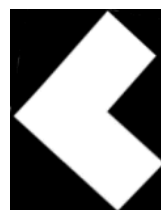


Town of Halifax, Virginia
Annual Comprehensive Financial Report
Year Ended June 30, 2025



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

Town of Halifax, Virginia

Table of Contents

Year Ended June 30, 2025

Pages

FINANCIAL SECTION

Independent Auditor's Report	i-iii
Management's Discussion and Analysis	1-8

Basic Financial Statements

Exhibits

Government-Wide Financial Statements

1	Statement of Net Position	9
2	Statement of Activities	10

Fund Financial Statements

3	Balance Sheet and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11-12
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13-14
	Notes to the Financial Statements	15-49

Required Supplementary Information

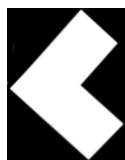
Exhibit

5	Budgetary Comparison Schedule – General Fund	50
	Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios	51
	Schedule of Employer Contributions	52
	Notes to Required Supplementary Information	53
	Schedule of Employer's Share of Net OPEB Liability-Group Life Insurance Plan	54
	Schedule of Employer Contributions for Group Life Insurance OPEB Plan	55
	Notes to Required Supplementary Information-OPEB Group Life Insurance Plan	56

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57-58
---	-------

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Halifax, Virginia

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Halifax, Virginia, as of June 30, 2025, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Halifax, 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 Halifax, Virginia's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 1-8, 50, and 51-56 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2026, on our consideration of the Town of Halifax, 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 Town of Halifax, 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 the Town of Halifax, Virginia's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Creedle, Jones & Associates, P.C." in a cursive script.

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

South Hill, Virginia
June 17, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources by \$2,498,115. Of this amount, \$642,666 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$311,532 during the current fiscal year.
- As of June 30, 2025, the Town's Governmental Funds reported combined ending fund balances of \$361,575, a decrease of \$311,152 in comparison with the prior year. Approximately 100% of this amount is available for spending at the Town's discretion (unassigned fund balance).
- At the end of fiscal year 2025, the unassigned fund balance was \$361,575, or approximately 20.95% of total general fund expenditures

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

The governmental activities of the Town include general government administration, public safety, public works, parks, recreation and cultural, and community development.

Fund Financial Statements

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

The Town utilizes one type of fund:

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

Notes to the Basic Financial Statements

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

Other

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2025 and 2024

	Governmental Activities	
	<u>2025</u>	<u>2024</u>
Assets		
Current and other assets	\$ 703,660	\$ 1,180,248
Capital assets, net	2,569,654	2,708,982
Noncurrent assets	<u>78,317</u>	<u>118,170</u>
Total Assets	3,351,631	4,007,400
Deferred Outflows of Resources	<u>163,162</u>	<u>72,151</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,514,793</u>	<u>\$ 4,079,551</u>
Liabilities		
Current liabilities	\$ 20,180	\$ 161,150
Long-term liabilities	<u>802,282</u>	<u>806,098</u>
Total Liabilities	822,462	967,248
Deferred Inflows of Resources	194,216	302,656
Net Position		
Net investment in capital assets	1,855,449	1,907,531
Unrestricted	<u>642,666</u>	<u>902,116</u>
Total Net Position	<u>2,498,115</u>	<u>2,809,647</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 3,514,793</u>	<u>\$ 4,079,551</u>

Statement of Activities

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

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2025 and 2024

	Governmental Activities	
	<u>2025</u>	<u>2024</u>
Revenues		
Program Revenues		
Charges for services	\$ 69,878	\$ 39,497
Operating grants and contributions	158,025	425,455
General Revenues		
Property taxes	504,631	448,292
Other local taxes	472,868	407,099
Miscellaneous	31,830	25,381
Grants and contributions not restricted to specific programs	125,563	315,553
Unrestricted revenues from use of money and property	<u>59,094</u>	<u>80,457</u>
Total Revenues	1,421,889	1,741,734
Program Expenses		
General government administration	427,581	345,441
Public safety	592,202	543,364
Public works	371,970	282,565
Parks, recreation, and cultural	60,759	63,613
Community development	251,079	360,917
Interest on long-term debt	<u>29,830</u>	<u>30,935</u>
Total Program Expenses	1,733,421	1,626,835
Increase (Decrease) in Net Position	(311,532)	114,899
Beginning Net Position	<u>2,809,647</u>	<u>2,694,748</u>
Ending Net Position	<u>\$ 2,498,115</u>	<u>\$ 2,809,647</u>

Governmental activities decreased the Town's net position by \$311,532 for fiscal year 2025. Revenues from governmental activities totaled \$1,421,889. Property taxes comprise the largest source of these revenues, totaling \$504,631 or 35.5% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$1,733,421. Public safety was the Town's largest program with expenses totaling \$592,202. General government administration, which totals \$427,581, represents the second largest expense.

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

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2025 and 2024

	2025		2024	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 427,581	\$ (427,581)	\$ 345,441	\$ (345,441)
Public safety	592,202	(446,144)	543,364	(430,555)
Public works	371,970	(370,750)	282,565	(280,690)
Parks, recreation and cultural	60,759	(56,259)	63,613	(59,113)
Community development	251,079	(174,954)	360,917	(15,149)
Interest on long-term debt	<u>29,830</u>	<u>(29,830)</u>	<u>30,935</u>	<u>(30,935)</u>
Total	<u>\$1,733,421</u>	<u>\$ (1,505,518)</u>	<u>\$ 1,626,835</u>	<u>\$ (1,161,883)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The Town's governmental funds reported combined ending fund balances of \$361,575. The combined governmental fund balance decreased \$311,152 from the prior year.

The General Fund is the only operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$361,575. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 20.95% of total fund expenditures.

BUDGETARY HIGHLIGHTS GENERAL FUND

The Town's General Fund saw a decrease in fund balance of \$311,152, with an ending fund balance of \$361,575.

General property taxes were less than budget by \$30,237. Revenue from use of money and property was less than budget by \$14,726. The Town budgeted \$1,928,886 in revenue from the federal government while actual revenue amounted to \$92,755, resulting in \$1,836,131 under budget.

