

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

DIRECTORS

Robert Bates
Ryland Clark
Jeremy Catron
Rick Harrell
Nancy Pool
Jeremy Satterfield
Nettie Simon-Owens

OFFICERS

| | |
|--------------------|---------------------|
| Rick Harrell | Chair |
| Jeremy Satterfield | Vice-Chair |
| Nancy Pool | Secretary-Treasurer |
| Kristy Johnson | Executive Director |

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Independent Auditors' Report

**To the Honorable Members of
Industrial Development Authority of Halifax County, Virginia
South Boston, Virginia**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Industrial Development Authority of Halifax County, Virginia, component unit of the County 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 Authority'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 financial position of the business-type activities of Industrial Development Authority of Halifax County, Virginia, as of June 30, 2023, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Industrial Development Authority of Halifax County, 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 opinion.

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 Industrial Development Authority of Halifax County, Virginia's, ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 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 *Specifications for Audits of Authorities, Boards, and Commissions* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, 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 Industrial Development Authority of Halifax County, 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 Industrial Development Authority of Halifax County, 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 schedules related to pension and OPEB funding as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Required Supplementary Information (Continued)

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Report on Summarized Comparative Information

We have previously audited Industrial Development Authority of Halifax County, Virginia's, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 3, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2023, on our consideration of Industrial Development Authority of Halifax County, 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 Industrial Development Authority of Halifax County, 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 Industrial Development Authority of Halifax County, Virginia's, internal control over financial reporting and compliance.

Robinson, Farmer Cox Associates

Charlottesville, Virginia
December 8, 2023

- Basic Financial Statements -

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Statement of Net Position
At June 30, 2023
(With Comparative Totals for the Prior Year)

| | At June 30, | |
|---|---------------|---------------|
| | 2023 | 2022 |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 1,450,342 | \$ 1,562,723 |
| Interest receivable | 21,838 | - |
| Insurance receivable | - | 52,315 |
| Accounts receivable | 31,858 | 30,723 |
| Lease receivable, current portion | 1,768,404 | 1,828,588 |
| Property held for resale | 2,553,096 | 2,553,096 |
| Total current assets | \$ 5,825,538 | \$ 6,027,445 |
| Noncurrent Assets: | | |
| Lease receivable, noncurrent portion | \$ 9,419,823 | \$ 4,558,441 |
| Pension Asset | - | 65,557 |
| Capital Assets: | | |
| Land and improvements | 1,546,651 | 1,546,651 |
| Construction in progress | 130,251 | 293,790 |
| Property, plant and equipment | 53,236,789 | 52,489,805 |
| Accumulated depreciation | (19,699,178) | (18,332,984) |
| Total capital assets | \$ 35,214,513 | \$ 40,621,260 |
| Total assets | \$ 50,459,874 | \$ 46,648,705 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension related items | \$ 28,023 | \$ 43,289 |
| OPEB related items | 6,936 | 6,821 |
| Total deferred outflows of resources | \$ 34,959 | \$ 50,110 |
| Total assets and deferred outflows of resources | \$ 50,494,833 | \$ 46,698,815 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$ 15,106 | \$ 21,090 |
| Security deposits held | 400,000 | - |
| Retainage payable | - | 8,177 |
| Long-term obligations - current portion | 927,398 | 887,259 |
| Total current liabilities | \$ 1,342,504 | \$ 916,526 |
| Noncurrent liabilities: | | |
| Advance from Halifax County | \$ 249,400 | \$ 249,400 |
| Long-term obligations - net of current portion | 8,506,543 | 9,419,112 |
| Total noncurrent liabilities | \$ 8,755,943 | \$ 9,668,512 |
| Total liabilities | \$ 10,098,447 | \$ 10,585,038 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Lease Related items | \$ 11,293,708 | \$ 6,304,494 |
| Pension related items | 54,489 | 156,777 |
| OPEB related items | 5,546 | 8,867 |
| Total deferred inflows of resources | \$ 11,353,743 | \$ 6,470,138 |
| NET POSITION | | |
| Net investment in capital assets | \$ 25,820,466 | \$ 25,713,728 |
| Restricted: | | |
| Net Pension Asset | - | 65,557 |
| Unrestricted | 3,222,177 | 3,864,354 |
| Total Net Position | \$ 29,042,643 | \$ 29,643,639 |
| Total liabilities, deferred inflows of resources and net position | \$ 50,494,833 | \$ 46,698,815 |

