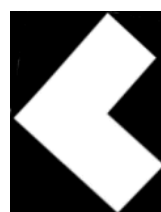


Town of Halifax, Virginia
Annual Comprehensive Financial Report
Year Ended June 30, 2023



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

Town of Halifax, Virginia

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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, 2023, 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, 2023, 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 2023, the Town adopted new accounting guidance, GASB Statement No. 96, Subscription-Based Information Technology Arrangements and No. 94, Public-Public Partnerships and Availability Payment Arrangements. 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 1-11, 54, and 55-60 be presented to supplement the basic financial statements. Such information, is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Halifax, Virginia's basic financial statements. The accompany schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024, 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.



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

South Hill, Virginia
March 29, 2024

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, 2023. 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 \$2,694,748. Of this amount, \$925,342 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$387,043 during the current fiscal year.
- As of June 30, 2023, the Town's Governmental Funds reported combined ending fund balances of \$838,769, an increase of \$285,862 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 2023, the unassigned fund balance was \$838,769, or approximately 48.7% 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, 2023 and 2022

	Governmental Activities	
	<u>2023</u>	<u>2022</u>
Assets		
Current and other assets	\$ 1,164,679	\$ 1,238,051
Capital assets, net	2,657,854	2,591,261
Noncurrent assets	<u>79,980</u>	<u>114,551</u>
Total Assets	3,902,513	3,943,863
Deferred Outflows of Resources	<u>112,505</u>	<u>89,996</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,015,018</u>	<u>\$ 4,033,859</u>
Liabilities		
Current liabilities	\$ 350,774	\$ 333,263
Long-term liabilities	<u>786,412</u>	<u>970,014</u>
Total Liabilities	1,137,186	1,303,277
Deferred Inflows of Resources	183,084	422,877
Net Position		
Net investment in capital assets	1,769,406	1,620,858
Unrestricted	<u>925,342</u>	<u>686,847</u>
Total Net Position	<u>2,694,748</u>	<u>2,307,705</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 4,015,018</u>	<u>\$ 4,033,859</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, 2023 and 2022

	Governmental Activities	
	<u>2023</u>	<u>2022</u>
Revenues		
Program Revenues		
Charges for services	\$ 63,282	\$ 72,823
Operating grants and contributions	827,304	752,387
General Revenues		
Property taxes	415,184	404,356
Other local taxes	426,014	358,278
Miscellaneous	102,991	70,519
Grants and contributions not restricted to specific programs	130,207	73,136
Unrestricted revenues from use of money and property	<u>39,641</u>	<u>65,252</u>
Total Revenues	2,004,623	1,796,751
Program Expenses		
General government administration	371,097	337,134
Public safety	586,817	530,077
Public works	354,064	274,713
Parks, recreation, and cultural	53,006	65,622
Community development	223,078	250,849
Interest on long-term debt	<u>29,518</u>	<u>33,058</u>
Total Program Expenses	<u>1,617,580</u>	<u>1,491,453</u>
Increase in Net Position	387,043	305,298
Beginning Net Position	<u>2,307,705</u>	<u>2,002,407</u>
Ending Net Position	<u>\$ 2,694,748</u>	<u>\$ 2,307,705</u>

Governmental activities increased the Town's net position by \$387,043 for fiscal year 2023. Revenues from governmental activities totaled \$2,004,623. Operating grants and contributions comprise the largest source of these revenues, totaling \$827,304 or 41.3% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$1,617,580. Public safety was the Town's largest program with expenses totaling \$586,817. General government administration, which totals \$371,097, 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, 2023 and 2022

	2023		2022	
	<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	\$ 371,097	\$ (371,097)	\$ 337,134	\$ (337,134)
Public safety	586,817	(443,822)	530,077	(385,915)
Public works	354,064	(354,064)	274,713	(274,713)
Parks, recreation and cultural	53,006	(53,006)	65,622	(61,122)
Community development	223,078	524,513	250,849	425,699
Interest on long-term debt	<u>29,518</u>	<u>(29,518)</u>	<u>33,058</u>	<u>(33,058)</u>
Total	<u>\$1,617,580</u>	<u>\$ (726,994)</u>	<u>\$ 1,491,453</u>	<u>\$ (666,243)</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 \$838,769. The combined governmental fund balance increased \$285,862 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 \$838,769. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 48.7% of total fund expenditures.

BUDGETARY HIGHLIGHTS

General Fund

The following table provides a comparison of original budget, final budget, and actual revenues and expenditures in the General Fund:

Budgetary Comparison						
General Fund						
For the Fiscal Years Ended June 30, 2023 and 2022						
	<u>Original Budget</u>	<u>2023 Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>2022 Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 435,268	\$ 435,268	\$ 418,939	\$ 388,900	\$ 388,900	\$ 416,365
Other local taxes	372,600	372,600	426,014	426,300	426,300	431,415
Permits and fees	1,200	1,200	1,100	1,200	1,200	970
Fines and forfeitures	70,000	70,000	62,182	60,000	60,000	71,853
Miscellaneous	398,200	398,200	102,991	67,039	67,039	60,411
Unrestricted revenues from use of money and property	41,610	41,610	39,641	44,510	44,510	65,252
Intergovernmental	<u>778,724</u>	<u>778,724</u>	<u>957,511</u>	<u>363,361</u>	<u>363,361</u>	<u>762,495</u>
Total	2,097,602	2,097,602	2,008,378	1,351,310	1,351,310	1,808,761
Expenditures	<u>2,097,602</u>	<u>2,097,602</u>	<u>1,722,516</u>	<u>1,985,608</u>	<u>1,985,608</u>	<u>1,775,324</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	285,862	(634,298)	(634,298)	33,437
Other Financing Sources (Uses)						
Prior year surplus	-	-	-	634,298	634,298	-
Lease liabilities assumed	-	-	-	-	-	36,851
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>634,298</u>	<u>634,298</u>	<u>36,851</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 285,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,288</u>

There were no budget amendments during the year.