The General Fund expenditures were under budget by \$1,805,210 due to grant funds not received.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2025, the Town's governmental activities net capital assets total \$2,569,654, which represents a net decrease of \$139,328 or 5.14% over the previous fiscal year-end balance as summarized in the following table:

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2024</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2025</u>
Land	\$ 165,637	\$ -	\$ 165,637
Buildings and improvements	3,323,471	-	3,323,471
Machinery, equipment, and vehicles	986,160	-	986,160
Total Capital Assets	4,475,268	-	4,475,268
Less: Accumulated depreciation and amortization	(1,774,254)	(131,360)	(1,905,614)
Total Capital Assets, Net	<u>\$ 2,701,014</u>	<u>\$ (131,360)</u>	<u>\$ 2,569,654</u>
 Lease assets	 \$ 36,851	 \$ (36,851)	 \$ -
Less: Accumulated amortization	28,883	(28,883)	-
Total Lease Assets, Net	<u>\$ 7,968</u>	<u>\$ (7,968)</u>	<u>\$ -</u>

Long-Term Debt

As of June 30, 2025, the Town's long-term obligations total \$780,187.

Governmental Activities

	<u>2025</u>	<u>2024</u>
General obligation debt	\$ 714,205	\$ 788,953
Compensated absences	<u>65,982</u>	<u>69,731</u>
	<u>\$ 780,187</u>	<u>\$ 858,684</u>

More detailed information on the Town's long-term obligations is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

According to the 2020 U.S. Census, the population in the Town of Halifax, Virginia was 1,105.

This along with other indicators were taken into account when adopting the General Fund budget for 2026, which accounts for most of the Town's operational costs. The fiscal year 2026 adopted budget anticipates General Fund revenues and expenditures to be \$3,489,827, a 10.4% increase over the fiscal year 2025 original budget.

MANAGER'S STATEMENT

In an ongoing effort to invest in the future vitality of the Town of Halifax and to provide additional economic opportunities to the area, the Town has initiated the following projects:

Working with Halifax County as the grant recipient utilizing Virginia Department of Transportation (VDOT) enhancement funds, the 1st Phase of the downtown utility relocation was completed in 2012 as part of the multifaceted Halifax Downtown Revitalization Project in which earlier construction of streetscape and building façade improvements began in 2006. On May 12, 2020,

Halifax Town Council authorized the execution of agreements with VDOT to administer construction of the merged Halifax Downtown Streetscape/War Memorial Enhancement and VDOT Smart Scale Turning Radius Improvements. The project was substantially completed prior to the Veteran's Day Services in November 2020. The Town engaged Hill Studio PC-Kittelson Associates to update the Halifax Downtown Revitalization Master Plan, focusing on a Traffic Safety, Pedestrian-Parking Connections & Strategic Wayfinding Sign Plan. The Halifax Downtown Connections Plan, including concept renderings for the Change X Alleyway, preliminary wayfinding examples, and other place-making enhancements, lead to wayfinding sign design work for fabrication and installation awarded with DHCD's "Halifax Downtown Connections: Place Making & Wayfinding" Community Vitality Grant award. The ChangeX "Urban Thinkscape" grant with Microsoft, was already secured, whereby it was utilized as construction match along with Town funds allocated from ARPA for the alleyway improvements, in addition to private grants, including Hitachi Energy's donations; the project was completed in August 2023. As a critical part of the Town's economic recovery, particularly in response to the pandemic, these improvements also connect downtown parking, pedestrian circulation and development to several empty Main Street properties for a healthier business climate. On December 14, 2021, Town Council voted to acquire the former Exxon service station property at a cost of \$220,000, utilizing American Recovery Plan Act (ARPA) funds. Working with the Southside Planning District Commission (SSPDC), on March 29, 2024, the Town was awarded an Industrial Revitalization Fund (IRF) construction grant from the Department of Housing and Community Development (DHCD), totaling \$1,000,000 for the rehabilitation of the building and site along with a Tobacco Region Revitalization Commission \$285,729 grant awarded on September 26, 2024. After bids are re-advertised and the lowest responsive contractor is selected, construction is expected to begin in early 2026 using these grant funds. DHCD awarded the Town a Community Development Block Grant (CDBG) construction improvement grant of \$798,845 in March 2023 which reflects a Phase I project target of expenditures in 2025-26 of \$515,912 to improve the living conditions of the remaining 4 eligible LMI families. An award of \$430,459 was received in March 2025 for CDBG Phase II to rehabilitate an additional 3 LMI households in the Banister Town neighborhood.

For FY 2025-26, the revenues and expenses reflect a balanced budget prepared in accordance with all applicable federal and state laws. The Halifax County Commissioner of Revenue's Office reassessed value of real estate within Town's corporate limits has averaged below a 1% annual increase from the 2014 assessment to \$96,327,700 (+0.0169%) in 2016 with the 2018 reassessment value of real estate equaling \$98,424,648, a climb by 1.60%, and the 2019 value increasing slightly to \$99,223,311 (+0.008%) within the Town limits. The 2024 reassessment value equaled \$117,345,113 for real estate (4.60% increase from 2022) with 2025 assessments equaling \$118,741,721. In the FY 2021-22 Budget, the Meals Tax was raised to 6% equaling the rate of South Boston and Halifax County. The Machine & Tool Tax has held at .50 since 2014 compared to the Halifax County rate of \$1.26 per \$100 value. The Lodging Tax Rate increased in FY 2023-24 from 3½% to 5½ %. The FY 2025-26 Budget totals Revenue Sheet totals \$3,212,328 up from the current FY Budget by 14.41% (+\$462,676). The variability of the budget is due largely to the carryover of grant funded projects and capital expenses from the FY 2024-25 Budget, DHCD Banister Town Neighborhood Housing Phase I & II Grants, (Administrative & Streets), the DHCD Exxon Project IRF Redevelopment & TRRC Grants (Administrative & Muni Bldg.). The balanced budget advertised reflects no increases to tax rates from the effective tax rate of \$.21 per \$100 in value, adopted in the FY 2024-25 Budget. This is the same tax rate on real estate as in 2003 with 19 years of decreasing rates until the 2022 reassessment when Council approved a \$.025 increase to \$.19 per \$100 in value. Also last year, Halifax Town Council adopted the Personal Property Tax Rate at \$1.90 up from \$1.68 (1st increase since 2005), compared to South Boston's \$2.50 rate (10+ years). RE with PPT/M&T revenue (+\$10,855) along with projected increases from sales & meals tax (+\$39,400) in addition to several annual sources other than DHCD funds are used to offset operational increases. The Finance Committee focused on revising all Town departments' expenses, including those with personnel, in light of impacts due to COVID-19 and considering high inflationary pressures on healthcare premiums on top of the FY 2024-25 Budget increases while addressing employees' wages to remain competitive with other public service salaries along with making the cost-of-living adjustments. The ARPA Revenues (2nd tranche estimated carryover from FY 22-23), equal \$ 185,268, reflecting the Finance Committee's recommendation to follow US Treasury Uniform Guidance Requirements (2 CRF Part 200), for identified eligible expenses by allocating generally into the following categories by percentage % (these may be revised when