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2023
(With Comparative Totals for the Prior Year)

| | Year Ended June 30, | |
|---|---------------------|---------------|
| | 2023 | 2022 |
| Operating Revenues: | | |
| County of Halifax, Virginia contributions | \$ 329,387 | \$ 201,315 |
| Non-lease rental income and expense reimbursement | 241,584 | 241,509 |
| Lease revenue | 1,871,910 | 1,817,195 |
| Other revenues | 49,596 | 122,759 |
| Total operating revenues | \$ 2,492,477 | \$ 2,382,778 |
| Operating Expenses: | | |
| Personnel services | \$ 178,961 | \$ 181,491 |
| Fringe benefits | 50,252 | 35,750 |
| Contractual services | 760,789 | 38,815 |
| Other charges | 823,834 | 714,578 |
| Loss on remeasurement of leases | 20,310 | - |
| Contributions to industry | 363,741 | 370,724 |
| Depreciation expense | 1,366,194 | 1,370,953 |
| Total operating expenses | \$ 3,564,081 | \$ 2,712,311 |
| Operating income (loss) | \$ (1,071,604) | \$ (329,533) |
| Nonoperating Revenues (Expenses): | | |
| Interest income | \$ 173,003 | \$ 104,503 |
| Interest expense | (412,909) | (422,531) |
| Total nonoperating revenues (expenses) | \$ (239,906) | \$ (318,028) |
| Income (loss) before contributions and grants | \$ (1,311,510) | \$ (647,561) |
| Capital Contributions and Construction Grants: | | |
| Virginia Telecommunication Initiative (VATI) Grant | \$ 710,514 | \$ - |
| Tobacco Indemnification Community Revitalization Commission | - | 169,082 |
| Total capital contributions and construction grants | \$ 710,514 | \$ 169,082 |
| Change in net position | \$ (600,996) | \$ (478,479) |
| Net position, beginning of year | 29,643,639 | 30,122,118 |
| Net position, end of year | \$ 29,042,643 | \$ 29,643,639 |

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Statement of Cash Flows
Year Ended June 30, 2023
(With Comparative Totals for the Prior Year)

| | Year Ended June 30, | |
|---|---------------------|--------------|
| | 2023 | 2022 |
| Cash flows from operating activities: | | |
| Receipts from lessees and agencies | \$ 3,089,525 | \$ 2,278,937 |
| Payments to suppliers | (1,598,784) | (750,734) |
| Payments to industries | (363,741) | (370,724) |
| Payments to employees and fringe benefit providers | (245,233) | (227,671) |
| Net cash provided by (used for) operating activities | \$ 881,767 | \$ 929,808 |
| Cash flows from noncapital financing activities: | | |
| Grants received | \$ 710,514 | \$ 169,082 |
| Cash flows from capital and related financing activities: | | |
| Purchases of property, plant and equipment | \$ (583,445) | \$ (447,932) |
| Principal payments on bonds and credit line | (881,311) | (714,958) |
| Proceeds from issuances of notes and loans payable | - | 700,000 |
| Interest payments on indebtedness | (412,909) | (422,531) |
| Net cash provided by (used for) capital and related financing activities | \$ (1,877,665) | \$ (885,421) |
| Cash flows from investing activities: | | |
| Interest received | \$ 173,003 | \$ 104,503 |
| Increase (decrease) in cash and cash equivalents | \$ (112,381) | \$ 317,972 |
| Cash and cash equivalents at beginning of year | 1,562,723 | 1,244,751 |
| Cash and cash equivalents at end of year | \$ 1,450,342 | \$ 1,562,723 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | |
| Operating income (loss) | \$ (1,071,604) | \$ (329,533) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | |
| Depreciation expense | 1,366,194 | 1,370,953 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in due from Halifax County | - | 4,284 |
| (Increase) decrease in lease receivable | (4,801,198) | 1,817,196 |
| (Increase) decrease in interest receivable | (21,838) | - |
| (Increase) decrease in accounts receivable | (1,135) | 26,725 |
| (Increase) decrease in insurance receivable | 52,315 | (52,315) |
| (Increase) decrease in pension deferred outflows of resources | 15,266 | 12,158 |
| (Increase) decrease in OPEB deferred outflows of resources | (115) | (320) |
| (Increase) in net pension asset | 65,557 | - |
| Increase (decrease) in accounts payable | (14,161) | 2,659 |
| Increase (decrease) in security deposits held | 400,000 | - |
| Increase (decrease) in compensated absences | 3,189 | 9,414 |
| Increase (decrease) in lease deferred inflows of resources | 4,989,214 | (1,899,731) |
| Increase (decrease) in net pension liability | 1,825 | (184,196) |
| Increase (decrease) in net OPEB liability - group life | 3,867 | (11,360) |
| Increase (decrease) in pension deferred inflows of resources | (102,288) | 156,777 |
| Increase (decrease) in OPEB deferred inflows of resources | (3,321) | 7,097 |
| Net cash provided by (used for) operating activities | \$ 881,767 | \$ 929,808 |

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements
At June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. The Financial Reporting Entity

Industrial Development Authority of Halifax County, Virginia (the “Authority”) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the Board of Supervisors on March 1, 1971 pursuant to the provisions of the Industrial Development and Revenue Bond Act, Chapter 49, Section 15.2-4900 et. seq. of the Code of Virginia (1950), as amended. The Authority is governed by seven directors appointed by the Board of Supervisors. It is authorized to acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Virginia.