Actual revenues were less than final budget amounts by \$89,224, or 4.3%, while actual expenditures were \$375,086, or 17.9%, less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2023, the Town's governmental activities net capital assets total \$2,657,854, which represents a net increase of \$66,593 or 2.5% over the previous fiscal year-end balance as summarized in the following table:

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2022</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2023</u>
Land	\$ 165,637	\$ -	\$ 165,637
Building and improvements	2,965,976	198,036	3,164,012
Machinery, equipment, and vehicles	942,750	6,930	949,680
Total Capital Assets	4,074,363	204,966	4,279,329
Less: Accumulated depreciation and amortization	(1,516,672)	(124,722)	(1,641,394)
Total Capital Assets, Net	<u>\$ 2,557,691</u>	<u>\$ 80,244</u>	<u>\$ 2,637,935</u>
Lease assets	\$ 43,648	\$ (6,797)	\$ 36,851
Less: Accumulated amortization	10,078	6,854	16,932
Total Lease Assets, Net	<u>\$ 33,570</u>	<u>\$ (13,651)</u>	<u>\$ 19,919</u>

Long-Term Debt

As of June 30, 2023, the Town's long-term obligations total \$930,410.

Governmental Activities

	<u>2023</u>	<u>2022</u>
General obligation debt	\$ 863,668	\$ 936,833
Compensated absences	<u>66,742</u>	<u>59,972</u>
	<u>\$ 930,410</u>	<u>\$ 996,805</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 2024 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 2024, which accounts for most of the Town's operational costs. The fiscal year 2024 adopted budget anticipates General Fund revenues and expenditures to be \$2,243,200, an 6.9% increase over the fiscal year 2023 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:

Following the transfer of Water & Sewer service to the Halifax County Service Authority (HCSA) in 2008, the debt service was paid to the Town by the HCSA for General Obligation Sewer Bonds. In FY 2010-11, the Town conveyed to the HCSA all property and easements used in the water & sewer operations. The HCSA consolidated all locality bonds in FY 2011-12 and the post-audit balance sheets now reflect these changes going forward.

Working with the Virginia Department of Housing and Community Development (DHCD), the Southside Planning District Commission (SSPDC), Halifax County and the Halifax County Industrial Development Authority (IDA), 395 acres zoned for manufacturing/industrial and commercial uses within the town have been included in the amended Halifax County Enterprise Zone effective December 31, 2013. Halifax County's enterprise zone program offers a number of special state and local incentives to businesses and is designed to encourage job creation and investment within designated zones.

A Department of Historic Resources (DHR) cost-share grant to expand the boundary of the existing Mountain Road Historic District was completed in June 2015 to enhance preservation efforts throughout the significant historic footprint of the town and to bolster tax credit eligibility for new private investments. The former Halifax Elementary School was purchased from Halifax County by Halifax Lofts, LLC in April 2016 to convert the building into 30 market rate loft apartment units at an estimated construction cost of \$2.7 million which was opened for leasing in August 2017, and fully let by December 2017. In 2023, the same developer acquired the former David K. E. Bruce Library, adjoining the school property to convert it into 4 loft apartment units while adding 3 new units in school auditorium space all totaling an estimated \$700,000 investment. The Town worked previously with DHR to complete the historic district designation including the downtown central business district. This designation of the "Town of Halifax Court House Historic District" makes qualifying historic buildings eligible for tax credits. A similar cost-share grant to determine eligibility of the Spencer Hill Historic District has been awarded for a preliminary survey in 2024.

In 2011, the Town prepared a Master Plan of the former grocery property it owns at 209 South Main Street which is being utilized as a farmer's market and outdoor/indoor marketplace with 29 produce and craft vendors registered as well as a space available for limited special events, live music & civic fundraisers in a shell building. Currently, the town is working with Studio Ammons to update "The Halifax Market Square" to serve as a marketing tool to solicit additional private business investment and a construction plan for securing grants and other funds to improve the building and site. The plan identifies suitable and potential land uses and recommends appropriate development patterns including specific recommendations for business partners, project phasing, and funding opportunities. Over the years, several investor/developer prospects have approached the Town regarding the purchase of a portion of the property or the building and parcel as a whole. Working with the Town Manager, the Town Council Finance Committee amortized the note for the 2006 purchase of the former grocery property starting in FY 2011-12 and then reissued a new bond at a reduced rate beginning in FY 2012-13. The Halifax Village Association (HVA) purchased a decorative clock in 2009 and through fundraising efforts, partnered with the Town to design and bid for the installation of a pedestrian plaza with seat walls, lighting and landscaping features to enhance the front of the Halifax Marketplace parcel. A commemoration of the project's completion occurred in April 2015 with the HVA securing donations to pay down the construction loan which was retired in May of 2018. In 2021, the Town entered into a 5-Year lease on 3,200 square feet of the northern section of the building which was up-fitted and opened as an Italian Restaurant. The Town replaced the roofing system of the entire building during this time and is upgrading the HVAC system for the indoor market using American Recovery Plan Act (ARPA) funds for improved air quality and to recover the building's highest and best uses economically.

The Town received grant funding from VDOT to design and construct improvements for the Banister River Gateway Project to enhance the area adjacent to the new bridge constructed by VDOT on VA Scenic Byway 360. A dedication ceremony of the King's Bridge Landing and the naming of the James Stone Easley Memorial Bridge took place on April 24, 2015. The facility improvements include bridge streetlights, a gateway sign, and a wayside with lighted parking which will provide interpretive signage, a river overlook near the old King's Bridge stone piers, river access

as part of the Southern Virginia Wild Blueway (SVWB) regional canoe trail system and future trailhead to the Tobacco Heritage Trail (THT). The town negotiated with SunTrust Bank to secure a grant reimbursement loan for interim financing during the construction phase so as not to encumber regular operational costs and account balances. VDOT reimbursement of \$437,893 in construction was received before June 30, 2015 to pay down the SunTrust loan which matured on July 31, 2015. Town Council approved the use of reserve funds until the additional VDOT grant reimbursements were processed. Because VDOT funds had to be re-allocated to the project, and due to an extended post-construction review by VDOT, the drawdown/reimbursement, which was originally anticipated to be approximately \$147,000, was received in the FY 2018-19 budget year at a reduced amount of \$77,500, reflecting a change in reimbursement eligibility for certain expenditures after the construction costs were completed prior to project close-out.