specific totals are finalized or revised per project/expenses under these categories); Projected Expense Categories: Economic Recovery-\$46,317 (25%); Broadband-\$0 (0%); Infrastructure-\$92,634 (50%); Housing-\$0 (0%); Contingency*-\$15,650 (25%). Contingency may fall under all categories above (Economic Recovery, Broadband, Infrastructure, Housing), in addition to other US Treasury approved expenses, including public health and lost revenue. This year's budget continues supporting personnel who provide essential services while factoring in the rate of inflation. In Public Safety, the Police Department maintains its expanded roster of 6 Full-time officers, including the Chief, with compensation and certain operational expense total averages increasing between 6.55% - 27.78%. The Sanitation Department utilizes 3 Full-time employees with compensation and operation expenses ranging from 4.95% - 17.74% higher given the increases. The Town's healthcare plan premium cost has increased by 40.9% over the last 4 years, and employees' wages reflect a cost-of-living adjustment per high inflation, including necessary pay scale increase to keep a salary gap down compared to other public service agencies; all employees receive an 11.31% contribution rate to the Virginia Retirement System (VRS) with enhanced hazardous duty benefits for Law Enforcement Officers (LEOs) effective July 1, 2018.

Halifax has strived to continue a very consumer friendly tax rate structure by utilizing additional revenues other than property taxes. However, increases in the cost of services, particularly in law enforcement, along with the highlighted capital improvement projects, may require additional rate adjustments in future budget cycles. While the Finance Committee was able to reduce certain budget line items in several departments to balance the budget in FY 2023-24, the necessity to increase tax revenue sources in the future, even incrementally, must remain a priority. The Finance Committee's strategy of reducing the tax burden on local residents and businesses during difficult economic times by diversifying income allocations, tightening operational costs, conserving resources and attracting increased visitation, sustainable business growth and private capital investments, has been successful to date. However, tax revenue growth, compared to inflationary costs has remained very marginal even when factoring in the trend of somewhat higher real property assessments every two years.

The Town's budget reflects a reasonable spending plan, with increases occurring in some operational costs while capital projects are ongoing. It continues the focus on expenditures which if properly planned over the near term will help continue recovering the economic vitality our residents expect and deserve. Momentum created by the Halifax Downtown Revitalization Project, the Banister River Gateway Project, the Banister Lake Boat Landing Project, the completion and expansion of the Halifax Lofts, and the completion of the VDOT Smart Scale-Streetscape Extension Project in tandem with the Halifax County Courthouse Renovation Project along with highly visible public improvements utilizing grant and ARPA funds like the ChangeX/Hitachi Energy Alleyway and the upcoming Exxon Redevelopment Project continue to attract new economic opportunities with additional private investment by embracing a shared community vision for the historic County Seat.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the Town Treasurer at P. O. Box 627, Halifax, Virginia 24558. Phone 434-476-2343.

BASIC FINANCIAL STATEMENTS

Town of Halifax, Virginia

Statement of Net Position

June 30, 2025

	Governmental Activities
Assets	
Current Assets	
Cash	\$ 329,874
<i>Receivables</i>	
Taxes, including penalties	55,503
Lease, current	39,853
Other	48,985
Total Current Assets	474,215
Noncurrent Assets	
Lease receivable, noncurrent	78,317
Capital Assets	
Nondepreciable assets	165,637
Depreciable assets, net	2,404,017
Lease assets, net	-
Capital Assets, Net	2,569,654
Total Noncurrent Assets	2,647,971
Other Assets	
Net pension asset	229,445
Total Assets	3,351,631
Deferred Outflows of Resources	
OPEB	8,510
Pension	154,652
Total Deferred Outflows of Resources	163,162
Total Assets and Deferred Outflows of Resources	\$ 3,514,793
Liabilities	
Current Liabilities	
Accounts payable	\$ 14,301
Accrued expenses	5,879
Total Current Liabilities	20,180
Long-Term Liabilities	
<i>Due within one year</i>	
Notes, bonds, other	62,153
Compensated absences	6,598
<i>Due in more than one year</i>	
Notes, bonds, other	652,052
Compensated absences	59,384
OPEB liability	22,095
Total Long-Term Liabilities	802,282
Total Liabilities	822,462
Deferred Inflows of Resources	
OPEB	4,366
Leases	115,274
Pension	74,576
Total Deferred Inflows of Resources	194,216
Net Position	
Net investment in capital assets	1,855,449
Unrestricted	642,666
Total Net Position	2,498,115
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 3,514,793

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

Town of Halifax, Virginia

Statement of Activities

For the Year Ended June 30, 2025

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	<u>Total</u>
Primary Government						
Governmental Activities						
General government administration	\$ 427,581	\$ -	\$ -	\$ (427,581)	\$ (427,581)	\$ (427,581)
Public safety	592,202	68,658	77,400	(446,144)	(446,144)	(446,144)
Public works	371,970	1,220	-	(370,750)	(370,750)	(370,750)
Parks, recreation, and cultural	60,759	-	4,500	(56,259)	(56,259)	(56,259)
Community development	251,079	-	76,125	(174,954)	(174,954)	(174,954)
Interest on long-term debt	29,830	-	-	(29,830)	(29,830)	(29,830)
Total Governmental Activities	1,733,421	69,878	158,025	(1,505,518)	(1,505,518)	(1,505,518)
Total Primary Government	<u>\$ 1,733,421</u>	<u>\$ 69,878</u>	<u>\$ 158,025</u>	<u>\$ (1,505,518)</u>	(1,505,518)	(1,505,518)
General Revenues						
Taxes						
General property taxes, real and personal					504,631	504,631
Other local taxes					472,868	472,868
Grants and contributions not restricted to specific programs					125,563	125,563
Miscellaneous					31,830	31,830
Unrestricted revenues from use of money and property					59,094	59,094
Total General Revenues					1,193,986	1,193,986
Change in Net Position					(311,532)	(311,532)
Net Position - Beginning of Year					2,809,647	2,809,647
Net Position - End of Year					<u>\$ 2,498,115</u>	<u>\$ 2,498,115</u>