In addition, the Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities. Liability under the bonds may be retained by the Authority or it may be assumed by the enterprises for which facilities are constructed. Collection of revenues pledged to liquidate the bonds may be assigned to a trustee. The revenue bonds are not deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any municipality thereof. The bonds are payable solely from revenues generated from the lease of the facilities constructed and may be secured by a deed of trust on those facilities.

For financial reporting purposes, in conformance with the principles of the Governmental Accounting Standards Board (GASB), the Authority is a component unit of the County of Halifax because its members are appointed by the Board of Supervisors and the County provides significant funding to the Authority. Thus, the County is financially accountable for the Authority. The Authority is reported as a discretely presented component unit in the County’s financial report.

B. Financial Statement Presentation

The basic financial statements and required supplementary information presented by the Authority consist of:

- Enterprise fund financial statements:
 - Statement of Net Position
 - Statement of Revenues, Expenses and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements
- Schedule of Authority’s Proportionate Share of the Net Pension Liability
- Schedule of Employer Contributions - Pension Plan
- Notes to Required Supplementary Information - Pension Plan
- Schedule of Authority’s Share of Net OPEB Liability - Group Life Insurance Plan
- Schedule of Employer Contributions - Group Life Insurance Plan
- Notes to Required Supplementary Information - Group Life Insurance Plan

C. Measurement Focus and Basis of Accounting

The Authority operates as an enterprise fund, and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year. The accompanying financial statements are prepared in accordance with pronouncements issued by GASB. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Measurement Focus and Basis of Accounting: (Continued)

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are sale of property held for resale, charges to industries for bond fees and lease revenue. Operating expenses include contributions to industries, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Cash Equivalents

The Authority's cash and cash equivalents consist of demand deposits and investments with the Local Government Investment Pool, all of which are readily convertible to known amounts of cash.

E. Inventory

The Authority expenses all materials and supplies when purchased. Any items on hand at year-end are not material in amount and therefore are not shown in the financial statements. However, the Authority does consider its holdings of land held in industrial parks for resale as inventory. Inventory is stated at the lower of cost or market.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. The costs of constructing industrial parks to be resold are not considered to be capital assets, but instead are recorded as inventory.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 40 |
| Equipment | 5 |
| Vehicles | 5 |

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

G. Use of Estimates

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

H. Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

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

Sometimes the Authority 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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

I. Deferred Outflows/Inflows of Resources

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

I. Deferred Outflows/Inflows of Resources: (Continued)

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category. Certain items related to pension, OPEB, and leases are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Industrial Development Authority of Halifax County, Virginia's Retirement Plan has been determined on the same basis as it was 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.

K. Other Postemployment Benefits (OPEB)

Group Life Insurance

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

L. Leases

The Authority leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessor

The Authority recognizes leases receivable and deferred inflows of resources. 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).

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

L. Leases: (Continued)

- The Authority uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease receivable (lessor)

The Authority monitors changes in circumstances that would require a remeasurement or modification of its leases. The Authority will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

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

The Authority does not have a formal investment policy.

Credit Risk of Debt Securities:

The Authority’s rated debt investments as of June 30, 2023 were rated by Standard & Poor’s and/or an equivalent national rating organization and the ratings are presented below using Standard & Poor’s rating scale.

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

| Authority's Rated Debt Investments' Values | |
|---|------------------------|
| | Quality Ratings |
| | AAAm |
| Local Government Investment Pool | \$ 4,343 |
| Total | \$ 4,343 |

Interest Rate Risk:

| Investment Type | Investment Maturity* | |
|----------------------------------|-----------------------------|--------------------|
| | Fair Value | Less than 1 |
| Local Government Investment Pool | \$ 4,343 | \$ 4,343 |
| Total investments | \$ 4,343 | \$ 4,343 |

*Weighted average maturity in years

External Investment Pools:

The fair values of the positions in the Local Government Investment Pool (LGIP) are the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

NOTE 3 - LAND AND BUILDINGS HELD FOR RESALE:

The Authority's investment in land and buildings held for resale is summarized below:

| | |
|---|--------------|
| PRN # 16970 - Southern Virginia Technology Park | \$ 872,856 |
| PRN # 15836, 15837, 34219 - Sinai Industrial Park | 39,026 |
| PRN # 21134 - Purcell site | 177,933 |
| PRN # 33035 - Motorplex | 860,407 |
| PRN # 27573 - Presto land | 28,897 |
| PRN # 27576 - IDA first addition | 20,279 |
| PRN # 15843 - Lot 9 | 17,777 |
| PRN # 12778 - Flex-Tec land and building | 498,433 |
| PRN # 33728 - Pambid land | 37,488 |
| Total land and buildings held for resale | \$ 2,553,096 |

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 4 - CAPITAL ASSETS:

A summary of changes in capital assets for the year follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|-----------------------|-------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land and improvements | \$ 1,546,651 | \$ - | \$ - | \$ 1,546,651 |
| Construction in progress | 293,790 | 551,461 | 715,000 | 130,251 |
| Total capital assets not being depreciated | <u>\$ 1,840,441</u> | <u>\$ 551,461</u> | <u>\$ 715,000</u> | <u>\$ 1,676,902</u> |
| Other Capital Assets: | | | | |
| Building and improvements | \$ 49,510,061 | \$ 746,984 | \$ - | \$ 50,257,045 |
| Equipment | 2,906,403 | - | - | 2,906,403 |
| Vehicles | 73,341 | - | - | 73,341 |
| Total other capital assets | <u>\$ 52,489,805</u> | <u>\$ 746,984</u> | <u>\$ -</u> | <u>\$ 53,236,789</u> |
| Accumulated depreciation: | | | | |
| Building and improvements | \$ (15,518,002) | \$ (1,289,806) | \$ - | \$ (16,807,808) |
| Equipment | (2,741,641) | (76,388) | - | (2,818,029) |
| Vehicles | (73,341) | - | - | (73,341) |
| Total accumulated depreciation | <u>\$ (18,332,984)</u> | <u>\$ (1,366,194)</u> | <u>\$ -</u> | <u>\$ (19,699,178)</u> |
| Other capital assets, net | <u>\$ 34,156,821</u> | <u>\$ (619,210)</u> | <u>\$ -</u> | <u>\$ 33,537,611</u> |
| Capital assets, net | <u>\$ 35,997,262</u> | <u>\$ (67,749)</u> | <u>\$ 715,000</u> | <u>\$ 35,214,513</u> |

NOTE 5 - ADVANCES FROM THE COUNTY OF HALIFAX:

Temporary advances from the County of Halifax for the purchase of capital items such as land and buildings are recorded as liabilities to be repaid from the sale of land and other revenues of the Authority. This is reflected as a receivable of the County. Advances for purchases have been made as follows to the Authority:

| | |
|---|-------------------|
| 10-2-78 Shell Building (Sinai site) | \$ 125,000 |
| 10-5-78 150.524 acres of land (Route 58 site) | 215,000 |
| | <u>\$ 340,000</u> |
| Less repayment in year ended June 30, 1982 | (20,000) |
| Less repayment in year ended June 30, 1985 | (70,600) |
| | <u>\$ 249,400</u> |

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 6 - COMPENSATED ABSENCES:

The Authority's full-time employees earn vacation and sick leave each month at a scheduled rate in accordance with their years of service. Accumulated unpaid vacation and other compensatory leave amounts are accrued when incurred. Upon separation of service with the Authority, employees are compensated for unused vacation leave. At June 30, 2023, the liability for accrued vacation leave was \$12,603.

NOTE 7 - LONG-TERM OBLIGATIONS:

Changes in long-term obligations:

| | Balance July 1, 2022 | Issuances/ Additions | Retirements/ Deletions | Balance June 30, 2023 | Due Within One Year |
|---|----------------------------|-------------------------|---------------------------|-----------------------------|------------------------|
| Direct borrowings and direct placements | | | | | |
| Notes payable | \$ 10,275,357 | \$ - | \$ 881,311 | \$ 9,394,046 | \$ 926,138 |
| Other long-term obligations | | | | | |
| Net OPEB liability - group life | 21,600 | 4,866 | 999 | 25,467 | - |
| Net pension liability | - | 120,259 | 118,434 | 1,825 | - |
| Compensated absences | 9,414 | 3,189 | - | 12,603 | 1,260 |
| Total | \$ 10,306,371 | \$ 128,314 | \$ 1,000,744 | \$ 9,433,941 | \$ 927,398 |