Grant funds were awarded from the Virginia Department of Game and Inland Fisheries (VDGIF) to rehabilitate the Banister Lake Boat Landing on US Highway 501 which was transferred to the town from the county by the Halifax County Board of Supervisors in March 2015 to continue recreational improvements and eco-tourism activities throughout the SVWB region. A Request for Proposal (RFP) for a Banking Services Line of Credit agreement in the amount of \$250,000 was published for the purchase of products and services related to specific projects which will be repaid with monthly installments and under the terms of the agreement; Town Council approved the execution of the agreement with Benchmark Community Bank. Additional funding support was secured by the Virginia Tobacco Region Revitalization Commission (TRRC), the Dominion Foundation, through the Dan River Basin Association (DRBA), the Duke Energy Water Resources Fund (DWRP), and the Community Foundation of the Dan River Region (CFDRR) Riverbank Fund (RbF). Award of contract through a competitive, sealed bid process was authorized in August 2016 by Halifax Town Council totaling \$266,900, with the project being substantially completed in February 2017. The last of the major site amenities, including the new gateway pole sign, retaining wall, landscaping features, decorative benches, bike racks and trash receptacles, donated by the South Boston Rotary Club, were installed by December 2017 to accompany the three light posts with single arm Radial Wave fixtures as additional site enhancements to compliment the new courtesy pier, concrete retaining wall, boat ramp, steps and ADA compliant walkway connecting to the pier and stair-step launch so that the \$90,000 in DGFIF grant funds were disbursed to the town in March 2018. A grant sponsor recognition ceremony was conducted in April 2018 at the new boating facilities site. Administrative close-out and final payment to the contractor were finally approved by the project engineer in May 2019 and completed at the end of FY 2018-19.

The Town qualified for Federal Emergency Management Agency (FEMA) grant assistance for damage to the Banister Lake Boat Landing and King's Bridge Landing from heavy rain and flooding associated with Hurricane Michael in October 2018 (411DR-VA). Reimbursement for facilities repair, debris removal and administration have been allocated by FEMA in the award amount of \$47,850, which will be administered by the Virginia Department of Emergency Management (VDEM), once those eligible construction activities are completed in FY 2019-2020.

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. VDOT approved Halifax County's use for the remaining balance of funds to perform engineering/design services from Hurt & Proffitt to extend decorative streetlights with streetscaping and landscaping surrounding the Halifax County War Memorial north of the historic Courthouse Square at the intersection of Mountain Road and Houston Street and continuing along North Main Street toward Church Street. Following the design phase, construction funding has been sought by the town with the assistance from the SSPDC utilizing MAP-21 grants through VDOT; \$164,844 in preliminary construction funds were awarded by VDOT in FY 2017. Another grant request, submitted in November 2017, received an additional award by VDOT of \$231,444 in FY 2018 which will allow the final construction plans to be developed for bid on the estimated \$495,361 project total. Smart Scale funds totaling \$739,000 were awarded by the Commonwealth Transportation Board (CTB) as part of the 2020-2026 Six Year Improvement Plan (SYIP) expended directly by VDOT to improve the turning radius at the intersection of North Main Street (US Hwy 501) and Mountain Road (VA Scenic Byway 360), next to the Halifax County War Memorial; the original scope included \$150,000 for engineering, \$391,607 for utility relocation and \$197,318 in roadway construction, but the SYIP timeline pushes preliminary engineering out to 2023 for construction to be completed by 2027. In June 2019, VDOT discovered construction activities overlapped in both grants. For these reasons VDOT recommended merging the grants into one project. Halifax Town Council approved the

VDOT resolution for project administration and programming on January 14, 2020, allowing VDOT oversee and administer the merged projects. The base bid improvements for UPC#11724 included the construction of ADA compliant sidewalks and crosswalks, landscape areas and decorative streetlights around the Halifax War Memorial and Maple Avenue Parking Area in addition to the installation of the crosswalk at Church Street and North Main Street in tandem with the turning radius (UPC#115494). The additive bid improvements involved the installation of decorative streetlights from Houston Street along the east side of North Main Street to the crosswalk at Church Street; this additive plan also required demolition, repair, and modification of sidewalk sections to install the conduit and decorative light post anchors within the VDOT right-of-way. On May 12, 2020, Halifax Town Council authorized the execution of agreements with VDOT to administer construction of the base bid of \$366,000.00 including the \$91,287.07 for CEI, Survey & Contingencies totaling \$457,287.07, for the MAP-21 (TAP) portion, the completion of the merged Halifax Downtown Streetscape/War Memorial Enhancement and VDOT Smart Scale Turning Radius Improvements by Ramirez Contracting, LLC. The project was substantially completed prior to the Veteran's Day Services in November 2020. The revised Smart Scale funding eliminated the utility relocation costs which cannot be performed within the accelerated schedule timeframe. The Town engaged Hill Studio PC-Kittelsohn Associates to update the Halifax Downtown Revitalization Master Plan, focusing on a Traffic Safety, Pedestrian-Parking Connections & Strategic Wayfinding Sign Plan. Hill Studio has been involved with a number of successful planning, design and construction project initiatives for the Town of Halifax, and recently the firm partnered with Kittelson Associates to update the City of Lynchburg's Downtown Master Plan. This plan was developed through a 3-day design charrette performed by the consulting team featuring interactive sessions and walking tours with the "Here's Halifax!" Working Groups in October 2020. The Halifax Downtown Connections Plan, including concept renderings for the Change X Alleyway, preliminary wayfinding examples, and other place-making enhancements, totaled \$18,000 (planning & design), and the wayfinding sign design work for fabrication and installation totals \$4,000 (design & installation), making a total commitment of \$22,000 paid by the town in planning and design for DHCD's application, Halifax Downtown Connections: Place Making & Wayfinding. A ChangeX "Urban Thinkscape" grant with Microsoft, totaling \$5,000 has already been secured, whereby \$3,500 of the \$7,000 requested from DHCD is being 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 totaling \$21,000 which will feature a new outdoor mural. For the downtown wayfinding signage, the South Boston-Halifax County Rotary Club has committed \$5,500 with the aid of a Rotary District grant to fabricate and install corresponding number of signs at strategic locations downtown including the north and south approaches to the alleyway's east-west axis and crosswalk on Main Street. \$3,500 in CVG funds along with the town's ARPA allocation will complete this phase of wayfinding sign installations, budgeted at \$48,000 total (construction). As a critical part of the town's economic recovery, particularly in response to the pandemic, these plans also connect downtown parking, pedestrian circulation and development to several empty Main Street properties for a healthier business climate. Property redevelopment will address underutilized, vacant sites that have hindered unifying and connecting with the surrounding downtown core area, will promote healthy & safe community outdoor engagement, and will help entice more commercial businesses to the area. 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. The property has been recognized as a critical part of the town's economic recovery, particularly in response to the pandemic, with plans to incorporate the site into downtown parking, pedestrian circulation and development for a healthier business climate. Working with the SSPDC, the town was awarded a \$100,000 Industrial Revitalization Fund (IRF) planning grant from the Department of Housing and Community Development (DHCD). Property redevelopment will improve a vacant site that has hindered unifying and connecting with the surrounding downtown core area, will promote healthy and safe community outdoor engagement, and will help entice more commercial businesses to the area. The feasibility study award will address building programming (identification of highest and best uses for the entire Exxon & lower level of the adjoining former Halifax Tire Company building), create existing and proposed floor plan of both buildings, a proforma development (Exxon building & site use only), construction budget development with preliminary design concepts and basic rendering sketches (both Halifax Tire and Exxon properties), a professional market demand study for proposed new building use, structural, lead hazard assessments or other assessments designed to ensure safe and healthy environments for future uses, structural assessment on both properties and identification of tenants or end users (Exxon building and property joint use). In January 2022, DHCD also awarded to the town an additional \$50,000 to complete the Banister Neighborhood Rehabilitation Planning Grant to further study eligibility and need for substantial reconstruction or rehabilitation of approximately