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

Town of Halifax, Virginia

Balance Sheet

June 30, 2025

	General Fund
Assets	
Cash	\$ 329,874
<i>Receivables</i>	
Taxes, including penalties	55,503
Lease	118,170
Other	<u>48,985</u>
 Total Assets	 \$ <u>552,532</u>
Liabilities	
Accounts payable	\$ 14,301
Accrued liabilities	<u>5,879</u>
 Total Liabilities	 20,180
Deferred Inflows of Resources	
Unavailable revenue - property taxes	55,503
Leases	<u>115,274</u>
 Total Deferred Inflows of Resources	 170,777
Fund Balances	
Unassigned	<u>361,575</u>
 Total Fund Balances	 <u>361,575</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ <u>552,532</u>

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

Town of Halifax, Virginia

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

At June 30, 2025

Total Fund Balances for Governmental Funds	\$ 361,575
--	------------

Total net position reported for governmental activities in the Statement of Net Position is different because:

Capital assets net of accumulated depreciation and amortization used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 165,637
Buildings and improvements, net	2,309,337
Furniture, equipment, and vehicles, net	94,680
Lease assets, net	<u>-</u>

Total Capital Assets	2,569,654
----------------------	-----------

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

Unavailable revenue - property taxes	55,503
--------------------------------------	--------

Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	154,652
Deferred outflows of resources related to OPEB	8,510
Deferred inflows of resources related to pensions	(74,576)
Deferred inflows of resources related to OPEB	<u>(4,366)</u>

Total Deferred Outflows and Inflows of Resources	84,220
--	--------

Liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Bonds and notes payable	(714,205)
Net pension asset	229,445
Net OPEB liability	(22,095)
Compensated absences	<u>(65,982)</u>

Total	<u>(572,837)</u>
-------	------------------

Total Net Position of Governmental Activities	<u>\$ 2,498,115</u>
---	---------------------

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

Town of Halifax, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2025

	General Fund
Revenues	
General property taxes	\$ 497,408
Other local taxes	472,868
Permits and fees	1,220
Fines and forfeitures	68,658
Miscellaneous	31,830
Use of money and property	59,094
<i>Intergovernmental</i>	
Revenue from the Commonwealth of Virginia	190,833
Revenue from the Federal Government	<u>92,755</u>
Total Revenues	1,414,666
Expenditures	
Current	
General government administration	393,864
Public safety	576,693
Public works	359,187
Parks, recreation, and cultural	60,759
Community development	230,737
Debt service	<u>104,578</u>
Total Expenditures	<u>1,725,818</u>
Excess (Deficiency) of Revenues Over Expenditures	(311,152)
Other Financing Sources (Uses)	
Lease liabilities assumed	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>
Net Change in Fund Balance	(311,152)
Fund Balance - Beginning of Year	<u>672,727</u>
Fund Balance - End of Year	<u><u>\$ 361,575</u></u>

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

Town of Halifax, Virginia

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

Year Ended June 30, 2025

Net Change in Fund Balances - Total Governmental Funds \$ (311,152)

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

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capitalized assets	\$ -	
Depreciation	<u>(131,360)</u>	(131,360)

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statements, but recognized in the Statement of Activities.

7,223

Bonds, long-term purchase obligations, and lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.

Repayments on debt	<u>74,748</u>	
Net Adjustment		74,748

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions and related accounts	<u>39,371</u>	39,371
--	---------------	--------

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

Net OPEB liability and related accounts	1,359	
Lease liabilities and related accounts adjustments	4,530	
Compensated absences	<u>3,749</u>	
Net Adjustment		<u>9,638</u>

Change in Net Position of Governmental Activities \$ (311,532)

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

Town of Halifax, Virginia

Notes to the Financial Statements

Year Ended June 30, 2025

1 Summary of Significant Accounting Policies

Narrative Profile

The Town of Halifax, Virginia (the "Town") is a municipal corporation governed by a seven-member council. The Town has a population of approximately 1,105 living within an area of 3.8 square miles. The Town is located in the southern piedmont of Virginia.

The Town engages in a comprehensive range of municipal services, including general government administration, public safety, and public works.

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

1-A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization that is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Town of Halifax, Virginia (the primary government).

1-B. Financial Reporting Model

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

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

Government-wide Financial Statements – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the Town as a whole. These financial statements focus on the primary government; as such, individual funds are not displayed.

The Statement of Net Position is designed to display the financial position of the Primary Government. In addition to reporting current assets and deferred outflows of resources and liabilities and deferred inflows of resources, the Statement of Net Position includes both noncurrent assets and noncurrent liabilities of the Town (such as capital assets and long-term liabilities for various employee benefits).

The Net Position of the Town may be presented in three categories – (1) net investment in capital assets; (2) restricted; and (3) unrestricted. The Town generally first uses restricted resources for expenses incurred for which both restricted and unrestricted Net Position is available.

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

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

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

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

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

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

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

The Town and many other governments revise their original budgets over the course of the year for a variety of reasons.

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

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

1-C. Financial Statement Presentation

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

- ***Governmental Funds*** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the Town's major governmental funds:
 - ***General Fund*** – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
 - ***Special Revenue Funds*** – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. There are no Special Revenue Funds as of June 30, 2025.
 - ***Capital Projects Funds*** – The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. There are no Capital Projects Funds as of June 30, 2025.

- **Proprietary Funds** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Proprietary Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the cost of providing services to the general public be financed or recovered through user charges. There are no Enterprise Funds as of June 30, 2025.
- **Fiduciary Funds (Custodial Funds)** – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Custodial funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. There are no Fiduciary Funds as of June 30, 2025.

1-D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

1-E-1 Cash and Cash Equivalents

The Town operates a cash and investment pool which all funds utilize. The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

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

1-E-2 Investments

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

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

1-E-3 Receivables and Payables

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

All trade and property tax receivables are shown net of allowance for uncollectibles. The Town calculates its allowance for uncollectible amounts using historical collection data and, in certain cases, specific account analysis. Management deems that no allowance amount is necessary at this time.