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

| Year Ending June 30, | Direct Borrowings and Direct Placements | |
|-------------------------|---|------------|
| | Principal | Interest |
| 2024 | \$ 926,138 | \$ 367,768 |
| 2025 | 4,306,795 | 195,374 |
| 2026 | 2,550,625 | 160,142 |
| 2027 | 417,655 | 57,415 |
| 2028 | 274,399 | 42,720 |
| 2029-2032 | 918,434 | 59,346 |
| Total | \$ 9,394,046 | \$ 882,765 |

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 7 - LONG-TERM OBLIGATIONS: (CONTINUED)

Details of the Authority's long-term obligations are as follows:

| | <u>Amount outstanding</u> | <u>Amount due within one year</u> |
|--|-------------------------------|---|
| Direct borrowings and direct placements: | | |
| Notes payable: | | |
| PRN # 33233 - \$5,700,000 4.35% Interest Note Payable dated February 16, 2018 payable to American National Bank with final maturity on July 10, 2024. Principal and interest payments of \$43,314 are due monthly from March 10, 2018 through June 10, 2024. Final balloon payment of principal of \$3,714,838 is due on July 10, 2024. | \$ 4,068,031 | \$ 353,194 |
| \$2,350,000 (maximum draw amount) 4.25% Interest Note Payable dated June 16, 2020 payable to American National Bank; interest only for 12 months, then due in monthly installments of \$14,630, beginning on July 16, 2021, with a final balloon payment on June 16, 2026. | 2,202,001 | 85,717 |
| PRN # 32682 - \$3,572,664 4.0% Interest Note Payable dated June 15, 2016 payable to Carter Bank and Trust with final maturity on August 1, 2031. Principal and interest payments of \$26,427 are due monthly from September 1, 2016 through August 1, 2031. | 2,187,121 | 233,874 |
| \$210,000 3.97% Interest Note Payable dated September 14, 2011 payable to the Town of South Boston, due in annual principal installments of \$14,000, beginning on September 14, 2012 with final maturity on September 14, 2026. The Halifax Tourism Department is paying this note and the IDA is legally responsible for 50% of the note. The South Boston IDA is legally responsible for the other 50%. | 28,000 | 7,000 |
| \$550,000 3.75% Interest Note Payable dated June 15, 2021 payable to Halifax County, Virginia, due in annual principal and interest installments of \$122,679, beginning on June 15, 2022 with final maturity on June 15, 2026. | 342,066 | 109,851 |
| \$700,000 2.5% Interest Note Payable dated June 15, 2022 payable to Halifax County, Virginia, due in annual principal and interest installments of \$150,673, beginning on June 15, 2023 with final maturity on June 15, 2027. | 566,827 | 136,502 |
| Total notes payable | \$ 9,394,046 | \$ 926,138 |
| Other long-term obligations: | | |
| Net OPEB liability | 25,467 | - |
| Net pension liability | 1,825 | - |
| Compensated absences | 12,603 | 1,260 |
| Total long-term obligations | \$ 9,433,941 | \$ 927,398 |

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA

(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements

At June 30, 2023 (Continued)

NOTE 8 - CONTINGENCIES AND EVENTS OF DEFAULT:

Obligations under the revenue bonds issued to date are secured by lease proceeds on the underlying properties and the Authority retains no liability on pass-through leases. However, the Authority and the County of Halifax, Virginia may choose at their option to assume responsibility for the bonds in the event of default by lessees to preserve the credit rating of the Authority for future issues.

NOTE 9 - PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Authority are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, two other entities, the County of Halifax, Virginia and the Halifax County Public Library, participate in the same VRS plan and report their proportionate information on the basis of a cost-sharing plan. 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.

Benefit Structures

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, as detailed below.

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA

(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements

At June 30, 2023 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier 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.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Contributions

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

The Authority's contractually required employer contribution rate for the year ended June 30, 2023 was 2.49% 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 employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$12,815 and \$9,688 for the years ended June 30, 2023 and June 30, 2022, respectively.

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

Net Pension Liability

At June 30, 2023, the Authority reported a liability of \$1,825 for its proportionate share of the net pension liability. The Authority’s 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. The Authority’s proportionate share of the same was calculated using creditable compensation as a basis for allocation. At June 30, 2022 and 2021, the Authority’s proportion was 2.9630% and 2.9630% respectively.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Authority’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

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

Mortality rates: (Continued)

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 Pub-2010 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 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 |

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

| <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 | 3.00% | 6.55% | 0.20% |
| Total | <u>100.00%</u> | | <u>5.33%</u> |
| | | Inflation | <u>2.50%</u> |
| | | Expected arithmetic nominal return** | <u>7.83%</u> |

* The above allocation provides a one-year expected 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 return 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%.