15 low to moderate income (LMI) households. This led to a Community Development Block Grant (CDBG) construction improvement grant award of \$798,845 which reflects a Phase I project target in 2023-24 to improve the living conditions of 6 eligible LMI families.

In regard to several of the above referenced public improvement projects, in May 2018 Halifax Town Council approved by ordinance and resolution the issuance of general obligation public improvement bonds in the maximum principal amount of \$498,000; the bonds are (a) to finance public facilities improvements, including (without limitation) the completion of the Banister River Gateway Project, the Banister Lake Boat Landing Project, and additional engineering services for construction associated with the Halifax Downtown Streetscape Extension Project and (b) to pay related costs of issuance. The Finance Committee recommended selecting Carter Bank & Trust for the aggregate \$498,000.00 General Obligation Bond with the accompanying resolution and ordinance reflecting a 2018 GO Bond Series A (Tax Exempt @ \$296,250) and a 2018 GO Bond Series B (Taxable @ \$201,750) Issuance equaling the aggregate amount. A Capital Reserve Fund of \$271,000 from the 2020 General Obligation Taxable Bond Series Note with Truist (formerly BB&T/SunTrust), of \$500,000 for 15 years at a rate of 3.30% authorized by Town Council ordinance on August 11, 2020 to (a) finance additional interior and exterior improvements to the Town of Halifax Marketplace (Farmer's Market), building and site, (b) to finance roofing and site improvements related to the Halifax Town Hall building and (c) to pay related costs of issuance. The 2020 Bond Series also retired the Taxable General Obligation (GO), Bond 2012 Series Note secured with SunTrust which held a balance of \$219,000 @ 4.75%.

For FY 2023-24, the revenues and expenses reflect a balanced budget prepared in accordance with all applicable federal and state laws. In FY 2022-23 in order to balance the budget, the tax rate for Real Property was increased to .19 per \$100 assessed value from .175 per \$100 assessed value which had been in effect since 2010, following the revenue neutral reduction to .18 per \$100 assessed value in 2008 from .19 per \$100 assessed value held in 2004 when real estate began trending up prior to the "Great Recession" (this compares to .27 per \$100 up from .21 per \$100 last year in South Boston). 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 2022 reassessment value equals \$105,248,643 for real estate (4.67% increase from 2021). In the FY 2021-22 Budget, the Meals Tax was raised to 6% from 4%, equaling the rate of South Boston and Halifax County. The Machine & Tool Tax has held at .50 since 2014 where it remains competitive compared to the Halifax County rate of \$1.26 per \$100 value. The tax on personal property holds at \$1.68 per \$100 assessed (compared to \$2.00 per \$100 in South Boston); the amount of relief to owners of eligible personal property remains at the current 0.5189 PPTRA rate. The Lodging Tax Rate is set to increase from 3½% to 5½ %. 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 2022-23 Budget increases while addressing employees' wages to remain competitive with other public service salaries along with making the cost-of-living adjustments. The Budget General Fund totals \$2,243,200 up from the current FY 2022-23 Budget by 52.58% (+\$772,966). The ARPA Revenues (2nd tranche estimated carryover from FY 22-23), equal \$ 437,000, 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); ARPA Fund Revenues = \$627,698 with Preliminary Projected Expense Categories: Economic Recovery-\$285,050 (65%); Broadband-\$43,700 (10%); Infrastructure-\$43,700 (10%); Housing-\$21,850 (5%); Essential Workers-\$21,850 (5%); Contingency*-\$21,850 (5%). Contingency may fall under all categories above (Economic Recovery, Broadband, Infrastructure, Housing, Essential Workers), in addition to other US Treasury approved expenses, including public health and lost revenue. The variability of the budget is also due to the grant funded projects and capital expenses continuing from the FY 2022-23 Budget, DHCD Banister Town Neighborhood Housing Phase I Grant, (Administrative & Streets), the USDA-RD grant/loans for new vehicles (Police & Sanitation), DHCD Exxon Project IRF Planning Grant (Administrative), and the FEMA-DHR grant for repairs at King's Bridge Landing (Streets & Administrative). This year's budget continues supporting personnel who've provided essential services since the pandemic while factoring in the rate of inflation. In Public Safety, the Police Department expands its roster from 5 Full-time officers, including the Chief, adding a 6th

officer with compensation and certain operational expense total averages increasing between 11.11% - 19.14%. Fire Department funding increases by 9.12%. The Sanitation Department utilizes 3 Full-time employees with compensation and operation expenses ranging from 9.50% - 14.96% higher given the increases. The town's healthcare plan premium cost has increased for the second time in 5 years to 8.9%; all employees pay a 12.79% 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. A case in point is the income from anticipated lease payments by Mid-Atlantic Broadband (MBC) to both the town and county for its use of conduit installed in phases downtown from the Craddock Terry Building (STEM/PACE) to the Mary Bethune Complex (E-911 Tower) which as a stop-gap measure nullified what would have required a 2-cent increase to the current .19 per \$100 rate assessed value for Real Property. 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 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 2024 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, 2023