Real and Personal Property Tax Data

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

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	December 5	December 5
Due Date	June 5	N/A
Lien Date	January 1	January 1

The Town bills and collects its own property taxes.

A ten percent penalty or \$10 minimum is levied on all taxes not collected on or before their due date. An interest charge of ten percent per annum is also levied on such taxes beginning on January 1.

1-E-4 Prepaid Items

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

1-E-5 Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$500. The Town’s infrastructure consists primarily of building and improvements and roads and bridges. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

Asset Description

Estimated Lives

Buildings and improvements	20-50 years
Equipment	5-10 years

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

1-E-6 Leases

As lessee, the Town recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements and recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Town uses its estimated incremental borrowing rate as the discount rate for leases. The Town's estimated incremental borrowing rate is based on historical market data and credit spread based on market data points compared to the lease commencement date.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise.

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

As lessor, the Town recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

1-E-7 Deferred Outflows/Inflows of Resources

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

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

Deferred Inflows of Resources in the Governmental Funds Balance Sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans, and notes receivable. The Town considers revenues available if they are collected within 45 days of the end of the fiscal year.

1-E-8 Compensated Absences

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

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

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

1-E-9 Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS).

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-10 Group Life Insurance

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

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

1-E-11 Fund Equity

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

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

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

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

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

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

Unassigned – all amounts not classified as nonspendable, restricted, committed, or assigned.

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

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

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

1-E-12 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings and gains or losses on the disposition of capital assets. The Town has no proprietary funds as of June 30, 2024.

1-E-13 Interfund Activity

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

1-E-14 Long-Term Obligations

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

1-E-15 Adoption of New GASB Statements

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

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

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

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

1-F. Estimates

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

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

Budgetary Data

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

1. Prior to April 1, the Town Mayor submits to the Town Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary, during the fiscal year.

Expenditures in Excess of Appropriations

Expenditures did not exceed appropriations in the General Fund at June 30, 2025.

Fund Deficits

No funds had fund deficits.

3 Deposits and Investments

Deposits

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

Investments

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

The Town does not have a formal investment policy addressing the various types of risks associated with investments.

The following is a summary of cash and cash equivalents:

<u>Asset Type</u>	<u>Balance June 30, 2025</u>
Petty cash	\$ 300
Deposit accounts	<u>329,574</u>
Total Cash and Cash Equivalents	<u>\$ 329,874</u>

4 Receivables

Receivables at June 30, 2025 consist of the following:

	<u>Governmental Activities General</u>
Property taxes receivable	\$ 55,503
Other receivables	<u>48,985</u>
Total Receivables	<u>\$ 104,488</u>

5 Capital Assets

The following is a summary of changes in capital assets:

Primary Government

	<u>Balance July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2025</u>
Capital Assets Not Being Depreciated				
Land	<u>\$ 165,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,637</u>
Total Capital Assets Not Being Depreciated	165,637	-	-	165,637
Other Capital Assets				
Buildings and improvements	3,323,471	-	-	3,323,471
Equipment and vehicles	<u>986,160</u>	<u>-</u>	<u>-</u>	<u>986,160</u>
Total Other Capital Assets	4,309,631	-	-	4,309,631
Less: Accumulated depreciation for				
Buildings and improvements	933,314	80,820	-	1,014,134
Equipment and vehicles	<u>840,940</u>	<u>50,540</u>	<u>-</u>	<u>891,480</u>
Total Accumulated Depreciation	<u>1,774,254</u>	<u>131,360</u>	<u>-</u>	<u>1,905,614</u>
Net Capital Assets	<u>\$ 2,701,014</u>	<u>\$ (131,360)</u>	<u>\$ -</u>	<u>\$ 2,569,654</u>

Depreciation expense was allocated as follows:

General government administration	\$ 49,169
Public works	26,359
Public safety	35,490
Community development	<u>20,342</u>
Total Depreciation Expense	<u>\$ 131,360</u>

Governmental Activities

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Lease assets				
Vehicle	\$ 36,851	\$ -	\$ 36,851	\$ -
Total	36,851	-	36,851	-
Less: accumulated amortization for				
Vehicle	28,883	7,968	36,851	-
Total	28,883	7,968	36,851	-
Lease assets, Net	\$ 7,968	\$ (7,968)	\$ -	\$ -
	Amortization Expense			
Public safety	\$ 7,968			
Total	\$ 7,968			

6 Compensated Absences

Each Town employee earns vacation at the rate of a minimum of 6.68 hours per month up to 10 hours per month based on years of service. Sick leave is earned at the rate of 8 hours per month. Sick leave is paid based on 25 percent of unused sick leave up to a maximum of \$2,500. Accumulated vacation up to 240 hours is paid upon termination. The Town has outstanding compensated absences totaling \$65,982 for the governmental activities.

7 Long-Term Debt

PRIMARY GOVERNMENT

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

<u>Years Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 62,153	\$ 17,847
2027	59,018	16,320
2028	60,110	14,775
2029	61,237	13,193
2030	62,402	11,574
2031-2035	330,885	32,178
2036-2039	78,400	2,711
Subtotal	714,205	108,598
Compensated absences	65,982	-
Total	\$ 780,187	\$ 108,598

Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the Town:

	<u>Balance July 1, 2024</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2025</u>	<u>Due Within One Year</u>
\$296,250 authorized and issued General Obligation Refunding Bond Series 2018A issued May 24, 2018. Payable in semiannual installments of \$15,600 plus interest at the rate of 3.10% fixed for 5 years. After the 5 years, the rate will reset to the current 5-year treasury rate plus 45 basis points. The maturity date is January 1, 2038.	\$ 218,250	\$ -	\$ 15,600	\$ 202,650	\$ 15,600
\$201,750 authorized and issued General Obligation Refunding Bond Series 2018B issued May 24, 2018. Payable in semiannual installments of \$10,625 plus interest at the rate of 3.10% fixed for 5 years. After the 5 years, the rate will reset to the current 5-year treasury rate plus 45 basis points. The maturity date is January 1, 2038.	148,625	-	10,625	138,000	10,625
KS Statebank loan payable to be paid in 60 monthly installments of \$186.89 which includes interest at the rate of 11.15%. The loan matures October 15, 2024.	730	-	730	-	-
BB&T 2020 General Obligation Bond issued August 27, 2020. Payable in semiannual installments of \$21,833.30 plus interest at the rate of 3.30% fixed for 5 years. The maturity date is February 27, 2035.	400,079	-	30,715	369,364	31,737
USDA Promissory note payable in 60 monthly installments of \$1,077.00 starting January 01, 2021 with interest at the rate of 2.25%. The note matures July 6, 2025.	14,750	-	12,710	2,040	2,040
USDA Promissory note payable in 60 monthly installments of \$372.00 starting January 01, 2021 with interest at the rate of 2.125%. The note matures December 21, 2025.	6,519	-	4,368	2,151	2,151
	788,953	-	74,748	714,205	62,153
Compensated absences	69,731	-	3,749	65,982	6,598
Total Long-Term Indebtedness	<u>\$ 858,684</u>	<u>\$ -</u>	<u>\$ 78,497</u>	<u>\$ 780,187</u>	<u>\$ 68,751</u>