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, 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.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

| | Rate | | |
|--|-------------|------------------|-------------|
| | 1% Decrease | Current Discount | 1% Increase |
| | (5.75%) | (6.75%) | (7.75%) |

Authority's proportionate share
of the County's Retirement Plan

| | | | | | | |
|-------------------------------|----|---------|----|-------|----|-----------|
| Net Pension Liability (Asset) | \$ | 182,771 | \$ | 1,825 | \$ | (146,085) |
|-------------------------------|----|---------|----|-------|----|-----------|

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
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Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 9 - PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2023, the Authority recognized pension expense of \$3,960. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. At June 30, 2023, the Authority 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 | \$ 1,711 | \$ 12,258 |
| Change in assumptions | 13,497 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 42,231 |
| Employer contributions subsequent to the measurement date | <u>12,815</u> | <u>-</u> |
| Total | <u>\$ 28,023</u> | <u>\$ 54,489</u> |

\$12,815 reported as deferred outflows of resources related to pensions resulting from the Authority'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:

| <u>Year ended June 30</u> | |
|---------------------------|------------|
| 2024 | \$ (8,074) |
| 2025 | (22,361) |
| 2026 | (28,301) |
| 2027 | 19,454 |
| 2028 | - |
| Thereafter | - |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also 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 <https://www.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.

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA

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Notes to Financial Statements

At June 30, 2023 (Continued)

NOTE 10 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

The Group Life Insurance (GLI) Plan 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. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan 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 GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. 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 plan, it is not included as part of the GLI Plan OPEB.

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

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of service credit, the minimum benefit payable 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.

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
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Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 10 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Contributions

The contribution requirements for the GLI Plan 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 GLI Plan 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. Contributions to the GLI Plan from the entity were \$2,778 and \$2,212 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, and is classified as a non-employer contribution.

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

At June 30, 2023, the entity reported a liability of \$25,467 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 GLI Plan 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 0.00212% as compared to 0.00186% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$945. 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.

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 10 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

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 | \$ 2,017 | \$ 1,022 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 1,591 |
| Change in assumptions | 950 | 2,481 |
| Changes in proportion | 1,191 | 452 |
| Employer contributions subsequent to the measurement date | <u>2,778</u> | <u>-</u> |
| Total | <u>\$ 6,936</u> | <u>\$ 5,546</u> |

\$2,778 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:

| <u>Year Ended June 30</u> | |
|---------------------------|----------|
| 2024 | \$ (314) |
| 2025 | (258) |
| 2026 | (1,009) |
| 2027 | 310 |
| 2028 | (117) |
| 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. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 10 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

| | |
|--|---|
| Inflation | 2.50% |
| Salary increases, including inflation: Locality - General employees | 3.50%-5.35% |
| 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

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 10 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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 Pub-2010 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 |

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan'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 GLI Plan are as follows (amounts expressed in thousands):

| | | Group Life Insurance OPEB Plan |
|--|----|---|
| Total GLI OPEB Liability | \$ | 3,672,085 |
| Plan Fiduciary Net Position | | 2,467,989 |
| Net GLI 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.

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 10 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

| 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 | 3.00% | 6.55% | 0.20% |
| Total | 100.00% | | 5.33% |
| | | Inflation | 2.50% |
| | | Expected arithmetic nominal return** | 7.83% |

*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 return 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%.

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 10 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy and at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended 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:

| | | Rate | | |
|--|----|-------------|------------------|-------------|
| | | 1% Decrease | Current Discount | 1% Increase |
| | | (5.75%) | (6.75%) | (7.75%) |
| Authority's proportionate share of the Group Life Insurance | | | | |
| Plan Net OPEB Liability | \$ | 37,073 | \$ 25,467 | \$ 16,107 |

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan'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 <http://www.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.

NOTE 11 - RISK MANAGEMENT:

The Authority 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 Authority participates in the various insurance policies of the County of Halifax, Virginia for all required coverage.

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 12- LEASES RECEIVABLE:

The Entity leases building space to tenants under various lease contracts. In fiscal year 2023, the Entity recognized lease revenue and interest revenue in the amount of \$1,871,910 and \$169,953, respectively. A description of leases is as follows:

| <u>Lease Description</u> | <u>End Date</u> | <u>Remaining Term (in months)</u> | <u>Payment Frequency</u> | <u>Discount Rate</u> | <u>Receivable Balance</u> |
|--------------------------|-----------------|---------------------------------------|------------------------------|--------------------------|-------------------------------|
| Hitaci Energy | 8/10/2034 | 133 | Monthly | 2.50% | \$ 6,931,025 |
| RTP | 7/31/2031 | 97 | Monthly | 1.89% | 1,182,306 |
| GPL | 5/31/2031 | 95 | Monthly | 2.07% | 1,713,357 |
| Sunshine Mills | 2/28/2024 | 8 | Monthly | 2.50% | 71,329 |
| VEC | 1/31/2025 | 19 | Monthly | 1.00% | 136,268 |
| Chemquest | 1/31/2026 | 31 | Monthly | 2.50% | 176,895 |
| Faneuil | 12/31/2023 | 6 | Monthly | 1.00% | 49,032 |
| TMI Autotech | 12/31/2023 | 6 | Monthly | 1.00% | 19,382 |
| EZE Physical | 3/31/2026 | 33 | Monthly | 2.50% | 48,303 |
| Pediatric Therapies | 1/31/2026 | 31 | Monthly | 2.50% | 99,720 |
| Hitaci Energy 2 | 10/31/2027 | 52 | Monthly | 2.50% | 760,610 |
| Total Receivable | | | | | <u>\$ 11,188,227</u> |

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|----------------------|---------------------|----------------------|
| 2024 | \$ 1,768,404 | \$ 229,751 | \$ 1,998,155 |
| 2025 | 1,516,869 | 205,248 | 1,722,117 |
| 2026 | 1,443,042 | 170,221 | 1,613,263 |
| 2027 | 1,400,585 | 136,761 | 1,537,346 |
| 2028 | 1,313,781 | 103,997 | 1,417,778 |
| 2029-2033 | 3,386,785 | 191,087 | 3,577,872 |
| 2034-2035 | 358,761 | 5,239 | 364,000 |
| Total | <u>\$ 11,188,227</u> | <u>\$ 1,042,304</u> | <u>\$ 12,230,531</u> |

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements
At June 30, 2023 (Continued)

NOTE 13 - DEBT ISSUANCE: SUBSEQUENT EVENT

On July 1st 2023 the Authority accepted a commitment for a commercial mortgage up to \$4,000,000 with American National Bank and Trust Company for the upfit of a building to be occupied by a lessee. In no event will the loan amount exceed the lesser of 80% of the cost or of the “upon completion” value of the property, as determined by a bank ordered appraisal and in accordance with the lending policies and regulations of the bank.

The loan will bear interest at a fixed rate of 5.92% for 129 months. The loan will have an initial interest only period of 9 months, during which time payments of accrued interest will be due and payable monthly. Thereafter, the loan will begin amortizing and will be repayable in monthly installments of principal and interest based upon a 10 year amortization. All unpaid principal and interest will be due at maturity occurring 129 months from the loan date.

During the term of the loan, the Authority will maintain a compensating balance in a deposit account with American National Bank of no less than \$400,000.

NOTE 14 - UPCOMING PRONOUNCEMENTS:

Statement No. 99, *Omnibus 2022*, addresses (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 effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.

Implementation Guide No. 2023-1, *Implementation Guidance Update—2023*, effective for fiscal years beginning after June 15, 2023.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

- Required Supplementary Information -

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA

(A Component Unit of the County of Halifax, Virginia)

Schedule of Authority's Proportionate Share of the Net Pension Liability (Asset)

For the Measurement Dates of June 30, 2014 through June 30, 2022

| Date | Proportion of the Net Pension Liability (Asset) (NPA) | Proportionate Share of the NPL (Asset) | Covered Payroll | Proportionate Share of the NPL (Asset) as a Percentage of Covered Payroll | Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (Asset) |
|-------------|--|---|----------------------------|--|---|
| 2022 | 2.9630% | \$ 1,825 | \$ 409,630 | 0.45% | 99.87% |
| 2021 | 2.9630% | (65,557) | 91,701 | -71.49% | 104.74% |
| 2020 | 2.9630% | 118,639 | 269,611 | 44.00% | 90.78% |
| 2019 | 2.9630% | 60,592 | 232,479 | 26.06% | 95.13% |
| 2018 | 2.9630% | 18,823 | 265,958 | 7.08% | 98.38% |
| 2017 | 2.9630% | 23,848 | 253,881 | 9.39% | 97.86% |
| 2016 | 2.9630% | 90,739 | 249,134 | 36.42% | 91.72% |
| 2015 | 2.9630% | 46,775 | 227,840 | 20.53% | 95.56% |
| 2014 | 2.9630% | 22,848 | 230,587 | 9.91% | 97.75% |

This schedule is intended to show information for 10 years. However, information prior to the 2014 valuation is not available. Additional years will be included as they become available.