	Governmental Activities
Assets	
Current Assets	
Cash	\$ 951,305
<i>Receivables</i>	
Taxes, including penalties	21,310
Lease, current	34,571
Other	<u>35,706</u>
Total Current Assets	1,042,892
Noncurrent Assets	
Lease receivable, noncurrent	79,980
Capital Assets	
Nondepreciable assets	165,637
Depreciable assets, net	2,472,298
Lease assets, net	<u>19,919</u>
Capital Assets, Net	<u>2,657,854</u>
Total Noncurrent Assets	2,737,834
Other Assets	
Net pension asset	<u>121,787</u>
Total Assets	3,902,513
Deferred Outflows of Resources	
OPEB	7,528
Pension	<u>104,977</u>
Total Deferred Outflows of Resources	<u>112,505</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 4,015,018</u></u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 149,963
Accrued expenses	<u>8,914</u>
Total Current Liabilities	158,877
Long-Term Liabilities	
<i>Due within one year</i>	
Notes, bonds, other	179,615
Lease liabilities	12,282
<i>Due in more than one year</i>	
Notes, bonds, other	684,053
Compensated absences	66,742
Lease liabilities	12,498
OPEB liability	<u>23,119</u>
Total Long-Term Liabilities	<u>978,309</u>
Total Liabilities	1,137,186
Deferred Inflows of Resources	
OPEB	5,257
Leases	103,916
Pension	<u>73,911</u>
Total Deferred Inflows of Resources	183,084
Net Position	
Net investment in capital assets	1,769,406
Unrestricted	<u>925,342</u>
Total Net Position	<u>2,694,748</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 4,015,018</u></u>

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, 2023

<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	\$ 371,097	\$ -	\$ -	\$ (371,097)	\$ (371,097)	\$ (371,097)
Public safety	586,817	63,282	79,713	(443,822)	(443,822)	(443,822)
Public works	354,064	-	-	(354,064)	(354,064)	(354,064)
Parks, recreation, and cultural	53,006	-	-	(53,006)	(53,006)	(53,006)
Community development	223,078	-	747,591	524,513	524,513	524,513
Interest on long-term debt	29,518	-	-	(29,518)	(29,518)	(29,518)
Total Governmental Activities	1,617,580	63,282	827,304	(726,994)	(726,994)	(726,994)
Total Primary Government	<u>\$ 1,617,580</u>	<u>\$ 63,282</u>	<u>\$ 827,304</u>	<u>\$ (726,994)</u>	(726,994)	(726,994)
General Revenues						
Taxes						
General property taxes, real and personal					415,184	415,184
Other local taxes					426,014	426,014
Grants and contributions not restricted to specific programs					130,207	130,207
Miscellaneous					102,991	102,991
Unrestricted revenues from use of money and property					39,641	39,641
Total General Revenues					1,114,037	1,114,037
Change in Net Position					387,043	387,043
Net Position - Beginning of Year					2,307,705	2,307,705
Net Position - End of Year					<u>\$ 2,694,748</u>	<u>\$ 2,694,748</u>

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

Town of Halifax, Virginia

Balance Sheet

June 30, 2023

	General Fund
Assets	
Cash	\$ 951,305
<i>Receivables</i>	
Taxes, including penalties	21,310
Lease	114,551
Other	<u>35,706</u>
 Total Assets	 <u><u>\$ 1,122,872</u></u>
Liabilities	
Accounts payable	\$ 149,963
Accrued liabilities	<u>8,914</u>
 Total Liabilities	 158,877
Deferred Inflows of Resources	
Unavailable revenue - property taxes	21,310
Leases	<u>103,916</u>
 Total Deferred Inflows of Resources	 125,226
Fund Balances	
Unassigned	<u>838,769</u>
 Total Fund Balances	 <u>838,769</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u><u>\$ 1,122,872</u></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, 2023

Total Fund Balances for Governmental Funds	\$ 838,769
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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	2,310,317
Furniture, equipment, and vehicles, net	161,981
Lease assets, net	<u>19,919</u>

Total Capital Assets	2,657,854
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Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds financial statements.

Unavailable revenue - property taxes	21,310
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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	104,977
Deferred outflows of resources related to OPEB	7,528
Deferred inflows of resources related to pensions	(73,911)
Deferred inflows of resources related to OPEB	<u>(5,257)</u>

Total Deferred Outflows and Inflows of Resources	33,337
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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	(863,668)
Net pension asset	121,787
Lease liabilities and related interest payable	(24,780)
Net OPEB liability	(23,119)
Compensated absences	<u>(66,742)</u>

Total	<u>(856,522)</u>
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Total Net Position of Governmental Activities	<u>\$ 2,694,748</u>
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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, 2023

	General Fund
Revenues	
General property taxes	\$ 418,939
Other local taxes	426,014
Permits and fees	1,100
Fines and forfeitures	62,182
Miscellaneous	102,991
Use of money and property	39,641
<i>Intergovernmental</i>	
Revenue from the Commonwealth of Virginia	202,637
Revenue from the Federal Government	<u>754,874</u>
Total Revenues	2,008,378
Expenditures	
Current	
General government administration	336,815
Public safety	517,824
Public works	290,856
Parks, recreation, and cultural	53,006
Community development	407,702
Debt service and fiscal charges	<u>116,313</u>
Total Expenditures	<u>1,722,516</u>
Excess (Deficiency) of Revenues Over Expenditures	285,862
Other Financing Sources (Uses)	
Lease liabilities assumed	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>
Net Change in Fund Balance	285,862
Fund Balance - Beginning of Year	<u>552,907</u>
Fund Balance - End of Year	<u><u>\$ 838,769</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, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 285,862

**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	\$ 204,966	
Depreciation	<u>(124,722)</u>	80,244

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.

(3,755)

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>73,165</u>	
Net Adjustment		73,165

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>(43,747)</u>	(43,747)
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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	1,632	
Lease liabilities and related accounts adjustments	412	
Compensated absences	<u>(6,770)</u>	
Net Adjustment		<u>(4,726)</u>

Change in Net Position of Governmental Activities	\$ <u>387,043</u>
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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, 2023

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, 2023.
 - ***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, 2023.

- **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, 2023.
- **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, 2023.

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
Equipment

20-50 years
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, 2023.

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, 2023:

In March 2020, GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB Statement No. 94 is effective for fiscal years beginning after June 15, 2022. The requirements of this statement are effective for the fiscal year ending June 30, 2023 for the Town.

In May 2020, Statement No. 96, Subscription-Based Information Technology Arrangements. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). GASB Statement No. 96 is effective for fiscal year ending June 15, 2022. The requirements of this statement are effective for the fiscal year ending June 30, 2023 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, 2023.