8 Leases

Town as Lessor

The Town has entered into an agreement as lessor for various properties. The lease agreements are summarized as follows:

<u>Property Description</u>	<u>Original Date</u>	<u>Renewal Payment Terms</u>	<u>Next Payment Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2025</u>
nTelos (T-Mobile) Ground Space, Water Tower	3/30/2009	5 years, renewable	\$15,552 year; 20% increase each extension period	4.00%	\$ 43,097
New Cingular Wireless PCS, LLC (AT&T) Ground Space, Water Tower	5/21/2008	5 years, renewable	\$2,314 month; 15% increase each extension period	4.00%	74,277
Land and Building, Halifax Marketplace, 209 South Main Street	6/9/2020	5 years	\$400/month	4.00%	796
					<u>\$ 118,170</u>

<u>Lease-Related Revenue</u>	<u>Year Ending June 30, 2025</u>
Lease revenue	\$ 40,624
Interest revenue	5,656
Total	<u>\$ 46,280</u>

Remaining amounts to be received associated with these leases are as follows:

<u>Fiscal Year</u>	<u>Receivable Principal</u>	<u>Interest Income</u>	<u>Total</u>
2026	\$ 39,853	\$ 4,271	\$ 44,124
2027	40,649	2,676	43,325
2028	37,668	1,027	38,695
2029	-	-	-
	<u>\$ 118,170</u>	<u>\$ 7,974</u>	<u>\$ 126,144</u>

Town as Lessee

Lease agreements resulting in lease liabilities for the Town are summarized as follows:

<u>Description</u>	<u>Lessor</u>	<u>Asset Type</u>	<u>Original Lease Date</u>	<u>Original Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2025</u>
2021 Dodge Charger Police Vehicle	Hometrust Bank	Vehicle	2/14/2022	3 years	\$12,717.05/year	1.74%	<u>\$ -</u>
							<u>\$ -</u>
	<u>Balance July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2025</u>	<u>Due Within One Year</u>		
Lease Liabilities	\$ 12,498	\$ -	\$ 12,498	\$ -	\$ -		

Lease Expense Year Ending June 30, 2025

Amortization expense by class of underlying asset	
Vehicle	\$ 7,968
Total amortization expense	7,968
Interest on lease liabilities	128
Total	<u>\$ 8,096</u>

9 Net Investment in Capital Assets

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

	Governmental Activities
Net Investment in Capital Assets	
Cost of capital assets	\$ 4,475,268
Less: Accumulated depreciation	<u>(1,905,614)</u>
Book value	2,569,654
 Cost of lease assets	-
Less: Accumulated amortization	<u>-</u>
Book value	-
 Less: Capital related debt	(714,205)
Less: Lease liabilities	<u>-</u>
Net Investment in Capital Assets	<u><u>\$ 1,855,449</u></u>

10 Risk Management

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

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

Surety bond coverage is as follows:

All employees and officers are insured through Virginia Risk Sharing Association in the amount of \$100,000.

11 Commitments and Contingencies

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

12 Litigation

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

13 Legal Compliance

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

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Estate	<u>\$ 118,738,599</u>
Debt Limits per Constitution of Virginia - 10% Total Assessed Value	\$ 11,873,860
Amount of Debt Applicable to Debt Limit	
Gross debt	<u>714,205</u>
Legal Debt Margin - June 30, 2025	<u>\$ 11,159,655</u>

Note: Includes all long-term general obligation bonded debt loans. Excludes financed purchase obligations and compensated absences.

14 Pension Plan

Plan Description

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

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

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

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

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

PLAN 2

About Plan 2

Same as Plan 1

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

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

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

Eligible Members

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

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

**Non-Eligible Members*

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

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

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

PLAN 1

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Service Credit

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

Vesting

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

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

PLAN 2

Retirement Contributions

Same as Plan 1.

Service Credit

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID RETIREMENT PLAN

Retirement Contributions

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

Service Credit

Defined Benefit Component:

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

Defined Contributions Component:

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

Vesting

Defined Benefit Component:

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component:

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

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

PLAN 1

Calculating the Benefit

The basic benefit is determined using the average final compensation, service credit, and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation

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

Service Retirement Multiplier

VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

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

Service Retirement Multiplier

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

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution not required, except as governed by law until age 73.

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

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

Average Final Compensation

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

Service Retirement Multiplier

Defined Benefit Component:

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

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

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1
Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.

Political subdivisions hazardous duty employees:
Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.

Earliest Reduced Retirement Eligibility

VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.

Political subdivisions hazardous duty employees:
Age 50 with at least five years of service credit.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility:

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

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

PLAN 2
Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:

Same as Plan 1

HYBRID
RETIREMENT PLAN
Normal Retirement Age

Defined Benefit Component:

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1

PLAN 1

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.

Disability Coverage

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

Purchase of Prior Service

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

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

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

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

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

As of the June 30, 2023 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	16
Inactive members:	
Vested inactive members	4
Non-vested inactive members	9
LTD	0
Inactive members active elsewhere in VRS	16
Active members	<u>10</u>
Total covered employees	<u>55</u>

Contributions

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

If the employer used the certified rate: The Town of Halifax, Virginia's contractually required contribution rate for the year ended June 30, 2025 was 11.31% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town of Halifax, Virginia were \$61,745 and \$64,966 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$953 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$648 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$95,258 for the year ended June 30, 2025.