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA

(A Component Unit of the County of Halifax, Virginia)

Schedule of Employer Contributions - Pension Plan

Years Ended June 30, 2014 through June 30, 2023

| <u>Date</u> | <u>Contractually Required Contribution*</u> | <u>Contributions in Relation to Contractually Required Contribution*</u> | <u>Contribution Deficiency (Excess)</u> | <u>Employer's Covered Payroll</u> | <u>Contributions as a % of Covered Payroll</u> |
|-------------|---|--|---|---|--|
| 2023 | \$ 12,815 | \$ 12,815 | \$ - | \$ 514,699 | 2.49% |
| 2022 | 9,688 | 9,688 | - | 409,630 | 2.37% |
| 2021 | 7,226 | 7,226 | - | 91,701 | 7.88% |
| 2020 | 16,530 | 16,530 | - | 269,611 | 6.13% |
| 2019 | 15,467 | 15,467 | - | 232,479 | 6.65% |
| 2018 | 16,566 | 16,566 | - | 265,958 | 6.23% |
| 2017 | 16,123 | 16,123 | - | 253,881 | 6.35% |
| 2016 | 22,986 | 22,986 | - | 249,134 | 9.23% |
| 2015 | 21,380 | 21,380 | - | 227,840 | 9.38% |
| 2014 | 16,333 | 16,333 | - | 230,587 | 7.08% |

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA

(A Component Unit of the County of Halifax, Virginia)

Notes to Required Supplementary Information - Pension Plan

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 Pub-2010 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 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 |

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA

(A Component Unit of the County of Halifax, Virginia)

Schedule of Authority's Share of Net OPEB Liability

Group Life Insurance Plan

For the Measurement Dates of June 30, 2017 and June 30, 2022

| Date | Employer's Proportion of the Net GLI OPEB Liability | Employer's Proportionate Share of the Net GLI OPEB Liability | Employer's Covered Payroll | Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability |
|-------------|--|---|---|--|--|
| 2022 | 0.00212% \$ | 25,467 \$ | 409,630 | 6.22% | 67.21% |
| 2021 | 0.00186% | 21,600 | 91,701 | 23.55% | 67.45% |
| 2020 | 0.00197% | 32,960 | 269,611 | 12.23% | 52.64% |
| 2019 | 0.00199% | 32,317 | 232,479 | 13.90% | 52.00% |
| 2018 | 0.00255% | 38,734 | 265,958 | 14.56% | 51.22% |
| 2017 | 0.00180% | 27,062 | 253,881 | 10.66% | 48.86% |

This schedule is intended to show information for 10 years. However, information prior to the 2017 valuation is not available. Additional years will be included as they become available.

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA

(A Component Unit of the County of Halifax, Virginia)

Schedule of Employer Contributions

Group Life Insurance Plan

Years Ended June 30, 2014 through June 30, 2023

| Date | Contributions in Relation to | | | | Contributions | |
|------|---|---|--|----------------------------------|---------------------------------|--|
| | Contractually Required Contribution | Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | as a % of Covered Payroll | |
| 2023 | \$ 2,778 | \$ 2,778 | \$ - | \$ 514,699 | 0.54% | |
| 2022 | 2,212 | 2,212 | - | 409,630 | 0.54% | |
| 2021 | 495 | 495 | - | 91,701 | 0.54% | |
| 2020 | 1,402 | 1,402 | - | 269,611 | 0.52% | |
| 2019 | 1,209 | 1,209 | - | 232,479 | 0.52% | |
| 2018 | 1,383 | 1,383 | - | 265,958 | 0.52% | |
| 2017 | 1,320 | 1,320 | - | 253,881 | 0.52% | |
| 2016 | 1,196 | 1,196 | - | 249,134 | 0.48% | |
| 2015 | 1,094 | 1,094 | - | 227,840 | 0.48% | |
| 2014 | 1,107 | 1,107 | - | 230,587 | 0.48% | |

Contributions are from Authority records.

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA

(A Component Unit of the County of Halifax, Virginia)

Notes to Required Supplementary Information

Group Life Insurance Plan

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 Pub-2010 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 |

- Compliance -



**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**To the Honorable Members of
Industrial Development Authority of Halifax County, Virginia
South Boston, Virginia**

We have audited, in accordance with the 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 *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Industrial Development Authority of Halifax County, Virginia, a component unit of the County of Halifax, Virginia as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Industrial Development Authority of Halifax County, Virginia's basic financial statements and have issued our report thereon dated December 8, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Industrial Development Authority of Halifax County, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Industrial Development Authority of Halifax County, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Industrial Development Authority of Halifax County, 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 Industrial Development Authority of Halifax County, 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 "Robinson, Farmer, Cox Associates". The signature is written in a cursive, flowing style.

Charlottesville, Virginia
December 8, 2023