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, 2023</u>
Petty cash	\$ 300
Deposit accounts	<u>951,005</u>
Total Cash and Cash Equivalents	<u>\$ 951,305</u>

4 Receivables

Receivables at June 30, 2023 consist of the following:

	<u>Governmental Activities General</u>
Property taxes receivable	\$ 21,310
Other receivables	<u>35,706</u>
Total Receivables	<u>\$ 57,016</u>

5 Capital Assets

The following is a summary of changes in capital assets:

Primary Government

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital Assets Not Being Depreciated				
Land	\$ 165,637	\$ -	\$ -	\$ 165,637
Total Capital Assets Not Being Depreciated	165,637	-	-	165,637
Other Capital Assets				
Buildings and improvements	2,965,976	198,036	-	3,164,012
Equipment	942,750	6,930	-	949,680
Total Other Capital Assets	3,908,726	204,966	-	4,113,692
Less: Accumulated depreciation for				
Buildings and improvements	782,959	70,736	-	853,695
Equipment	733,713	53,986	-	787,699
Total Accumulated Depreciation	1,516,672	124,722	-	1,641,394
Net Capital Assets	\$ 2,557,691	\$ 80,244	\$ -	\$ 2,637,935

Depreciation expense was allocated as follows:

General government administration	\$ 18,188
Public works	45,446
Public safety	40,746
Community development	20,342
Total Depreciation Expense	\$ 124,722

Governmental Activities

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Lease assets				
Equipment	\$ 36,851	\$ -	\$ -	\$ 36,851
Vehicle	6,797	-	6,797	-
Total	43,648	-	6,797	36,851
Less: accumulated amortization for				
Equipment	4,980	11,952	-	16,932
Vehicle	5,098	1,699	6,797	-
Total	10,078	13,651	6,797	16,932
Lease assets, Net	\$ 33,570	\$ (13,651)	\$ -	\$ 19,919

	Amortization Expense
General government administration	\$ 1,699
Public safety	11,952
Total	\$ 13,651

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 \$66,742 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>
2024	\$ 179,615	\$ 44,313
2025	179,673	31,402
2026	166,754	18,736
2027	32,793	10,873
2028	33,884	9,782
2029-2033	187,102	31,230
2034-2038	<u>83,847</u>	<u>3,487</u>
Subtotal	863,668	149,823
Compensated absences	<u>66,742</u>	<u>-</u>
Total	<u>\$ 930,410</u>	<u>\$ 149,823</u>

Changes in Long-Term Debt

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

	<u>Balance July 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2023</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.	\$ 249,450	\$ -	\$ 15,600	\$ 233,850	\$ 78,000
\$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.	169,875	-	10,625	159,250	53,125
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.	4,588	-	1,822	2,766	2,036

	<u>Balance July 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
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.	458,574	-	28,769	429,805	29,726
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.	39,365	-	12,163	27,202	12,452
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.	14,981	-	4,186	10,795	4,276
	936,833	-	73,165	863,668	179,615
Compensated absences	59,972	6,770	-	66,742	-
Total Long-Term Indebtedness	<u>\$ 996,805</u>	<u>\$ 6,770</u>	<u>\$ 73,165</u>	<u>\$ 930,410</u>	<u>\$ 179,615</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, 2023</u>
nTelos (T-Mobile) Ground Space, Water Tower	3/30/2009	5 years, renewable	\$12,960 year	4.00%	\$ 12,452
New Cingular Wireless PCS, LLC (AT&T) Ground Space, Water Tower	5/21/2008	5 years, renewable	\$1,750 month	4.00%	92,152
Land and Building, Halifax Marketplace, 209 South Main Street	6/9/2020	5 years	\$400/month	4.00%	9,947
Totals					<u>\$ 114,551</u>

<u>Lease-Related Revenue</u>	<u>Year Ending June 30, 2023</u>
Lease revenue	\$ 35,709
Interest revenue	5,274
Total	<u>\$ 40,983</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>
2024	\$ 34,571	\$ 4,189	\$ 38,760
2025	23,020	2,780	25,800
2026	19,897	1,903	21,800
2027	19,879	1,121	21,000
2028	17,184	316	17,500
	<u>\$ 114,551</u>	<u>\$ 10,309</u>	<u>\$ 124,860</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, 2023</u>
2021 Dodge Charger Police Vehicle	Hometrust Bank	Vehicle	2/14/2022	3 years	\$12,717.05/year	1.74%	\$24,780
Xerox Altalink and Versalink Copy Machines	Xerox Financial Services, LLC	Copy machine	7/24/2019	39 months	\$432.84/month	3.00%	-
							<u>\$ 24,780</u>

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Lease Liabilities	\$ 38,571	\$ -	\$ 13,791	\$ 24,780	\$ 12,282

Remaining principal and interest payments on leases are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 12,282	\$ 435	\$ 12,717
2025	12,498	219	12,717
	<u>\$ 24,780</u>	<u>\$ 654</u>	<u>\$ 25,434</u>

Lease Expense Year Ending June 30, 2023

Amortization expense by class of underlying asset	
Equipment	\$ 11,952
Vehicle	1,699
Total amortization expense	13,651
Interest on lease liabilities	565
Total	<u>\$ 14,216</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, 2023 is determined as follows:

<u>Net Investment in Capital Assets</u>	<u>Governmental Activities</u>
Cost of capital assets	\$ 4,316,180
Less: Accumulated depreciation/amortization	(1,658,326)
Book value	2,657,854
Less: Capital related debt	(863,668)
Less: Lease liabilities	(24,780)
Net Investment in Capital Assets	<u>\$ 1,769,406</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

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, 2023, 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>\$ 107,272,673</u>
Debt Limits per Constitution of Virginia - 10% Total Assessed Value	\$ 10,727,267
Amount of Debt Applicable to Debt Limit	
Gross debt	<u>863,668</u>
Legal Debt Margin - June 30, 2023	<u>\$ 9,863,599</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 .

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

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

Average Final Compensation

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

Service Retirement Multiplier

Defined Benefit Component:

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

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

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1
Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

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

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

Earliest Reduced Retirement Eligibility

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

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

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

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

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

PLAN 2
Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

Same as Plan 1

**HYBRID
RETIREMENT PLAN**
Normal Retirement Age

Defined Benefit Component:

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

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

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

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

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage

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

Purchase of Prior Service

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

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

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

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

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

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

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	14
Inactive members:	
Vested inactive members	3
Non-vested inactive members	7
LTD	0
Inactive members active elsewhere in VRS	<u>17</u>
Total inactive members	41
Active members	<u>10</u>
Total covered employees	<u>51</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, 2023 was 12.79% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by 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 \$55,602 and \$26,095 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Town of Halifax, Virginia, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

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, 2021 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, 2022.