Net Pension Liability

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

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2023 using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

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

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	<u>100.00%</u>		<u>7.07%</u>

Expected arithmetic nominal return*

7.07%

**The above allocation provides a one-year return of 7.07% (includes 2.50% inflation assumptions). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.*

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

Discount Rate

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

Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2023	\$ 2,261,494	\$ 2,609,128	\$ (347,634)
Changes for the Year			
Service cost	79,456	-	79,456
Interest	155,023	-	155,023
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	223,762	-	223,762
Contributions - employer	-	62,921	(62,921)
Contributions - employee	-	24,341	(24,341)
Net investment income	-	254,323	(254,323)
Benefit payments, including refunds	(88,629)	(88,629)	-
Administrative expenses	-	(1,590)	1,590
Other changes	-	57	(57)
Net Changes	369,612	251,423	118,189
Balances at June 30, 2024	<u>\$ 2,631,106</u>	<u>\$ 2,860,551</u>	<u>\$ (229,445)</u>

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's Net Pension Liability (Asset)	\$ 65,118	\$ (229,445)	\$ (474,712)

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

For the year ended June 30, 2025, the Town of Halifax, Virginia recognized pension expense (income) of \$20,329. At June 30, 2025, the Town of Halifax, Virginia reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 92,907	\$ 74,576
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Employer contributions subsequent to the measurement date	61,745	-
Total	<u>\$ 154,652</u>	<u>\$ 74,576</u>

\$61,745 reported as deferred outflows of resources related to pensions resulting from the Town of Halifax, Virginia's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2026 Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30,

2026	\$ 29,156
2027	19,420
2028	(14,584)
2029	(15,661)
2030	-

Pension Plan Data

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

15 Other Post-Employment Benefits - Group Life Insurance

Plan Description

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

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

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

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

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% X 60%) and the employer component was 0.47% (1.18% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year

ended June 30, 2025 was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$2,566 and \$2,743 for the years ended June 30, 2025 and June 30, 2024, respectively.

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

At June 30, 2025, the participating employer reported a liability of \$22,095 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the participating employer's proportion was .00198% as compared to .00185% at June 30, 2023.

For the year ended June 30, 2025, the participating employer recognized GLI OPEB expense of \$1,207. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,485	\$ 540
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,862
Change in assumptions	126	1,095
Changes in proportionate share	2,333	869
Employer contributions subsequent to the measurement date	<u>2,566</u>	<u>-</u>
Total	<u>\$ 8,510</u>	<u>\$ 4,366</u>

\$2,566 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2026	\$ (570)
2027	819
2028	382
2029	369
2030	578
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Inflation	2.50%
Salary increases, including inflation -	
Locality - General employees	3.50% - 5.35%
Locality - Hazardous Duty employees	3.50% - 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected
generationally

Mortality Improvement Scale:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

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

Net GLI OPEB Liability

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

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

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	<u>-3.00%</u>	3.50%	<u>-0.11%</u>
Total	<u>100.00%</u>		7.07%

Expected arithmetic nominal return*

7.07%

* The above allocation provides a one-year return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

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

Discount Rate

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

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
State Agency's Proportionate Share of the Group Life Insurance Plan Net OPEB Liability	\$ 34,361	\$ 22,095	\$ 12,186

Group Life Insurance Program Fiduciary Net Position

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

16 Fund Balances – Governmental Funds

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

	Primary Government
Unassigned	\$ 361,575
Total Fund Balances	<u>\$ 361,575</u>

17 Deferred Inflows of Resources

Deferred inflows of resources are comprised of the following:

Primary Government General Fund	
Taxes not collected within 60 days	\$ 55,503
Leases	<u>115,274</u>
Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 170,777</u>

18 Upcoming Pronouncements

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

19 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2025 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2025. Management has performed their analysis through June 17, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Halifax, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2025

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance With Original Budget Over (Under) Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over (Under) Actual Amounts</u>
Revenues					
General property taxes	\$ 527,645	\$ 527,645	\$ -	\$ 497,408	\$ (30,237)
Other local taxes	408,300	408,300	-	472,868	64,568
Permits and fees	1,000	1,000	-	1,220	220
Fines and forfeitures	40,000	40,000	-	68,658	28,658
Miscellaneous	26,000	26,000	-	31,830	5,830
<i>Use of money and property</i>					
Use of money	1,000	1,000	-	9,699	8,699
Use of property	72,820	72,820	-	49,395	(23,425)
<i>Intergovernmental</i>					
Revenue from the Commonwealth of Virginia	156,677	156,677	-	190,833	34,156
Revenue from the Federal Government	1,928,886	1,928,886	-	92,755	(1,836,131)
Total Revenues	3,162,328	3,162,328	-	1,414,666	(1,747,662)
Expenditures					
General government administration	364,470	364,470	-	393,864	29,394
Public safety	687,410	687,410	-	576,693	(110,717)
Public works	1,793,848	1,793,848	-	359,187	(1,434,661)
Parks, recreation, and cultural	81,300	81,300	-	60,759	(20,541)
Community development	518,000	518,000	-	230,737	(287,263)
Debt service and lease payments	86,000	86,000	-	104,578	18,578
Total Expenditures	3,531,028	3,531,028	-	1,725,818	(1,805,210)
Excess (Deficiency) of Revenues Over Expenditures	(368,700)	(368,700)	-	(311,152)	57,548
Other Financing Sources (Uses)					
Prior year surplus	368,700	368,700	-	-	(368,700)
Total Other Financing Sources (Uses)	368,700	368,700	-	-	(368,700)
Net Change in Fund Balance	\$ -	\$ -	\$ -	(311,152)	\$ (311,152)
Fund Balance - Beginning of Year				672,727	
Fund Balance - End of Year				\$ 361,575	

Town of Halifax, Virginia

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

For the Plan Years Ended June 30 (in thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability										
Service cost	\$ 79,456	\$ 72,963	\$ 57,757	\$ 53,591	\$ 48,219	\$ 35,754	\$ 20,146	\$ 31,390	\$ 30,653	\$ 34,148
Interest	155,023	159,953	143,777	125,399	116,172	103,869	104,293	102,425	96,685	83,262
Changes in benefit terms	-	-	-	-	-	71,587	-	-	-	-
Assumption changes	-	-	-	107,974	-	55,916	-	(18,543)	-	-
Difference between expected and actual experience	223,762	(225,596)	106,127	16,512	53,234	36,409	(70,993)	(33,510)	9,269	122,657
Benefit payments	(88,629)	(85,062)	(81,401)	(96,525)	(65,344)	(67,276)	(51,724)	(58,417)	(50,816)	(45,786)
Net change in total pension liability	369,612	(77,742)	226,260	206,951	152,281	236,259	1,722	23,345	85,791	194,281
Total pension liability - beginning	2,261,494	2,339,236	2,112,976	1,906,025	1,753,744	1,517,485	1,515,763	1,492,418	1,406,627	1,212,346
Total pension liability - ending (a)	\$ 2,631,106	\$ 2,261,494	\$ 2,339,236	\$ 2,112,976	\$ 1,906,025	\$ 1,753,744	\$ 1,517,485	\$ 1,515,763	\$ 1,492,418	\$ 1,406,627
Plan fiduciary net position										
Contributions - employer	\$ 62,921	\$ 53,731	\$ 24,709	\$ 22,384	\$ 15,613	\$ 15,545	\$ 2,703	\$ 3,129	\$ 6,215	\$ 6,156
Contributions - employee	24,341	20,619	19,994	18,152	17,043	17,388	27,216	16,442	16,607	16,194
Net investment income	254,323	160,322	(2,439)	549,540	38,147	126,943	133,212	199,420	28,104	72,899
Benefit payments	(88,629)	(85,062)	(81,401)	(96,525)	(65,344)	(67,276)	(51,724)	(58,417)	(50,816)	(45,786)
Administrator charges	(1,590)	(1,570)	(1,556)	(1,389)	(1,305)	(1,262)	(1,144)	(1,168)	(1,028)	(1,007)
Other	57	65	58	51	(45)	(80)	(119)	(176)	(12)	(14)
Net change in plan fiduciary net position	251,423	148,105	(40,635)	492,213	4,109	91,258	110,144	159,230	(930)	48,442
Plan fiduciary net position - beginning	2,609,128	2,461,023	2,501,658	2,009,445	2,005,336	1,914,078	1,803,934	1,644,704	1,645,634	1,597,192
Plan fiduciary net position - ending (b)	\$ 2,860,551	\$ 2,609,128	\$ 2,461,023	\$ 2,501,658	\$ 2,009,445	\$ 2,005,336	\$ 1,914,078	\$ 1,803,934	\$ 1,644,704	\$ 1,645,634
Political subdivision's net pension liability - ending (a-b)	\$ (229,445)	\$ (347,634)	\$ (121,787)	\$ (388,682)	\$ (103,420)	\$ (251,592)	\$ (396,593)	\$ (288,171)	\$ (152,286)	\$ (239,007)
Plan fiduciary net position as a percentage of the total pension liability	108.72%	115.37%	105.21%	118.40%	105.43%	114.35%	126.13%	119.01%	110.20%	116.99%
Covered payroll	\$ 507,940	\$ 434,730	\$ 418,190	\$ 378,127	\$ 367,037	\$ 434,526	\$ 455,246	\$ 405,039	\$ 421,096	\$ 399,231
Political subdivision's net pension liability as a percentage of covered payroll	-45.17%	-79.97%	-29.12%	-102.79%	-28.18%	-57.90%	-87.12%	-71.15%	-36.16%	-59.87%

Town of Halifax, Virginia

Political Subdivisions Retirement Plan

Schedule of Employer Contributions

For the Years Ended June 30, 2016 through 2025

Date	Contractually Required Contribution (1)*	Contribution in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2025	\$ 61,745	\$ 61,745	\$ -	\$ 545,935	11.31%
2024	64,966	64,966	-	507,940	12.79%
2023	55,602	55,602	-	434,730	12.79%
2022	26,095	26,095	-	418,190	6.24%
2021	22,526	22,526	-	378,127	5.96%
2020	14,493	14,493	-	367,037	3.95%
2019	16,573	16,573	-	434,526	3.81%
2018	4,598	4,598	-	455,246	1.01%
2017	5,141	5,141	-	405,039	1.27%
2016	7,479	7,479	-	421,096	1.78%

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

For Reference Only:

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

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

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

Town of Halifax, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2025

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

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

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

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

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. 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

Town of Halifax, Virginia

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Plan
For the Measurement Dates of June 30, 2017 through 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.00198%	0.00185%	0.00192%	0.00183%	0.00183%	0.00178%	0.00186%	0.00180%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 22,095	\$ 22,187	\$ 23,119	\$ 21,306	\$ 29,705	\$ 30,267	\$ 26,000	\$ 27,000
Employer's Covered Payroll	\$ 507,940	\$ 434,730	\$ 418,190	\$ 378,127	\$ 367,037	\$ 363,399	\$ 323,008	\$ 332,677
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	4.35%	5.10%	5.53%	5.63%	8.09%	8.33%	8.05%	8.12%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	73.41%	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

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

For Reference Only

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

Town of Halifax, Virginia

Schedule of Employer Contributions

Group Life Insurance OPEB Plan

For the Years Ended June 30, 2016 through 2025

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2025	\$ 2,566	\$ 2,566	\$ -	\$ 545,935	0.47%
2024	2,743	2,743	-	507,940	0.54%
2023	2,348	2,348	-	434,730	0.54%
2022	2,258	2,258	-	418,190	0.54%
2021	2,042	2,042	-	378,127	0.54%
2020	1,909	1,909	-	367,037	0.52%
2019	1,890	1,890	-	363,399	0.52%
2018	1,679	1,679	-	323,008	0.52%
2017	1,730	1,730	-	332,677	0.52%
2016	1,691	1,691	-	352,262	0.48%

For Reference Only

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

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

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

Town of Halifax, Virginia

Notes to Required Supplementary Information

OPEB Group Life Insurance Plan

For the Year Ended June 30, 2025

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

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

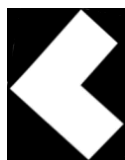
Non-Largest Ten Locality Employers – General Employees

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

Non-Largest Ten Locality Employers – Hazardous Duty Employees

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

COMPLIANCE SECTION



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

To the Town Council
Town of Halifax, 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 and each major fund of Town of Halifax, Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Town of Halifax, Virginia's basic financial statements, and have issued our report thereon dated June 17, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Creedle, Jones & Associates, P.C." in a cursive, flowing script.

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

South Hill, Virginia
June 17, 2026