciary net position as a percentage	62.53%	52.64%	52.00%	51.22%	48.86%
of the total GLI OPEB liability					

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

*The amounts presented have a measurement date of the previous fiscal year end.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
GROUP LIFE INSURANCE PROGRAM
For the Years Ended June 30, 2013 through 2022

	Contributions in			Contributions	
	Contractually	Contractually	Contribution	Employer's	as a % of
	Required	Required	Deficiency	Covered	Covered
	Contribution	Contribution	(Excess)	Payroll	Payroll
Date	(1)	(2)	(3)	(4)	(5)
2022	\$ 19,188	\$ 19,188	\$ -	\$ 3,553,326	0.54%
2021	\$ 18,810	\$ 18,810	\$ -	\$ 3,483,358	0.54%
2020	\$ 18,180	\$ 18,180	\$ -	\$ 3,496,237	0.52%
2019	\$ 16,993	\$ 16,993	\$ -	\$ 3,267,860	0.52%
2018	\$ 16,955	\$ 16,955	\$ -	\$ 3,260,577	0.52%
2017	\$ 16,707	\$ 16,707	\$ -	\$ 3,212,892	0.52%
2016	\$ 15,849	\$ 15,849	\$ -	\$ 3,047,850	0.52%
2015	\$ 15,802	\$ 14,311	\$ 1,491	\$ 2,981,571	0.48%
2014	\$ 15,870	\$ 14,373	\$ 1,497	\$ 2,994,414	0.48%
2013	\$ 15,945	\$ 14,441	\$ 1,504	\$ 3,008,499	0.48%

See the related notes.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
AND SCHEDULE OF EMPLOYER CONTRIBUTIONS
GROUP LIFE INSURANCE PROGRAM

For the Year Ended June 30, 2022

See Independent Auditors' Report

Exhibit 9

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

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

Non-largest ten locality employers – hazardous duty employees

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Increased age 50 rates and lowered rates at older ages
Withdrawal rates	Adjusted termination rates to better fit experience at each age and service year
Disability rates	Adjusted rates to better match experience
Salary scale	No change
Line of duty disability	Decreased rate from 60% to 45%

TOWN OF SOUTH BOSTON, VIRGINIA

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
LINE OF DUTY ACT PROGRAM

For the Years Ended June 30, 2017 through 2021*
See Independent Auditors' Report

Exhibit 10

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's proportion of the net LODA OPEB	0.19798%	19.21500%	0.19457%	0.18644%	0.19464%
Employer's proportionate share of the net LODA OPEB liability (asset)	\$ 873,375	\$ 804,754	\$ 698,090	\$ 584,000	\$ 511,000
Covered-employee payroll	**	**	**	**	**
Employer's proportionate share of the net LODA OPEB liability (asset) as a percentage of its covered-employee payroll	**	**	**	**	**
Plan fiduciary net position as a percentage of the total LODA OPEB liability	1.68%	1.02%	0.79%	0.60%	1.30%

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

*The amounts presented have a measurement date of the previous fiscal year end.

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

See the related notes.

TOWN OF SOUTH BOSTON, VIRGINIA

SCHEDULE OF EMPLOYER CONTRIBUTIONS
LINE OF DUTY ACT PROGRAM

For the Years Ended June 30, 2013 through 2022*
See Independent Auditors' Report

Exhibit 10

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll (4)	Contributions as a % of Covered- Employee Payroll (5)
2022	\$ 27,457	\$ 27,457	\$ -	\$ -	-
2021	\$ 27,258	\$ 27,258	\$ -	\$ -	-
2020	\$ 26,113	\$ 26,113	\$ -	\$ -	-
2019	\$ 19,858	\$ 19,858	\$ -	\$ -	-
2018	\$ 18,106	\$ 18,106	\$ -	\$ -	-
2017	\$ 18,603	\$ 18,603	\$ -	\$ -	-
2016	\$ 18,669	\$ 18,669	\$ -	\$ -	-
2015	\$ 19,313	\$ 19,313	\$ -	\$ -	-
2014	\$ 17,069	\$ 17,069	\$ -	\$ -	-
2013	\$ 8,186	\$ 8,186	\$ -	\$ -	-

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

See the related notes.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY AND SCHEDULE
OF EMPLOYER CONTRIBUTIONS

LINE OF DUTY ACT PROGRAM
For the Year Ended June 30, 2022

Exhibit 10

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

Employees in the non-largest ten locality employers with public safety employees

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

OTHER SUPPLEMENTARY INFORMATION

TOWN OF SOUTH BOSTON, VIRGINIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2022

See Independent Auditors' Report

Exhibit 11

		<u>Permanent Fund</u>	
	Virginia Alcohol Safety Action <u>Program Fund</u>	Perpetual <u>Care</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS			
Cash	\$ -	\$ 923,032	\$ 923,032
Investments	<u>-</u>	<u>192,595</u>	<u>192,595</u>
Total assets	<u>\$ -</u>	<u>\$ 1,115,627</u>	<u>\$ 1,115,627</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted for:			
Perpetual care	<u>-</u>	<u>1,115,627</u>	<u>1,115,627</u>
Total fund balances	<u>-</u>	<u>1,115,627</u>	<u>1,115,627</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 1,115,627</u>	<u>\$ 1,115,627</u>

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

TOWN OF SOUTH BOSTON, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2022

See Independent Auditors' Report

Exhibit 12

	<u>Special Revenue</u>	<u>Permanent Fund</u>	
	<u>Virginia Alcohol Safety Action Program Fund</u>	<u>Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Interest and investment revenue	\$ -	\$ 8,432	\$ 8,432
Miscellaneous	-	910	910
Sale of cemetery lots	-	62,500	62,500
Intergovernmental	<u>244,783</u>	<u>-</u>	<u>244,783</u>
Total revenues	<u>244,783</u>	<u>71,842</u>	<u>316,625</u>
Expenditures:			
Current:			
Capital projects	-	1,948	1,948
General government administration	-	177,298	177,298
Public safety	<u>244,783</u>	<u>-</u>	<u>244,783</u>
Total expenditures	<u>244,783</u>	<u>179,246</u>	<u>424,029</u>
(Deficiency) of revenues (under) expenditures	<u>-</u>	<u>(107,404)</u>	<u>(107,404)</u>
Other financing sources:			
Operating transfers in	<u>-</u>	<u>133,298</u>	<u>133,298</u>
Total other financing sources	<u>-</u>	<u>133,298</u>	<u>133,298</u>
Net change in fund balances	-	25,894	25,894
Fund balance at beginning of year	<u>-</u>	<u>1,089,733</u>	<u>1,089,733</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 1,115,627</u>	<u>\$ 1,115,627</u>

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

STATISTICAL SECTION

TOWN OF SOUTH BOSTON, VIRGINIA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS
See Independent Auditors' Report

Schedule 1

Fiscal <u>Year</u>	General Government <u>Administration</u>	Public <u>Safety</u>	Public <u>Works</u>	Parks, Recreation, and Cultural <u>Development</u>	Community <u>Development</u>	Non- Departmental <u>Projects</u>	Capital <u>Projects</u>	Landfill <u>Closure</u>	Debt <u>Service</u>	<u>Total</u>
2012-13	\$ 800,712	\$ 3,053,360	\$ 3,805,801	\$ 472,571	\$ 258,682	\$ 242,818	\$ 1,538,958	\$ 35,822	\$ 2,716,871	\$ 12,925,595
2013-14	710,353	3,021,200	3,086,669	422,464	342,008	198,695	553,665	18,446	1,462,688	9,816,188
2014-15	715,156	3,347,745	2,766,141	395,227	648,036	340,682	-	36,406	1,408,461	9,657,854
2015-16	652,599	3,161,509	4,592,895	412,593	608,855	247,961	-	78,713	1,432,181	11,187,306
2016-17	621,729	3,646,347	4,621,954	392,449	305,330	184,741	60,219	87,118	1,758,569	11,678,456
2017-18	751,454	3,534,955	4,187,742	523,188	334,685	177,514	16,227	60,955	1,496,221	11,082,941
2018-19	658,777	3,657,599	3,620,613	434,473	342,524	206,563	2,825	71,726	3,062,089	12,057,189
2019-20	669,519	4,823,447	3,500,852	464,960	342,514	145,514	2	74,461	1,771,447	11,792,716
2020-21	737,405	4,667,414	4,350,205	1,451,193	1,604,989	236,704	126,117	191,083	6,116,370	19,481,480
2021-22	880,129	4,385,777	3,381,569	506,761	557,975	172,168	47,242	68,666	877,894	10,878,181

TOWN OF SOUTH BOSTON, VIRGINIA

GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
See Independent Auditors' Report

Schedule 2

Fiscal <u>Year</u>	General Property <u>Taxes</u>	Other Local <u>Taxes</u>	Permits, Privilege Fees, and Regulatory <u>Licenses</u>	Fines and <u>Forfeitures</u>	Revenues From Use of Money and <u>Property</u>	Charges for <u>Service</u>	<u>Miscellaneous</u>	Recovered <u>Costs</u>	Inter- <u>Governmental</u>	<u>Total</u>
2012-13	\$ 1,982,751	\$ 3,922,316	\$ 2,170	\$ 63,969	\$ 84,326	\$ 26,390	\$ 253,118	\$ 674,822	\$ 3,266,002	\$ 10,275,864
2013-14	1,933,676	3,931,487	3,122	64,654	72,816	26,190	236,943	676,419	2,516,049	9,461,356
2014-15	1,887,029	4,187,449	2,753	52,745	74,504	34,197	233,051	669,109	2,632,025	9,772,862
2015-16	2,021,113	4,620,938	3,053	43,383	57,328	28,233	232,899	648,142	2,861,097	10,516,186
2016-17	2,095,014	4,625,288	4,595	44,258	82,871	23,297	358,787	658,536	3,769,280	11,661,926
2017-18	2,030,043	4,830,451	4,155	42,106	85,758	19,301	289,497	659,267	3,119,258	11,079,836
2018-19	1,996,895	5,049,433	4,355	40,832	106,960	22,077	281,844	652,496	2,940,993	11,095,885
2019-20	2,082,868	4,972,613	2,610	38,987	100,365	26,855	217,803	950,087	2,764,569	11,156,757
2020-21	2,118,825	5,138,977	5,445	31,045	64,430	9,756	211,262	305,157	6,359,484	14,244,381
2021-22	2,234,587	5,507,105	2,565	35,562	66,257	18,712	559,465	318,597	3,165,359	11,908,209

TOWN OF SOUTH BOSTON, VIRGINIA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
See Independent Auditors' Report

Schedule 3

Fiscal <u>Year</u>	Total Tax (1) <u>Levy</u>	Current Tax (1) <u>Collections</u>	Percent of Levy <u>Collected</u>	Delinquent (1) Tax (2) <u>Collections (3)</u>	Total Tax <u>Collections</u>	Percent of Total Tax Collections To Tax <u>Levy</u>	Outstanding Delinquent <u>Taxes</u>	Percent of Delinquent Taxes to Tax Levy
2012-13	\$ 1,516,431	\$ 1,417,036	93.45%	\$ 74,709	\$ 1,491,745	98.37%	\$ 286,129	18.87%
2013-14	1,528,779	1,435,629	93.91%	129,787	1,565,416	102.40%	233,725	15.29%
2014-15	1,541,738	1,436,962	93.20%	74,637	1,511,599	98.05%	244,978	15.89%
2015-16	1,595,643	1,506,206	94.39%	69,911	1,576,117	98.78%	242,420	15.19%
2016-17	1,638,798	1,549,271	94.54%	94,037	1,643,308	100.28%	149,526	9.12%
2017-18	1,633,979	1,533,691	93.86%	48,543	1,582,234	96.83%	160,943	9.85%
2018-19	1,612,211	1,538,720	95.44%	48,745	1,587,465	98.47%	184,758	11.46%
2019-20	1,679,390	1,578,461	93.99%	61,081	1,639,542	97.63%	173,527	10.33%
2020-21	1,754,494	1,635,953	93.24%	59,465	1,695,418	96.63%	193,142	11.01%
2021-22	1,869,695	1,719,800	91.98%	73,287	1,793,087	95.90%	210,840	11.28%

TOWN OF SOUTH BOSTON, VIRGINIA

ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
See Independent Auditors' Report

Schedule 4

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Utility		Total
					Real Estate	Personal Property	
2012-13	\$475,693,486	\$41,394,725	\$ 797,900	\$ 2,190,600	\$22,388,621	\$ 1,143,392	\$ 543,608,724
2013-14	478,470,015	42,286,900	711,200	2,706,300	23,338,048	834,549	548,347,012
2014-15	472,887,360	43,642,900	592,700	1,924,000	22,812,967	765,306	542,625,233
2015-16	477,851,516	43,981,900	669,200	1,964,700	24,837,772	591,098	549,896,186
2016-17	479,858,289	45,934,900	643,800	1,966,100	29,209,395	466,852	558,079,336
2017-18	480,241,434	45,757,200	617,200	1,681,600	30,414,019	347,269	559,058,722
2018-19	474,631,982	44,603,800	533,900	1,667,900	30,574,693	318,291	552,330,566
2019-20	481,248,389	47,885,600	591,400	1,615,000	31,879,468	264,859	563,484,716
2020-21	485,955,614	50,869,000	596,700	1,614,800	33,077,581	243,235	572,356,930
2021-22	498,489,687	54,308,200	617,500	803,400	33,765,436	235,615	588,219,838

PROPERTY TAX RATES
LAST TEN FISCAL YEARS

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Utility	
					Real Estate	Personal Property
2012-13	0.19	2.00	0.19	0.31	0.19	2.00
2013-14	0.19	2.00	0.19	0.31	0.19	2.00
2014-15	0.19	2.00	0.19	0.31	0.19	2.00
2015-16	0.21	2.00	0.21	0.31	0.21	2.00
2016-17	0.21	2.00	0.21	0.31	0.21	2.00
2017-18	0.21	2.00	0.21	0.31	0.21	2.00
2018-19	0.21	2.00	0.21	0.31	0.21	2.00
2019-20	0.21	2.00	0.21	0.31	0.21	2.00
2020-21	0.21	2.00	0.21	0.31	0.21	2.00
2021-22	0.21	2.00	0.21	0.31	0.21	2.00

NOTE: Public service corporation assessments and tax rates are regulated by the State Corporation Commission.

TOWN OF SOUTH BOSTON, VIRGINIA

RATIO OF NET GENERAL OBLIGATION DEBT
TO ASSESSED VALUE AND NET DEBT PER CAPITA
LAST TEN FISCAL YEARS
See Independent Auditors' Report

Schedule 5

<u>Fiscal</u> <u>Year</u>	<u>Population (1)</u>	Assessed Value of All Taxable Property (In Thousands)	Gross Bonded Debt (2)	<u>Less:</u> Debt Payable From Enterprise Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2012-13	8,142	\$ 543,609	\$ 10,688,173	-	\$ 10,688,173	.017:1	\$ 1,312
2013-14	8,142	548,347	9,657,446	-	9,657,446	.019:1	1,186
2014-15	8,142	542,625	9,393,759	-	9,393,759	.017:1	1,153
2015-16	8,142	549,896	10,695,281	-	10,695,281	.019:1	1,313
2016-17	7,950	558,079	9,182,966	-	9,182,966	.016:1	1,155
2017-18	7,773	559,059	11,840,512	-	11,840,512	.021:1	1,523
2018-19	7,659	552,331	10,188,864	-	10,188,864	.018:1	1,330
2019-20	7,588	563,485	10,910,818	-	10,910,818	.019:1	1,438
2020-21	7,966	572,357	5,229,988	-	5,229,988	.009:1	657
2021-22	7,936	588,220	4,472,282	-	4,472,282	.009:1	564

NOTE: (1) United States Census Bureau
(2) Includes all long-term general obligation debt

TOWN OF SOUTH BOSTON, VIRGINIA

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2022

See Independent Auditors' Report

Schedule 6

The Constitution of the Commonwealth of Virginia authorizes a town in Virginia to issue bonds secured by a pledge of its full faith and credit, subject to a limitation. Certain classes of indebtedness may be excluded, such as: revenue anticipation notes maturing in one year or less and referendum-approved general obligation bonds payable from a specified revenue producing undertaking for as long as the undertaking is self-supporting.

Assessed value of taxable real property (as of January 1, 2020)		<u>\$ 588,219,838</u>
Legal debt limit (10% of assessed value)		\$ 58,821,984
Gross debt issued and outstanding	4,472,282	
Less deduction for self-supporting revenue bonds	<u>-</u>	
Total net debt chargeable to current debt limit		<u>4,472,282</u>
Current debt-incurring capacity		<u>\$ 54,349,702</u>

TOWN OF SOUTH BOSTON, VIRGINIA

STATEMENT OF THE TREASURER'S ACCOUNTABILITY

June 30, 2022

See Independent Auditors' Report

Schedule 7

Assets held by the Treasurer:

Cash in banks:

Checking:

Benchmark Community Bank	\$ 8,970,342
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Investments:

Common stock – 45 shares of U. S. Steel Corporation	1,173
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Alliance U. S. Bond Fund	<u>191,422</u>
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Total assets	<u>\$ 9,162,937</u>
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Liabilities of the Treasurer:

Balance of Town Funds	<u>\$ 9,162,937</u>
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Total liabilities	<u>\$ 9,162,937</u>
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TOWN OF SOUTH BOSTON, VIRGINIA

INDUSTRIAL DEVELOPMENT AUTHORITY OF SOUTH BOSTON AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

June 30, 2022

See Independent Auditors' Report

Schedule 8

	Balance <u>July 01, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2022</u>
ASSETS				
Cash	\$ 470,849	\$ 629,700	\$ 743,987	\$ 356,562
Land and buildings (net of accumulated depreciation)	3,479,632	503,717	43,832	3,939,517
Accounts receivable	<u>351,478</u>	<u>-</u>	<u>20,150</u>	<u>331,328</u>
Total assets	<u>\$ 4,301,959</u>	<u>\$ 1,133,417</u>	<u>\$ 807,969</u>	<u>\$ 4,627,407</u>
LIABILITIES				
Accounts payable	\$ 2,000	\$ -	\$ -	\$ 2,000
Due to other governmental units	3,636,229	502,437		4,138,666
Note payable	<u>663,730</u>	<u>-</u>	<u>176,989</u>	<u>486,741</u>
Total liabilities	<u>\$ 4,301,959</u>	<u>\$ 502,437</u>	<u>\$ 176,989</u>	<u>\$ 4,627,407</u>

COMPLIANCE SECTION

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

To the Honorable Members of the Town Council
Town of South Boston, 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, each major fund, and the aggregate remaining fund information of the Town of South Boston, Virginia, as of and for the year ended, June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of South Boston, Virginia's basic financial statements, and have issued our report thereon dated December 10, 2022.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Harris Harvey Neal & Co. LLP

Danville, Virginia
December 10, 2022

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

To the Honorable Members of the Town Council
Town of South Boston, Virginia
South Boston, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Town of South Boston, Virginia's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Town of South Boston, Virginia's major federal programs for the year ended June 30, 2022. Town of South Boston, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of South Boston, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of South Boston, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Town of South Boston, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of South Boston, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of South Boston, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of South Boston, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Harris Harvey Neal & Co. LLP

Danville, Virginia
December 10, 2022

TOWN OF SOUTH BOSTON, VIRGINIA

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

For the Year Ended June 30, 2022

See Independent Auditors' Report

Federal Grantor/Program Title	Assistance Listing Number	Expenditures of Federal Awards
U.S. Department of Housing and Urban Development:		
Pass Through Payments:		
Department of Housing and Community Development:		
Community Development Block Grant	14.228	81,290
U.S. Department of Transportation:		
Pass Through Payments:		
Virginia Department of Motor Vehicles		
State and Community Highway Safety	20.600	4,781
Alcohol Open Container Requirements	20.607	6,585
Total Department of Transportation		11,366
U.S. Department of Homeland Security:		
Pass Through Payments:		
Virginia Department of Emergency Management		
Emergency Management Performance Grant	97.042	7,500
U.S. Department of Justice:		
Pass Through Payments:		
Virginia Department of Emergency Management		
Coronavirus Emergency Supplemental Funding	16.034	5,287
Edward Byrne Memorial Justice Assistance Grant	16.738	26,784
Total Department of Justice		32,071
U.S. Department of Treasury:		
Pass Through Payments:		
Halifax County Virginia:		
COVID-19 Coronavirus Relief Fund	21.019	97,628
Virginia Department of Accounts		
Coronavirus State and Local Fiscal Recovery Funds	21.027	1,697,670
Total Department of Treasury		1,795,298
Total Expenditures of Federal Awards		1,927,525

See the related notes.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Town of South Boston, Virginia under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Town of South Boston, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of South Boston, Virginia.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rates

The Town of South Boston, Virginia did elect to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance on noted grants.

TOWN OF SOUTH BOSTON, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Section 1 - Summary of Audit Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	None reported
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)	No

Identification of major programs:

<u>CFDA#</u>	<u>Name of Federal Program of Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None