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – 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, 2021, 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, 2022.

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Hazardous Duty:

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	<u>3.00%</u>	6.55%	<u>0.20%</u>
Total	<u>100.00%</u>		5.33%
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return**		<u>7.83%</u>

**The above allocation provides a one-year return of 7.83%. 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 6.72%, including expected inflation of 2.50%.*

***On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.*

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2022, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022 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, 2021	\$ 2,112,976	\$ 2,501,658	\$ (388,682)
Changes for the Year			
Service cost	57,757	-	57,757
Interest	143,777	-	143,777
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	106,127	-	106,127
Contributions - employer	-	24,709	(24,709)
Contributions - employee	-	19,994	(19,994)
Net investment income	-	(2,439)	2,439
Benefit payments, including refunds	(81,401)	(81,401)	-
Administrative expenses	-	(1,556)	1,556
Other changes	-	58	(58)
Net Changes	226,260	(40,635)	266,895
Balances at June 30, 2022	<u>\$ 2,339,236</u>	<u>\$ 2,461,023</u>	<u>\$ (121,787)</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)	\$ 205,825	\$ (121,787)	\$ (389,392)

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

For the year ended June 30, 2023, the Town of Halifax, Virginia recognized pension expense of \$97,963. At June 30, 2023, 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	\$ 49,375	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	73,911
Employer contributions subsequent to the measurement date	55,602	-
Total	<u>\$ 104,977</u>	<u>\$ 73,911</u>

\$55,602 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, 2024 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,

2024	\$ 20,580
2025	(29,953)
2026	(49,167)
2027	34,004
2028	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-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
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • <i>Natural Death Benefit:</i> The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <i>Accidental Death Benefit:</i> The accidental death benefit is double the natural death benefit. • <i>Other Benefit Provisions:</i> In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> Accidental dismemberment benefit Safety belt benefit Repatriation benefit Felonious assault benefit Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year

ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, 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 \$2,348 and \$2,258 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

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, 2023, the participating employer reported a liability of \$23,119 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 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, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was .00192% as compared to .00183% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$1,298. 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, 2023, 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	\$ 1,831	\$ 927
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,445
Change in assumptions	862	2,252
Changes in proportionate share	2,487	633
Employer contributions subsequent to the measurement date	<u>2,348</u>	<u>-</u>
Total	<u><u>\$ 7,528</u></u>	<u><u>\$ 5,257</u></u>

\$2,348 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, 2024. 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,**

2024	\$	154
2025		165
2026		(889)
2027		459
2028		34
Thereafter		-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	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, 2022, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,672,085
Plan Fiduciary Net Position	<u>2,467,989</u>
GLI Net OPEB Liability (Asset)	<u>\$ 1,204,096</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	<u>3.00%</u>	6.55%	<u>0.20%</u>
Total	<u>100.00%</u>		5.33%
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>7.83%</u>

* The above allocation provides a one-year return of 7.83%. 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 6.72%, including expected inflation of 2.50%.

** On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, 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, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 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	\$ 33,640	\$ 23,119	\$ 14,616

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 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-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, 2023, fund balances are composed of the following:

	Primary Government
Unassigned	\$ 838,769
Total Fund Balances	<u>\$ 838,769</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	\$ 21,310
Leases	<u>103,916</u>
Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 125,226</u>

18 Upcoming Pronouncements

GASB Statement No. 99, *Omnibus 2022*. This Statement will enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements in paragraphs 11–25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements in paragraphs 4–10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections*. An Amendment of GASB Statement No. 62 – will be effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences* - requires recording compensation due to employees as a liability if not paid at the date of the financial statements. The amount due should be calculated at the employee's pay rate as of the date of financials. The Statement reduces the note disclosure and excludes certain compensated absences such as parental leave, military leave, and jury duty from the calculated liability. This Statement is effective for fiscal years beginning after December 15, 2023.

19 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2023 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2023. Management has performed their analysis through March 29, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Halifax, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2023

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General property taxes	\$ 435,268	\$ 435,268	\$ 418,939	\$ (16,329)
Other local taxes	372,600	372,600	426,014	53,414
Permits and fees	1,200	1,200	1,100	(100)
Fines and forfeitures	70,000	70,000	62,182	(7,818)
Miscellaneous	398,200	398,200	102,991	(295,209)
Use of money and property	41,610	41,610	39,641	(1,969)
<i>Intergovernmental</i>				
Revenue from the Commonwealth of Virginia	131,026	131,026	202,637	71,611
Revenue from the Federal Government	<u>647,698</u>	<u>647,698</u>	<u>754,874</u>	<u>107,176</u>
Total Revenues	2,097,602	2,097,602	2,008,378	(89,224)
Expenditures				
General government administration	322,550	322,550	336,815	(14,265)
Public safety	551,150	551,150	517,824	33,326
Public works	394,360	394,360	290,856	103,504
Parks, recreation, and cultural	64,700	64,700	53,006	11,694
Community development	678,842	678,842	407,702	271,140
Debt service	<u>86,000</u>	<u>86,000</u>	<u>116,313</u>	<u>(30,313)</u>
Total Expenditures	<u>2,097,602</u>	<u>2,097,602</u>	<u>1,722,516</u>	<u>375,086</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	285,862	285,862
Other Financing Sources (Uses)				
Prior year surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	285,862	<u>\$ 285,862</u>
Fund Balance - Beginning of Year			<u>552,907</u>	
Fund Balance - End of Year			<u>\$ 838,769</u>	

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability									
Service cost	\$ 57,757	\$ 53,591	\$ 48,219	\$ 35,754	\$ 20,146	\$ 31,390	\$ 30,653	\$ 34,148	\$ 32,585
Interest	143,777	125,399	116,172	103,869	104,293	102,425	96,685	83,262	78,546
Changes in benefit terms	-	-	-	71,587	-	-	-	-	-
Changes of assumptions	-	107,974	-	55,916	-	(18,543)	-	-	-
Difference between expected and actual experience	106,127	16,512	53,234	36,409	(70,993)	(33,510)	9,269	122,657	-
Benefit payments	(81,401)	(96,525)	(65,344)	(67,276)	(51,724)	(58,417)	(50,816)	(45,786)	(41,749)
Net change in total pension liability	226,260	206,951	152,281	236,259	1,722	23,345	85,791	194,281	69,382
Total pension liability - beginning	<u>2,112,976</u>	<u>1,906,025</u>	<u>1,753,744</u>	<u>1,517,485</u>	<u>1,515,763</u>	<u>1,492,418</u>	<u>1,406,627</u>	<u>1,212,346</u>	<u>1,142,964</u>
Total pension liability - ending (a)	<u>\$ 2,339,236</u>	<u>\$ 2,112,976</u>	<u>\$ 1,906,025</u>	<u>\$ 1,753,744</u>	<u>\$ 1,517,485</u>	<u>\$ 1,515,763</u>	<u>\$ 1,492,418</u>	<u>\$ 1,406,627</u>	<u>\$ 1,212,346</u>
Plan fiduciary net position									
Contributions - employer	\$ 24,709	\$ 22,384	\$ 15,613	\$ 15,545	\$ 2,703	\$ 3,129	\$ 6,215	\$ 6,156	\$ 7,763
Contributions - employee	19,994	18,152	17,043	17,388	27,216	16,442	16,607	16,194	14,814
Net investment income	(2,439)	549,540	38,147	126,943	133,212	199,420	28,104	72,899	219,833
Benefit payments	(81,401)	(96,525)	(65,344)	(67,276)	(51,724)	(58,417)	(50,816)	(45,786)	(41,749)
Administrator charges	(1,556)	(1,389)	(1,305)	(1,262)	(1,144)	(1,168)	(1,028)	(1,007)	(1,188)
Other	58	51	(45)	(80)	(119)	(176)	(12)	(14)	11
Net change in plan fiduciary net position	(40,635)	492,213	4,109	91,258	110,144	159,230	(930)	48,442	199,484
Plan fiduciary net position - beginning	<u>2,501,658</u>	<u>2,009,445</u>	<u>2,005,336</u>	<u>1,914,078</u>	<u>1,803,934</u>	<u>1,644,704</u>	<u>1,645,634</u>	<u>1,597,192</u>	<u>1,397,708</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,461,023</u>	<u>\$ 2,501,658</u>	<u>\$ 2,009,445</u>	<u>\$ 2,005,336</u>	<u>\$ 1,914,078</u>	<u>\$ 1,803,934</u>	<u>\$ 1,644,704</u>	<u>\$ 1,645,634</u>	<u>\$ 1,597,192</u>
Political subdivision's net pension liability - ending (a-b)	<u>\$ (121,787)</u>	<u>\$ (388,682)</u>	<u>\$ (103,420)</u>	<u>\$ (251,592)</u>	<u>\$ (396,593)</u>	<u>\$ (288,171)</u>	<u>\$ (152,286)</u>	<u>\$ (239,007)</u>	<u>\$ (384,846)</u>
Plan fiduciary net position as a percentage of the total pension liability	105.21%	118.40%	105.43%	114.35%	126.13%	119.01%	110.20%	116.99%	131.74%
Covered payroll	\$ 418,190	\$ 378,127	\$ 367,037	\$ 434,526	\$ 455,246	\$ 405,039	\$ 421,096	\$ 399,231	\$ 389,952
Political subdivision's net pension liability as a percentage of covered payroll	-29.12%	-102.79%	-28.18%	-57.90%	-87.12%	-71.15%	-36.16%	-59.87%	-98.69%

Town of Halifax, Virginia

Political Subdivisions Retirement Plan

Schedule of Employer Contributions

For the Years Ended June 30, 2014 through 2023

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)
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%
2015	11,868	11,868	-	399,231	2.97%
2014	13,832	13,832	-	389,952	3.55%

*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, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – 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 2022

	<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)	0.00192%	0.00183%	0.00183%	0.00178%	0.00186%	0.00180%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 23,119	\$ 21,306	\$ 29,705	\$ 30,267	\$ 26,000	\$ 27,000
Employer's Covered Payroll	\$ 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	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	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2022 is the sixth year of presentation, only six 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 page 132 of the VRS 2022 Annual Report.

Town of Halifax, Virginia

Schedule of Employer Contributions

Group Life Insurance OPEB Plan

For the Years Ended June 30, 2014 through 2023

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)
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%
2015	1,633	1,633	-	340,254	0.48%
2014	1,422	1,422	-	296,287	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, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

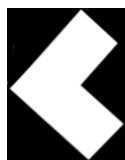
Non-Largest Ten Locality Employers – General Employees

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, 2023, 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 March 29, 2024.

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 script.

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

South Hill, Virginia
March 29, 2024



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

To the Town Council
Town of Halifax, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Town of Halifax, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town of Halifax, Virginia's major federal programs for the year ended June 30, 2023. Town of Halifax, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of Halifax, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Creedle, Jones & Associates, P.C.

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

South Hill, Virginia
March 29, 2024

Town of Halifax, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Federal Granting Agency/Recipient State Agency/ <u>Grant Program</u>	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures
U. S. Department of the Justice			
Pass-Through Payments			
<i>Virginia Department of Criminal Justice Services</i>			
Edward Byrne Memorial Justice Assistance Grants	16.738	140	\$ 4,426
Subtotal - U. S. Department of Justice			4,426
U. S. Department of Transportation			
Pass-Through Payments			
<i>Virginia Department of Transportation</i>			
<i>Highway Safety Cluster</i>			
State and Community Highway Safety	20.600	530	22,176
Total Highway Safety Cluster			22,176
Subtotal - U. S. Department of Transportation			22,176
U. S. Department of the Treasury			
Pass-Through Payments			
<i>Virginia Department of Housing and Community Development</i>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	165	94,524
<i>Virginia Department of Accounts</i>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	162.01	627,698
Subtotal - U. S. Department of the Treasury			722,222
U. S. Department of Housing and Urban Development			
Pass-Through Payments			
<i>Virginia Department of Housing and Community Development</i>			
Community Development Block Grants/State's Program	14.228	165	6,050
Subtotal - U. S. Department of Housing and Urban Development			6,050
Grand Totals			\$ 754,874

See accompanying notes to schedule of expenditures of federal awards.

Town of Halifax, Virginia

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Town of Halifax, Virginia under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Town of Halifax, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of Town of Halifax, Virginia.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

Town of Halifax, Virginia has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Subrecipients

No awards passed through to subrecipients.

Town of Halifax, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? No

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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21.027	Coronavirus State and Local Fiscal Recovery Funds
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Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported