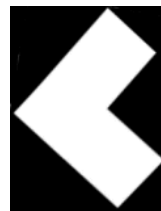


Town of Brodnax, Virginia
Annual Comprehensive Financial Report
Year Ended June 30, 2023



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

Town of Brodnax, Virginia

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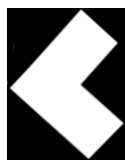
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FINANCIAL SECTION



**Creedle
Jones
& Associates**

A Professional Corporation

*Robin B. Jones, CPA, CFP
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Sherwood H. Creedle, Founder

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

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Brodnax, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Brodnax, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Brodnax, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Brodnax, Virginia, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2023, the Town adopted new accounting guidance, GASB Statement No. 96, Subscription-Based Information Technology Arrangements and No. 94, Public-Public Partnerships and Availability Payment Arrangements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Brodnax, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Brodnax, Virginia's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 1-8, 57-60, and 61-69 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2024, on our consideration of the Town of Brodnax, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Brodnax, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Brodnax, Virginia's internal control over financial reporting and compliance.

Creedle, Jones & Associates, P.C.

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

South Hill, Virginia
April 3, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Brodnax, Virginia presents the following discussion and analysis as an overview of the Town of Brodnax, Virginia's financial activities for the fiscal year ending June 30, 2023. We encourage readers to read this discussion and analysis in conjunction with the Town's basic financial statements.

Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town's governmental activities exceeded its liabilities and deferred inflows of resources by \$372,770. Of this amount, \$47,642 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$3,173,607 with an unrestricted balance of \$172,930.
- The Town's total net position decreased by \$38,429 during the current fiscal year. Of this amount, an increase of \$22,276 is related to governmental activities and a decrease of \$60,705 is attributed to business-type activities.
- As of June 30, 2023, the Town's Governmental Fund reported an ending fund balance deficit of \$8,051 a decrease of \$11,257 in comparison with the prior year.
- At the end of fiscal year 2023, the General Fund unassigned fund balance deficit was \$8,051, or approximately (0.79)% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The Town has two types of funds:

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

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

Notes to the Basic Financial Statements

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

Other

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2023 and 2022

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Assets						
Current and other assets	\$ 318,471	\$ 235,994	\$ 175,236	\$ 133,078	\$ 493,707	\$ 369,072
Capital assets (net)	<u>488,739</u>	<u>520,662</u>	<u>3,365,124</u>	<u>3,498,028</u>	<u>3,853,863</u>	<u>4,018,690</u>
Total Assets	807,210	756,656	3,540,360	3,631,106	4,347,570	4,387,762
Deferred Outflows of Resources	<u>34,519</u>	<u>46,606</u>	<u>-</u>	<u>-</u>	<u>34,519</u>	<u>46,606</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 841,729</u>	<u>\$ 803,262</u>	<u>\$ 3,540,360</u>	<u>\$ 3,631,106</u>	<u>\$ 4,382,089</u>	<u>\$ 4,434,368</u>
Liabilities						
Other liabilities	\$ 227,290	\$ 157,992	\$ 2,306	\$ 4,096	\$ 229,596	\$ 162,088
Long-term liabilities	<u>203,311</u>	<u>228,227</u>	<u>364,447</u>	<u>392,698</u>	<u>567,758</u>	<u>620,925</u>
Total Liabilities	430,601	386,219	366,753	396,794	797,354	783,013
Deferred Inflows of Resources	<u>38,358</u>	<u>66,549</u>	<u>-</u>	<u>-</u>	<u>38,358</u>	<u>66,549</u>
Net Position						
Net investment in capital assets	325,128	338,386	3,000,677	3,105,330	3,325,805	3,443,716
Unrestricted	<u>47,642</u>	<u>12,108</u>	<u>172,930</u>	<u>128,982</u>	<u>220,572</u>	<u>141,090</u>
Total Net Position	<u>372,770</u>	<u>350,494</u>	<u>3,173,607</u>	<u>3,234,312</u>	<u>3,546,377</u>	<u>3,584,806</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 841,729</u>	<u>\$ 803,262</u>	<u>\$ 3,540,360</u>	<u>\$ 3,631,106</u>	<u>\$ 4,382,089</u>	<u>\$ 4,434,368</u>

Statement of Activities

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

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2023 and 2022

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues						
Program Revenues						
Charges for services	\$ 78,656	\$ 77,662	\$ 165,627	\$ 230,846	\$ 244,283	\$ 308,508
Operating grants and contributions	714,515	435,791	-	-	714,515	435,791
General Revenues						
General property taxes, real and personal	99,399	79,366	-	-	99,399	79,366
Other taxes	94,538	84,615	-	-	94,538	84,615
Grants and contributions not restricted to specific programs	7,719	7,698	-	-	7,719	7,698
Unrestricted revenues from use of money and property	6,629	-	33	20	6,662	20
Miscellaneous	56,243	10,173	-	-	56,243	10,173
Total Revenues	1,057,699	695,305	165,660	230,866	1,223,359	926,171
Expenses						
General government administration	184,052	205,119	-	-	184,052	205,119
Public safety	85,570	108,445	-	-	85,570	108,445
Public works	106,111	60,853	-	-	106,111	60,853
Planning and community development	611,173	244,357	-	-	611,173	244,357
Parks, recreation and cultural	25,274	26,866	-	-	25,274	26,866
Water and sewer	-	-	231,417	230,376	231,417	230,376
Interest on long-term debt	4,238	3,580	13,953	15,654	18,191	19,234
Total Expenses	1,016,418	649,220	245,370	246,030	1,261,788	895,250
Change in Net Position Before Transfers	41,281	46,085	(79,710)	(15,164)	(38,429)	30,921
Transfers In (Out)	(19,005)	(25,734)	19,005	25,734	-	-
Change in Net Position	22,276	20,351	(60,705)	10,570	(38,429)	30,921
Beginning Net Position	350,494	330,143	3,234,312	3,223,742	3,584,806	3,553,885
Ending Net Position	\$ 372,770	\$ 350,494	\$ 3,173,607	\$ 3,234,312	\$ 3,546,377	\$ 3,584,806

Governmental activities increased the Town's net position by \$22,276 for fiscal year 2023. Revenues from governmental activities totaled \$1,057,699. Operating grants and contributions comprise the largest source of these revenues, totaling \$714,515 or 67.55% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$1,016,418. Planning and community development was the Town's largest program with expenses totaling \$611,173. General government administration, which totals \$184,052, represents the second largest expense.

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

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2023 and 2022

	<u>2023</u>		<u>2022</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 184,052	\$ (119,012)	\$ 205,119	\$ (116,499)
Public safety	85,570	(9,418)	108,445	4,303
Public works	106,111	(64,619)	60,853	(19,106)
Planning and community development	611,173	(2,480)	244,357	(2,479)
Parks, recreation and cultural	25,274	(23,480)	26,866	1,594
Interest on long-term debt	<u>4,238</u>	<u>(4,238)</u>	<u>3,580</u>	<u>(3,580)</u>
Total	<u>\$ 1,016,418</u>	<u>\$ (223,247)</u>	<u>\$ 649,220</u>	<u>\$ (135,767)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The Town's governmental funds reported combined ending fund balances deficit of \$8,051. The governmental fund balance deficit decreased \$11,257 from the prior year.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance deficit of \$8,051. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents (0.79)% of total fund expenditures.

BUDGETARY HIGHLIGHTS

General Fund

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

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2023 and 2022

	<u>2023</u>			<u>2022</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$74,911	\$74,911	\$ 88,539	\$75,545	\$75,545	\$75,037
Other local taxes	79,200	79,200	94,538	72,835	72,835	84,615
Permits, fees, and licenses	50	50	120	90	90	50
Fines and forfeitures	34,488	34,488	38,639	48,000	48,000	37,194
Unrestricted revenues from use of money and property	6,000	6,000	6,629	-	-	-
Charges for services	34,500	34,500	39,897	33,000	33,000	40,418
Recovered costs	-	-	-	-	-	14,280
Miscellaneous	8,650	8,650	56,243	150	150	10,173
Intergovernmental	<u>15,130</u>	<u>15,130</u>	<u>722,234</u>	<u>14,310</u>	<u>14,310</u>	<u>443,489</u>
Total	252,929	252,929	1,046,839	243,930	243,930	705,256
Expenditures	<u>258,972</u>	<u>258,972</u>	<u>1,016,577</u>	<u>250,532</u>	<u>250,532</u>	<u>912,245</u>
Excess (Deficiency) of Revenues over Expenditures	(6,043)	(6,043)	30,262	(6,602)	(6,602)	(206,989)
Other Financing Sources (Uses)						
Contingency/surplus	(787)	(787)	-	(228)	(228)	-
Proceeds from loans	-	-	-	-	-	196,300
Transfers in (out)	<u>6,830</u>	<u>6,830</u>	<u>(19,005)</u>	<u>6,830</u>	<u>6,830</u>	<u>(25,734)</u>
Total	<u>6,043</u>	<u>6,043</u>	<u>(19,005)</u>	<u>6,602</u>	<u>6,602</u>	<u>170,566</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,423)</u>

The Town did not make any budget amendments during the fiscal year for grants received during the fiscal year.

Actual revenues were more than final budget amounts by \$793,910, or 313.89%, while actual expenditures were \$757,605, or 292.54% more than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2023, the Town's governmental activities net capital assets total \$488,739, which represents a net decrease of \$31,923 or 6.13% over the previous fiscal year-end balance. The business-type activities net capital assets total \$3,365,124, a net decrease of \$132,904 or 3.80% over the previous fiscal year.

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2022</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2023</u>
Land and land improvements	\$ 88,500	\$ -	\$ 88,500
Buildings and improvements	385,206	-	385,206
Furniture, equipment, and vehicles	<u>1,156,066</u>	<u>-</u>	<u>1,156,066</u>
Total Capital Assets	1,629,772	-	1,629,772
Less: Accumulated depreciation and amortization	<u>(1,109,110)</u>	<u>(31,923)</u>	<u>(1,141,033)</u>
Total Capital Assets, Net	<u>\$ 520,662</u>	<u>\$ (31,923)</u>	<u>\$ 488,739</u>

Business-Type Activities

	<u>Balance July 1, 2022</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2023</u>
Land and land improvements	\$ 67,400	\$ -	\$ 67,400
Infrastructure - water/sewer systems	7,334,686	-	7,334,686
Furniture, equipment, and vehicles	<u>84,125</u>	<u>-</u>	<u>84,125</u>
Total Capital Assets	7,486,211	-	7,486,211
Less: Accumulated depreciation and amortization	<u>(3,988,183)</u>	<u>(132,904)</u>	<u>(4,121,087)</u>
Total Capital Assets, Net	<u>\$ 3,498,028</u>	<u>\$ (132,904)</u>	<u>\$ 3,365,124</u>

Long-Term Debt

As of June 30, 2023, the Town's long-term obligations total \$528,058.

	<u>Balance July 1, 2022</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2023</u>
Governmental Activities			
Long-term debt	<u>\$ 182,276</u>	<u>\$ (18,665)</u>	<u>\$ 163,611</u>
Total Governmental Activities	182,276	(18,665)	163,611
Business-Type Activities			
Long-term debt	<u>392,698</u>	<u>(28,251)</u>	<u>364,447</u>
Total Reporting Entity	<u>\$ 574,974</u>	<u>\$ (46,916)</u>	<u>\$ 528,058</u>

More detailed information on the Town's long-term obligations is presented in Notes 8 and 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2024 budget.

The average unemployment rate for the Town of Brodnax, Virginia in June 2023, was 4.2%. This compares unfavorably to the state's rate of 2.8% and the national rate of 3.8%.

According to the 2020 U.S. Census, the population in the Town of Brodnax, Virginia was 284.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2024, which accounts for most of the Town's operational costs. The fiscal year 2024 adopted budget anticipates General Fund revenues to be \$342,100, a 135.26% increase over the fiscal year 2023 original budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Town Clerk/Treasurer, Town of Brodnax, Virginia, P.O. Box K, Brodnax, Virginia 23920, telephone 434-729-3191.

BASIC FINANCIAL STATEMENTS

Town of Brodnax, Virginia

Statement of Net Position

At June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 129,011	\$ 157,472	\$ 286,483
Receivables, net	39,262	17,764	57,026
Due from other governments	72,349	-	72,349
Total Current Assets	240,622	175,236	415,858
Noncurrent Assets			
<i>Capital Assets</i>			
Land and land improvements	88,500	67,400	155,900
Depreciable assets, net	400,239	3,297,724	3,697,963
Capital Assets, Net	488,739	3,365,124	3,853,863
Total Noncurrent Assets	488,739	3,365,124	3,853,863
Other Assets			
Net pension asset	77,808	-	77,808
Net other post-employment benefits asset	41	-	41
Total Other Assets	77,849	-	77,849
Total Assets	807,210	3,540,360	4,347,570
Deferred Outflows of Resources			
Pension	4,353	-	4,353
Other post-employment benefits	30,166	-	30,166
Total Deferred Outflows of Resources	34,519	-	34,519
Total Assets and Deferred Outflows of Resources	<u>\$ 841,729</u>	<u>\$ 3,540,360</u>	<u>\$ 4,382,089</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 102,726	\$ -	\$ 102,726
Customer deposits	-	2,306	2,306
Unearned grants	124,564	-	124,564
Total Current Liabilities	227,290	2,306	229,596
Noncurrent Liabilities			
<i>Due within one year</i>			
Bonds, loans, and other	18,612	28,791	47,403
<i>Due in more than one year</i>			
Bonds, loans, and other	144,999	335,656	480,655
Net OPEB liability	39,700	-	39,700
Total Noncurrent Liabilities	203,311	364,447	567,758
Total Liabilities	430,601	366,753	797,354
Deferred Inflows of Resources			
Pension	15,733	-	15,733
Other post-employment benefits	22,625	-	22,625
Total Deferred Inflows of Resources	38,358	-	38,358
Net Position			
Net investment in capital assets	325,128	3,000,677	3,325,805
Unrestricted	47,642	172,930	220,572
Total Net Position	372,770	3,173,607	3,546,377
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 841,729</u>	<u>\$ 3,540,360</u>	<u>\$ 4,382,089</u>

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

Town of Brodnax, Virginia

Statement of Activities

For the Year Ended June 30, 2023

Net (Expense) Revenue and
Changes in Net Position

Functions/Programs	Expenses	Program Revenues		Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	
Primary Government						
Governmental Activities						
General government administration	\$ 184,052	\$ 120	\$ 64,920	\$ (119,012)		\$ (119,012)
Public safety	85,570	38,639	37,513	(9,418)		(9,418)
Public works	106,111	39,897	1,595	(64,619)		(64,619)
Planning and community development	611,173	-	608,693	(2,480)		(2,480)
Parks, recreation and cultural	25,274	-	1,794	(23,480)		(23,480)
Interest on long-term debt	4,238	-	-	(4,238)		(4,238)
Total Governmental Activities	1,016,418	78,656	714,515	(223,247)		(223,247)
Business-Type Activities						
Water and Sewer Fund	245,370	165,627	-		\$ (79,743)	(79,743)
Total Business-Type Activities	245,370	165,627	-		(79,743)	(79,743)
Total Primary Government	\$ 1,261,788	\$ 244,283	\$ 714,515		(79,743)	(302,990)
General Revenues						
Taxes						
General property taxes, real and personal				99,399	-	99,399
Other local taxes				94,538	-	94,538
Grants and contributions not restricted to specific programs				7,719	-	7,719
Unrestricted revenues from use of money and property				6,629	33	6,662
Miscellaneous				56,243	-	56,243
Transfers in (out)				(19,005)	19,005	-
Total General Revenues and Transfers				245,523	19,038	264,561
Change in Net Position				22,276	(60,705)	(38,429)
Net Position - Beginning of Year				350,494	3,234,312	3,584,806
Net Position - End of Year				\$ 372,770	\$ 3,173,607	\$ 3,546,377

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

Town of Brodnax, Virginia

Balance Sheet

Governmental Funds

At June 30, 2023

	General Fund
Assets	
Cash and investments	\$ 129,011
Property taxes receivable	21,383
Garbage receivables, net	5,085
Other receivables	12,794
Due from other governments	<u>72,349</u>
Total Assets	<u><u>\$ 240,622</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 102,726
Unearned grants	<u>124,564</u>
Total Liabilities	227,290
Deferred Inflows of Resources	
Unavailable revenue - property taxes	<u>21,383</u>
Total Deferred Inflows of Resources	21,383
Fund Balance	
Unassigned (Deficit)	<u>(8,051)</u>
Total Fund Balance (Deficit)	<u>(8,051)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$ 240,622</u></u>

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

Town of Brodnax, Virginia

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

At June 30, 2023

Total Fund Balance for Governmental Fund (Deficit)	\$ (8,051)
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Total net position reported for governmental activities in the Statement of Net Position is different because:

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

Those assets consist of:

Land	\$ 88,500	
Buildings and improvements, net	165,473	
Furniture, equipment, and vehicles, net	<u>234,766</u>	
		488,739

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

Unavailable revenue - property taxes	21,383
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Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	4,353	
Deferred inflows of resources related to pensions	(15,733)	
Deferred outflows of resources related to OPEB	30,166	
Deferred inflows of resources related to OPEB	<u>(22,625)</u>	
		(3,839)

Liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:

Notes payable	(163,611)
Net pension asset	77,808
Net OPEB asset	41
Net OPEB liability	<u>(39,700)</u>

Total Net Position of Governmental Activities	<u>\$ 372,770</u>
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The accompanying notes to the financial statements are an integral part of this statement.

Town of Brodnax, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2023

	General Fund
Revenues	
Property taxes	\$ 88,539
Other local taxes	94,538
Permits, privilege fees, and regulatory licenses	120
Fines and forfeitures	38,639
Revenue from use of money and property	6,629
Charges for services	39,897
Miscellaneous	56,243
<i>Intergovernmental</i>	
Revenue from the Commonwealth of Virginia	48,621
Revenue from the Federal government	<u>673,613</u>
Total Revenues	1,046,839
Expenditures	
Current	
General government administration	193,240
Public safety	63,112
Public works	100,875
Planning and community development	611,173
Parks, recreation and cultural	25,274
Debt service	<u>22,903</u>
Total Expenditures	<u>1,016,577</u>
Excess (Deficiency) of Revenues Over Expenditures	30,262
Other Financing Sources (Uses)	
Transfers	<u>(19,005)</u>
Total Other Financing Sources (Uses)	<u>(19,005)</u>
Net Change in Fund Balance	11,257
Fund Balance (Deficit) - Beginning of Year	<u>(19,308)</u>
Fund Balance (Deficit) - End of Year	<u><u>\$ (8,051)</u></u>

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

Town of Brodnax, Virginia

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

Year Ended June 30, 2023

Net Change in Fund Balance - Total Governmental Funds \$ 11,257

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

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

Capitalized assets	\$ -	
Depreciation	(31,923)	(31,923)

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statements, but recognized in the Statement of Activities. 10,860

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

Repayments on debt	18,665	18,665
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Changes in the following accounts are as follows:

Deferred inflows - pension	34,422	
Deferred inflows - OPEB	(6,231)	
Deferred outflows - pension	(7,481)	
Deferred outflows - OPEB	(4,606)	
Other postemployment benefits	6,189	
Net pension (asset)/liability	(8,876)	
		13,417

Change in Net Position of Governmental Activities \$ 22,276

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

Town of Brodnax, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2023

	Business-Type Activities - Enterprise Fund		
	Water Fund	Sewer Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ -	\$ 165,080	\$ 165,080
Restricted cash	6,731	26,149	32,880
Receivables, net	<u>10,658</u>	<u>7,106</u>	<u>17,764</u>
Total Current Assets	17,389	198,335	215,724
Noncurrent Assets			
<i>Capital Assets</i>			
Nondepreciable	32,000	35,400	67,400
Depreciable, net	<u>1,691,587</u>	<u>1,606,137</u>	<u>3,297,724</u>
Total Capital Assets	<u>1,723,587</u>	<u>1,641,537</u>	<u>3,365,124</u>
Total Noncurrent Assets	<u>1,723,587</u>	<u>1,641,537</u>	<u>3,365,124</u>
Total Assets	1,740,976	1,839,872	3,580,848
Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 1,740,976</u>	<u>\$ 1,839,872</u>	<u>\$ 3,580,848</u>
Liabilities			
Current Liabilities			
Pooled cash deficit	\$ 40,488	\$ -	\$ 40,488
Accounts payable	-	-	-
Customer deposits	2,306	-	2,306
Bonds payable - current	<u>7,388</u>	<u>21,403</u>	<u>28,791</u>
Total Current Liabilities	50,182	21,403	71,585
Noncurrent Liabilities			
Bonds payable, net of current portion	<u>236,400</u>	<u>99,256</u>	<u>335,656</u>
Total Noncurrent Liabilities	<u>236,400</u>	<u>99,256</u>	<u>335,656</u>
Total Liabilities	286,582	120,659	407,241
Deferred Inflows of Resources	-	-	-
Net Position			
Net investment in capital assets	1,479,799	1,520,878	3,000,677
Unrestricted	<u>(25,405)</u>	<u>198,335</u>	<u>172,930</u>
Total Net Position	<u>1,454,394</u>	<u>1,719,213</u>	<u>3,173,607</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,740,976</u>	<u>\$ 1,839,872</u>	<u>\$ 3,580,848</u>

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

Town of Brodnax, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2023

Business-Type Activities - Enterprise Fund

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues			
Water and sewer charges	\$ 76,079	\$ 84,773	\$ 160,852
Late fees and reconnection fees	920	-	920
Other income	<u>3,855</u>	<u>-</u>	<u>3,855</u>
Total Operating Revenues	80,854	84,773	165,627
Operating Expenses			
Water purchases	37,578	-	37,578
Sewage treatment	-	20,589	20,589
Computer software	1,716	-	1,716
Miscellaneous	9,984	-	9,984
Materials and supplies	2,045	230	2,275
Repairs and maintenance	-	10,688	10,688
Utilities and telephone	6,843	-	6,843
Office	2,338	-	2,338
Lab tests/exam	1,126	-	1,126
Depreciation	46,721	86,183	132,904
Waterworks operation fee	<u>5,376</u>	<u>-</u>	<u>5,376</u>
Total Operating Expenses	<u>113,727</u>	<u>117,690</u>	<u>231,417</u>
Operating Loss	(32,873)	(32,917)	(65,790)
Nonoperating Revenues (Expenses)			
Interest income	3	30	33
Interest expense	<u>(9,140)</u>	<u>(4,813)</u>	<u>(13,953)</u>
Total Nonoperating Revenues (Expenses)	<u>(9,137)</u>	<u>(4,783)</u>	<u>(13,920)</u>
Loss Before Transfers	(42,010)	(37,700)	(79,710)
Transfers	<u>(14,414)</u>	<u>33,419</u>	<u>19,005</u>
Change in Net Position	(56,424)	(4,281)	(60,705)
Total Net Position - Beginning of Year	<u>1,510,818</u>	<u>1,723,494</u>	<u>3,234,312</u>
Total Net Position - End of Year	<u>\$ 1,454,394</u>	<u>\$ 1,719,213</u>	<u>\$ 3,173,607</u>

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

Town of Brodnax, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2023

	Business-Type Activities - Enterprise Fund		
	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 76,415	\$ 83,903	\$ 160,318
Miscellaneous income	3,855	-	3,855
Payments to suppliers	<u>(52,599)</u>	<u>(19,623)</u>	<u>(72,222)</u>
Net Cash Provided by Operating Activities	27,671	64,280	91,951
Cash Flows from Financing Capital and Related Activities			
Transfer from (to) other funds	(14,414)	33,419	19,005
Repayment of long-term debt - principal	(3,337)	(24,914)	(28,251)
Repayment of long-term debt - interest	<u>(9,140)</u>	<u>(4,813)</u>	<u>(13,953)</u>
Net Cash Provided by (Used in) Financing Capital and Related Activities	(26,891)	3,692	(23,199)
Cash Flows from Investing Activities			
Interest income	<u>3</u>	<u>30</u>	<u>33</u>
Net Cash Provided by Investing Activities	<u>3</u>	<u>30</u>	<u>33</u>
Net Increase in Cash and Cash Equivalents	783	68,002	68,785
Cash and Cash Equivalents - Beginning of Year	<u>5,948</u>	<u>123,227</u>	<u>129,175</u>
Cash and Cash Equivalents - End of Year	<u>\$ 6,731</u>	<u>\$ 191,229</u>	<u>\$ 197,960</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities			
Operating loss	\$ (32,873)	\$ (32,917)	\$ (65,790)
<i>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities</i>			
Depreciation expense	46,721	86,183	132,904
Reconciling items between funds	(11,884)	11,884	-
<i>Changes in assets and liabilities</i>			
Receivables, net	(1,283)	(870)	(2,153)
Pooled cash deficit	28,780	-	28,780
Accounts payable	(2,489)	-	(2,489)
Customer deposits	<u>699</u>	<u>-</u>	<u>699</u>
Net Cash Provided by Operating Activities	<u>\$ 27,671</u>	<u>\$ 64,280</u>	<u>\$ 91,951</u>

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

Town of Brodnax, Virginia

Notes to the Financial Statements

Year Ended June 30, 2023

1 Summary of Significant Accounting Policies and Use of Estimates

Narrative Profile

The Town of Brodnax, Virginia (the "Town"), which was incorporated in 1915, has a population of approximately 284. The Town is located in the Southside area in Southeastern Virginia. The Town is governed by an appointed Town Manager, an elected Mayor, and a seven-member Town Council with each serving administrative and legislative functions.

The Town of Brodnax, Virginia engages in a comprehensive range of municipal services, including, but not limited to public safety, water, sewer, and sanitation.

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

1-A. Financial Reporting Entity

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

1-B. Financial Reporting Model

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

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

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

The Statement of Net Position is designed to display the financial position of the Primary Government. In addition to reporting current assets and deferred outflows of resources and liabilities and deferred inflows of resources, the Statement of Net Position includes both noncurrent assets and deferred outflows of resources and noncurrent liabilities and deferred inflows of resources of the Town (such as capital assets and long-term liabilities for various employee benefits). The net position of the Town may be presented in three categories – (1) net investment in capital assets; (2) restricted; and (3) unrestricted. The Town generally uses restricted resources for expenses incurred for which both restricted and unrestricted net position is available.

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

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

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

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

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

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

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

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

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

1-C. Financial Statement Presentation

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

- *Governmental Funds* – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the Town's major governmental funds:
 - *General Fund* – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
 - *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. There are no Special Revenue Funds as of June 30, 2023.
 - *Capital Projects Funds* – Capital Projects Funds account for and report financial resources that are restricted, committed, or assigned for capital outlay or rehabilitation expenditures. The Town has no capital projects funds as of June 30, 2023.

- *Proprietary Funds* – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has two enterprise funds, the Water Fund and Sewer Fund, which account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges.
- *Fiduciary Funds (Custodial Funds)* – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Custodial funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. There are no Fiduciary Funds as of June 30, 2023.

1-D. Measurement Focus and Basis of Accounting

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal

property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and, subsequently, remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the Town.

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

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

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

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

1-E-1 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits as well as short-term investments with an original maturity date of three months or less.

1-E-2 Investments

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

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

1-E-3 Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounts are as follows:

General Fund - garbage receivables	\$ 2,133
Water and Sewer Fund - receivables	\$ 8,537

Real and Personal Property Tax Data

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

Real Property Personal Property

Levy	January 1	January 1
Due Date	December 5	December 5

The Town bills and collects its own property taxes.

A 10% penalty rate as well as a 10% interest rate is assessed per month beginning February 5.

1-E-4 Prepaid Items

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

1-E-5 Capital Assets

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

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

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

Asset Description	Estimated Lives
Buildings and improvements	15 to 40 years
Infrastructure - water/sewer systems	15 to 50 years
Furniture, equipment, and vehicles	5 to 20 years

1-E-6 Deferred Outflows/Inflows of Resources

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

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

Deferred Inflows of Resources in the Governmental Funds Balance Sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans, and notes receivable.

1-E-7 Pensions

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

1-E-8 Line of Duty Act Program

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

1-E-9 Political Subdivision Employee Virginia Local Disability Program

The Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee Virginia Local Disability

Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee Virginia Local Disability Program OPEB, and the Political Subdivision Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Political Subdivision Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-10 Fund Equity

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

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

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

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

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

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

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

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

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

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

1-E-11 Operating Revenues and Expenses

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

1-E-12 Interfund Activity

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

1-E-13 Long-Term Obligations

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

1-E-14 Adoption of New GASB Statements

The Town adopted the following GASB statements during the year ended June 30, 2023:

In March 2020, GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor)

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

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

1-F. Estimates

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

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The Town Council annually adopts budgets for the various funds of the primary government. Unexpended appropriations lapse at the end of each fiscal year.

Budgetary Data

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

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

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

Expenditures in Excess of Appropriations

General Fund expenditures exceeded appropriations.

Fund Deficits

General fund had a fund deficit for fiscal year 2023.

3 Cash and Cash Equivalents

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.

The following is a summary of cash and cash equivalents:

<u>Asset Type</u>	<u>Balance June 30, 2023</u>		
Petty cash	\$	500	
Deposit accounts		<u>285,983</u>	
Total Cash and Cash Equivalents	\$	<u>286,483</u>	
<u>Primary Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ <u>129,011</u>	\$ <u>157,472</u>	\$ <u>286,483</u>

4 Receivables

Receivables at June 30, 2023 consist of the following:

<u>Receivables</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>
Property taxes	\$ 21,383	\$ -
Garbage	7,218	-
Other	12,794	-
Water and sewer	<u>-</u>	<u>26,301</u>
Total Receivables	41,395	26,301
Less: Allowance for doubtful accounts	<u>(2,133)</u>	<u>(8,537)</u>
Net Receivables	\$ <u>39,262</u>	\$ <u>17,764</u>

5 Interfund Transfers

Interfund transfers for the year ended June 30, 2023 consisted of the following:

	<u>Transfer to</u>	<u>Transfer from</u>
Primary Government		
General Fund		
To Water Fund	\$ 19,005	\$ -
Water Fund		
From General Fund	-	190,055
Total Transfers	<u>\$ 19,005</u>	<u>\$ 190,055</u>

Transfers between funds were primarily to support operations of the funds.

6 Due from Other Governmental Units

Details of the Town's receivables from other governmental units, as of June 30, 2023 are as follows:

	<u>Governmental Activities</u>
Federal Government	
Dept. of Housing and Community Development - Piney Pond Road	\$ 72,349
	<u>\$ 72,349</u>

7 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 88,500	\$ -	\$ -	<u>\$ 88,500</u>
Total Capital Assets Not Being Depreciated	88,500	-	-	<u>88,500</u>
Other Capital Assets				
Buildings and improvements	385,206	-	-	<u>385,206</u>
Furniture, equipment, and vehicles	<u>1,156,066</u>	-	-	<u>1,156,066</u>
Total Other Capital Assets	1,541,272	-	-	<u>1,541,272</u>
Less: Accumulated depreciation for				
Buildings and improvements	207,111	12,622	-	<u>219,733</u>
Furniture, equipment, and vehicles	<u>901,999</u>	<u>19,301</u>	-	<u>921,300</u>
Total Accumulated Depreciation	<u>1,109,110</u>	<u>31,923</u>	-	<u>1,141,033</u>
Other Capital Assets, Net	<u>432,162</u>	<u>(31,923)</u>	-	<u>400,239</u>
Net Capital Assets	<u>\$ 520,662</u>	<u>\$ (31,923)</u>	<u>\$ -</u>	<u>\$ 488,739</u>
Depreciation expense was allocated as follows:				
General government administration	\$ 8,942			
Public safety	17,745			
Public works	<u>5,236</u>			
Total Depreciation Expense	<u>\$ 31,923</u>			

Business-Type Activities

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 67,400	\$ -	\$ -	\$ 67,400
Total Capital Assets Not Being Depreciated	67,400	-	-	67,400
Other Capital Assets				
Infrastructure - water/sewer systems	7,334,686	-	-	7,334,686
Furniture, equipment, and vehicles	84,125	-	-	84,125
Total Other Capital Assets	7,418,811	-	-	7,418,811
Less: Accumulated depreciation for				
Water/sewer systems	3,904,058	132,904	-	4,036,962
Furniture, equipment, and vehicles	84,125	-	-	84,125
Total Accumulated Depreciation	3,988,183	132,904	-	4,121,087
Other Capital Assets, Net	3,430,628	(132,904)	-	3,297,724
Net Capital Assets	\$ 3,498,028	\$ (132,904)	\$ -	\$ 3,365,124

8 Long-Term Debt

PRIMARY GOVERNMENT

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

Year(s) Ended June 30.	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 18,612	\$ 3,494	\$ 22,106	\$ 28,791	\$ 13,437	\$ 42,228
2025	18,891	3,069	21,960	30,077	12,151	42,228
2026	19,320	2,640	21,960	31,410	10,818	42,228
2027	19,760	2,200	21,960	29,278	9,466	38,744
2028	87,028	4,216	91,244	29,492	8,092	37,584
2029-2033	-	-	-	73,861	23,993	97,854
2034-2038	-	-	-	20,983	18,135	39,118
2039-2043	-	-	-	24,057	15,061	39,118
2044-2048	-	-	-	27,577	11,541	39,118
2049-2053	-	-	-	31,629	7,490	39,119
2054-2058	-	-	-	36,267	2,851	39,118
2059	-	-	-	1,025	9	1,034
Total	\$ 163,611	\$ 15,619	\$ 179,230	\$ 364,447	\$ 133,044	\$ 497,491

Changes in Long-Term Debt

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

	<u>Balance</u> <u>July 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
General Fund					
Promissory note payable to USDA Rural Development with monthly payments of \$49.00 for 3 years at 2.25% interest.	\$ 719	\$ -	\$ 578	\$ 141	\$ 141
Promissory note payable to USDA Rural Development with monthly payments of \$1,830.00 for 10 years at 2.25% interest.	<u>181,557</u>	<u>-</u>	<u>18,087</u>	<u>163,470</u>	<u>18,471</u>
Total Governmental Activities	182,276	-	18,665	163,611	18,612
Business-Type Activities					
General Obligation Bond payable to the USDA Rural Development with monthly payments of \$2,480.00 for 40 years at 5.00% interest.	194,724	-	20,620	174,104	21,403
General Obligation Bond payable to the USDA Rural Development with monthly payments of \$294.42 for 40 years at 2.875% interest.	78,285	-	1,495	76,790	1,281
General Obligation Bond payable to the USDA Rural Development with monthly payments of \$360.55 for 40 years at 2.65% interest.	100,844	-	1,842	99,002	1,730
Promissory note payable to USDA Rural Development with monthly payments of \$387.00 for 5 years at 2.125% interest.	<u>18,845</u>	<u>-</u>	<u>4,294</u>	<u>14,551</u>	<u>4,377</u>
Total Business-Type Activities	<u>392,698</u>	<u>-</u>	<u>28,251</u>	<u>364,447</u>	<u>28,791</u>
Total Primary Government	<u>\$ 574,974</u>	<u>\$ -</u>	<u>\$ 46,916</u>	<u>\$ 528,058</u>	<u>\$ 47,403</u>

9 Long-Term Commitments

The Town of Brodnax, Virginia has entered into an agreement with the Town of South Hill, Virginia for wastewater treatment capacity. In lieu of signing notes for financing the treatment facility, the Towns negotiated a rate that consists of two payment components. First, there is a flat monthly charge of \$727.95 based on the allotted capacity of the plant. This amount is due until January of 2035. Secondly, there is a variable monthly charge based on consumption. Collectively, the two payments are recorded in the sewer fund as sewer treatment expenses.

Long-Term Commitment to the Town of South Hill, Virginia for Operating Agreement

<u>Year(s)</u> <u>Ended</u> <u>June 30.</u>	<u>Annual</u> <u>Payments</u> <u>Sewer Fund</u>
2024	\$ 8,735
2025	8,735
2026	8,735
2027	8,735
2028	8,735
2029-2033	43,675
2034-2035	<u>16,747</u>
Total	<u>\$ 104,097</u>

There are 143 payments left as of June 30, 2023 for \$727.95 per month for the fixed component of the payment.

10 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2023 is determined as follows:

	Governmental Activities	Business-Type Activities
Net Investment in Capital Assets		
Cost of capital assets	\$ 1,629,772	\$ 7,486,211
Less: Accumulated depreciation	<u>(1,141,033)</u>	<u>(4,121,087)</u>
Book value	488,739	3,365,124
Less: Capital related debt	<u>(163,611)</u>	<u>(364,447)</u>
Net Investment in Capital Assets	<u>\$ 325,128</u>	<u>\$ 3,000,677</u>

11 Deferred Inflows of Resources

Deferred inflows of resources are comprised of the following:

Primary Government General Fund

Delinquent taxes not collected within 60 days	\$ 21,383
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Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 21,383</u>
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12 Risk Management

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

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

Surety bond coverage is as follows:

Town Clerk/Treasurer	\$ 50,000
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13 Litigation

At June 30, 2023, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions or pending matters not be favorable to such entities.

14 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed 10% of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Property	<u>\$ 11,887,600</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 1,188,760
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross Debt	<u>528,058</u>
Legal Debt Margin - June 30, 2023	<u>\$ 660,702</u>

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

15 Pension Plan

Plan Description

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

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

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

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

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

PLAN 2

About Plan 2

Same as Plan 1

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

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

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

Eligible Members

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

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

**Non-Eligible Members*

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

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

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

PLAN 1

Retirement Contributions

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

Service Credit

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

Vesting

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

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

PLAN 2

Retirement Contributions

Same as Plan 1.

Service Credit

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID RETIREMENT PLAN

Retirement Contributions

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

Service Credit

Defined Benefit Component:

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

Defined Contributions Component:

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

Vesting

Defined Benefit Component:

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

Defined Contributions Component:

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

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

PLAN 1

Calculating the Benefit

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

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

Average Final Compensation

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

Service Retirement Multiplier

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

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

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

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

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

Service Retirement Multiplier

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

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

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

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

Distribution not required, except as governed by law.

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

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

Average Final Compensation

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

Service Retirement Multiplier

Defined Benefit Component:

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

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

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1*Normal Retirement Age***VRS:** Age 65.**Political subdivisions hazardous duty employees:**
Age 60.*Earliest Unreduced Retirement Eligibility***VRS:** Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.**Political subdivisions hazardous duty employees:**
Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.*Earliest Reduced Retirement Eligibility***VRS:** Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.**Political subdivisions hazardous duty employees:**
Age 50 with at least five years of service credit.*Cost-of-Living Adjustment (COLA) in Retirement*

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

Eligibility:

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

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

PLAN 2*Normal Retirement Age***VRS:** Normal Social Security retirement age.**Political subdivisions hazardous duty employees:**
Same as Plan 1.*Earliest Unreduced Retirement Eligibility***VRS:** Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equal 90.**Political subdivisions hazardous duty employees:**
Same as Plan 1.*Earliest Reduced Retirement Eligibility***VRS:** Age 60 with at least five years (60 months) of service credit.**Political subdivisions hazardous duty employees:**
Same as Plan 1.*Cost-of-Living Adjustment (COLA) in Retirement*

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

Eligibility:

Same as Plan 1

HYBRID**RETIREMENT PLAN***Normal Retirement Age***Defined Benefit Component:****VRS:** Same as Plan 2.**Political subdivisions hazardous duty employees:**
Not applicable.**Defined Contribution Component:**

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

*Earliest Unreduced Retirement Eligibility***Defined Benefit Component:****VRS:** Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equal 90.**Political subdivisions hazardous duty employees:**
Not applicable.**Defined Contribution Component:**

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

*Earliest Reduced Retirement Eligibility***Defined Benefit Component:****VRS:** Age 60 with at least five years (60 months) of service credit.**Political subdivisions hazardous duty employees:**
Not applicable**Defined Contribution Component:**

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

*Cost-of-Living Adjustment (COLA) in Retirement***Defined Benefit Component:**

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

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

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

Disability Coverage

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

Purchase of Prior Service

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

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

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

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

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

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

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	1
Inactive members:	
Vested inactive members	1
Non-vested inactive members	-
LTD	-
Inactive members active elsewhere in VRS	-
Total inactive members	<u>1</u>
Active members	<u>2</u>
Total covered employees	<u><u>4</u></u>

Contributions

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

If the employer used the certified rate: The Town of Brodnax, Virginia's contractually required contribution rate for the year ended June 30, 2023 was 2.15% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town of Brodnax, Virginia were \$788 and \$1,122 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Liability

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

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2021 using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

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

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Long-Term Expected Rate of Return

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

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

**The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.*

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2022, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at June 30, 2021	\$ 125,407	\$ 212,091	\$ (86,684)
Changes for the Year			
Service cost	8,868	-	8,868
Interest	8,952	-	8,952
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	(4,826)	-	(4,826)
Contributions - employer	-	1,122	(1,122)
Contributions - employee	-	3,443	(3,443)
Net investment income	-	(322)	322
Benefit payments, including refunds	(3,308)	(3,308)	-
Administrative expenses	-	(130)	130
Other changes	-	5	(5)
Net Changes	<u>9,686</u>	<u>810</u>	<u>8,876</u>
Balances at June 30, 2022	<u>\$ 135,093</u>	<u>\$ 212,901</u>	<u>\$ (77,808)</u>

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's Net Pension Liability (Asset)	\$ (58,883)	\$ (77,808)	\$ (92,939)

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

For the year ended June 30, 2023, the Town of Brodnax, Virginia recognized pension expense of \$(17,277). At June 30, 2023, the Town of Brodnax, Virginia reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,580	\$ 9,977
Changes of assumptions	1,985	-
Net difference between projected and actual earnings on pension plan investments	-	5,756
Employer contributions subsequent to the measurement date	788	-
Total	\$ 4,353	\$ 15,733

\$788 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended 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 as follows:

Year Ended June 30.	
2024	\$ (6,978)
2025	(3,267)
2026	(4,859)
2027	2,936
2028	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/202_2-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

The political subdivision recognize \$352 of payables to a pension plan outstanding at the end of the reporting period. This amount represents June 2023 legally required contributions to the pension plan due by July 10 per VRS reporting requirements.

16 Other Post-Employment Benefits - Line of Duty Act Program

Plan Description

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

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

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS	
Eligible Employees	The eligible employees of the LODA Program include paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under VRS, SPORS, or VaLORS.
Benefit Amounts	<p>LODA provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none"> Death: The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: <ul style="list-style-type: none"> \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001. Health Insurance: The LODA program provides health insurance benefits. <ul style="list-style-type: none"> The health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members.

Contributions

The contribution requirements for the LODA Program are governed by §9.1400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2023 was \$681.84 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$682 and \$1,445 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

At June 30, 2023, the entity reported a liability of \$39,700 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2022 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2022, the entity's proportion was .01049% as compared to .01042% at June 30, 2021.

For the year ended June 30, 2023, the entity recognized LODA OPEB expense of \$5,394. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the agency reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,050	\$ 7,420
Net difference between projected and actual earnings on LODA OPEB program investments	-	170
Change in assumptions	11,071	9,792
Changes in proportionate share	15,031	5,091
Employer contributions subsequent to the measurement date	<u>682</u>	<u>-</u>
Total	<u>\$ 29,834</u>	<u>\$ 22,473</u>

\$682 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30,</u>	
2024	\$ 55
2025	59
2026	63
2027	1,577
2028	1,551
Thereafter	3,374

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation - Locality employees	N/A
Medical cost trend rates assumption - Under age 65	7.00% - 4.75%
Ages 65 and older	5.25% - 4.75%
Year of ultimate trend rate Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	3.69%, including inflation*

**Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return.*

Mortality rates – Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the Line of Duty Act Program (LODA) is as follows (amounts expressed in thousands):

	Line of Duty Act Program
Total LODA OPEB Liability	\$ 385,669
Plan Fiduciary Net Position	<u>7,214</u>
LODA Net OPEB Liability (Asset)	<u><u>\$ 378,455</u></u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.87%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.69% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments' 6.75% assumption. Instead, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2022.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.69%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.69%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.69% or one percentage point higher (4.69%) than the current rate:

	1.00% Decrease 2.69%	Current Discount Rate 3.69%	1.00% Increase 4.69%
Covered Employer's Proportionate Share of the LODA Net OPEB Liability	\$ 45,317	\$ 39,700	\$ 35,104

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

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

	1.00% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1.00% Increase (8.00% decreasing to 5.75%)
Covered Employer's Proportionate Share of the LODA Net OPEB Liability	\$ 33,456	\$ 39,700	\$ 47,537

LODA OPEB Plan Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

17 Other Post-Employment Benefits - Political Subdivision Employee Virginia Local Disability Program

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the *Code of Virginia*, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits</p> <p>Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:</p> <ul style="list-style-type: none"> • Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.
<p>Benefit Amounts</p> <p>The Political Subdivision Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:</p> <p><u>Short-Term Disability:</u></p> <ul style="list-style-type: none"> • The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. • During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability. • Once the eligibility period is satisfied, employees are eligible for higher income replacement levels <p><u>Long-Term Disability:</u></p> <ul style="list-style-type: none"> • The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. • Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.
<p>Virginia Local Disability Program Notes:</p> <ul style="list-style-type: none"> • Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. • VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirement for active hybrid plan employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2023 was 0.85% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the political subdivision to the VRS Political Subdivision Employee Virginia Local Disability Program were \$272 and \$269 for the years ended June 30, 2023 and June 30, 2022, respectively.

Political Subdivision Employee Virginia Local Disability Program OPEB Liabilities, Political Subdivision Employee Virginia Local Disability Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Political Subdivision Employee Virginia Local Disability Program OPEB

At June 30, 2023, the political subdivision reported a liability (asset) of \$(41) for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2022 and the total VRS Political Subdivision Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The political subdivision's proportion of the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was based on the political subdivision's actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB 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 political subdivision's proportion of the VRS Political Subdivision Employee Virginia Local Disability Program was 0.00692% as compared to 0.01020% at June 30, 2021.

For the year ended June 30, 2023, the political subdivision recognized VRS Political Subdivision Employee Virginia Local Disability Program OPEB expense of \$208. Since there was a change in proportionate share between measurement dates a portion of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 57	\$ 87
Net difference between projected and actual earnings on Political Subdivision VLDP OPEB program investments	-	-
Changes of assumptions	2	15
Changes in proportion	1	50
Employer contributions subsequent to the measurement date	<u>272</u>	<u>-</u>
Total	<u>\$ 332</u>	<u>\$ 152</u>

\$272 reported as deferred outflows of resources related to the Political Subdivision Employee VLDP OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Political Subdivision Employee VLDP 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 Political Subdivision Employee VLDP OPEB will be recognized in the Political Subdivision Employee VLDP OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2024	\$ (17)
2025	(15)
2026	(27)
2027	(4)
2028	(9)
Thereafter	(20)

Actuarial Assumptions

The total Political Subdivision Employee VLDP OPEB liability for the VRS Political Subdivision Employee Virginia Local Disability Program 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 - Political subdivision employees	3.50% - 5.35%
Investment rate of return	6.75%, including inflation

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

Pre-Retirement:

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

Post-Retirement:

Pub-2010 Amount Weighted General 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 General Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

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

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

Net Political Subdivision Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision Employee Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the VRS Political Subdivision Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

		Political Subdivision Employee VLDP OPEB Plan
Total Political Subdivision Employee VLDP OPEB Liability	\$	7,360
Plan Fiduciary Net Position		<u>7,948</u>
Political Subdivision Employee VLDP Net OPEB Liability (Asset)	\$	<u>(588)</u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision Employee VLDP OPEB Liability		107.99%

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

Long-Term Expected Rate of Return

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

* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total Political Subdivision Employee VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the political subdivision for the VRS Political Subdivision Employee Virginia Local Disability

Program 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, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Political Subdivision Employee VLDP OPEB 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 Political Subdivision Employee VLDP OPEB liability.

Sensitivity of the Political Subdivision's Proportionate Share of the Political Subdivision Employee VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the political subdivision's proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 6.75%, as well as what the political subdivision's proportionate share of the net VLDP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Covered Employers Proportionate Share of the VRS Political Subdivision Employee VLDP OPEB Plan Net OPEB Liability (Asset)	\$ 4	\$ (41)	\$ (80)

Political Subdivision Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision Employee Virginia Local Disability Program's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/202_2-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Political Subdivision VLDP OPEB Plan

The political subdivision recognize \$23 of payables to a Virginia Local Disability Program OPEB plan outstanding at the end of the reporting period. This amount represents the June 2023 legally required contributions to the OPEB plan due by July 10 per VRS reporting requirements.

18 Aggregate OPEB Information

Primary Government					
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	Net OPEB (Asset)	OPEB Expense
VRS OPEB Plans					
<i>Line of Duty Act Program</i>					
Primary Government	\$ 29,834	\$ 22,473	\$ 39,700	\$ -	\$ 5,394
<i>Virginia Local Disability Program</i>					
Primary Government	332	152	-	(41)	208
Totals	\$ 30,166	\$ 22,625	\$ 39,700	\$ (41)	\$ 5,602

19 Upcoming Pronouncements

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

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

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

20 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2023 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2023. Management has performed their analysis through April 3, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Brodnax, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2023

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Real property taxes	\$ 45,000	\$ 45,000	\$ 41,734	\$ (3,266)
Personal property taxes	28,360	28,360	44,035	15,675
Delinquent taxes	1,300	1,300	1,295	(5)
Penalties and interest on taxes	251	251	1,475	1,224
Total General Property Taxes	74,911	74,911	88,539	13,628
Other Local Taxes				
Local sales and use taxes	22,000	22,000	26,348	4,348
Meals and lodging taxes	19,500	19,500	24,702	5,202
Communication taxes	8,000	8,000	7,243	(757)
Motor vehicle licenses	6,000	6,000	9,750	3,750
Business licenses	16,000	16,000	18,394	2,394
Utility and consumption taxes	7,700	7,700	8,101	401
Total Other Local Taxes	79,200	79,200	94,538	15,338
Permits, Privilege Fees, and Regulatory Licenses				
Other permits, licenses, and fees	50	50	120	70
Total Permits, Privilege Fees, and Regulatory Licenses	50	50	120	70
Fines and Forfeitures				
	34,488	34,488	38,639	4,151
Revenue from Use of Money and Property				
Revenue from use of property	6,000	6,000	6,600	600
Revenue from use of money	-	-	29	29
Total Revenue from Use of Money and Property	6,000	6,000	6,629	629
Charges for Services				
Garbage fees	34,500	34,500	39,897	5,397
Total Charges for Services	34,500	34,500	39,897	5,397
Miscellaneous				
Insurance reimbursement	-	-	42,967	42,967
Other	8,650	8,650	13,276	4,626
Total Miscellaneous	8,650	8,650	56,243	47,593

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Personal Property Tax Relief Act	7,700	7,700	7,687	(13)
Rolling stock tax	10	10	32	22
Total Noncategorical Aid	7,710	7,710	7,719	9
<i>Categorical Aid</i>				
Law Enforcement Grant	6,000	6,000	8,850	2,850
Litter Grant	1,000	1,000	1,595	595
Depot Grant	-	-	1,794	1,794
USDA Rural Development	-	-	11,253	11,253
VRSA Safety Grant	420	420	-	(420)
Fire Department Grant	-	-	17,410	17,410
Total Categorical Aid	7,420	7,420	40,902	33,482
Total Revenue from the Commonwealth of Virginia	15,130	15,130	48,621	33,491
<i>Revenue from the Federal Government</i>				
Housing and Community Development	-	-	608,693	608,693
ARPA Grant	-	-	64,920	64,920
Total Revenue from the Federal Government	-	-	673,613	673,613
Total Intergovernmental Revenue	15,130	15,130	722,234	707,104
Total Revenues	252,929	252,929	1,046,839	793,910
Current Expenditures				
General Government Administration				
Town Mayor	1,500	1,500	1,375	125
Town Council	2,400	2,400	1,560	840
Salaries and wages	80,264	80,264	80,489	(225)
Payroll taxes and fringe benefits	14,150	14,150	15,137	(987)
Advertising	100	100	548	(448)
ARPA Fund	-	-	64,920	(64,920)
Computer and software	100	100	-	100
Data processing - tax bills	600	600	1,357	(757)
Dues and subscriptions	175	175	620	(445)
Insurance	5,050	5,050	9,257	(4,207)
Professional fees	8,400	8,400	6,048	2,352
Miscellaneous	1,050	1,050	4,881	(3,831)
Office expense	4,200	4,200	4,131	69
Postage	850	850	416	434
Telephone	2,500	2,500	2,501	(1)
Total General Government Administration	121,339	121,339	193,240	(71,901)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Public Safety				
<i>Police Department</i>				
Salaries and wages	52,020	52,020	25,353	26,667
Payroll taxes and fringe benefits	1,400	1,400	3,835	(2,435)
Gas and oil	7,500	7,500	4,491	3,009
Insurance	6,500	6,500	414	6,086
Materials and supplies	500	500	135	365
Telephone	800	800	1,163	(363)
Uniforms	200	200	182	18
Vehicle repairs and maintenance	<u>2,000</u>	<u>2,000</u>	<u>3,646</u>	<u>(1,646)</u>
Total Police Department	70,920	70,920	39,219	31,701
<i>Fire Department</i>				
Gas and oil	1,500	1,500	1,404	96
Insurance	3,675	3,675	-	3,675
Materials and supplies	2,000	2,000	2,000	-
State funds	-	-	17,410	(17,410)
Utilities	2,200	2,200	2,370	(170)
Vehicle repairs and maintenance	<u>1,500</u>	<u>1,500</u>	<u>709</u>	<u>791</u>
Total Fire Department	<u>10,875</u>	<u>10,875</u>	<u>23,893</u>	<u>(13,018)</u>
Total Public Safety	81,795	81,795	63,112	18,683
Public Works				
<i>Buildings and grounds</i>				
Utilities	3,200	3,200	2,433	767
Insurance	3,700	3,700	1,197	2,503
Repairs and maintenance	2,950	2,950	841	2,109
<i>Sanitation and maintenance of streets, highways and bridges</i>				
Salaries	16,500	16,500	13,866	2,634
Payroll taxes and fringe benefits	1,200	1,200	8,380	(7,180)
Contract labor	-	-	9,214	(9,214)
Gas and oil	7,000	7,000	7,273	(273)
Repairs and maintenance	2,000	2,000	827	1,173
Street lights	6,800	6,800	38,962	(32,162)
Supplies	1,500	1,500	2,469	(969)
Utilities	100	100	5,388	(5,288)
Miscellaneous	300	300	71	229
Vehicle repairs and maintenance	<u>5,000</u>	<u>5,000</u>	<u>9,954</u>	<u>(4,954)</u>
Total Public Works	50,250	50,250	100,875	(50,625)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Planning and Community Development				
Roanoke River Rails to Trails	500	500	500	-
Lake Area Bus Service	2,500	2,500	-	2,500
Airport contribution	2,000	2,000	1,980	20
Housing project	-	-	608,693	(608,693)
Total Planning and Community Development	5,000	5,000	611,173	(606,173)
Parks, Recreation, and Cultural				
Park	-	-	11,265	(11,265)
Depot project	-	-	14,009	(14,009)
Total Parks, Recreation, and Cultural	-	-	25,274	(25,274)
Debt service	588	588	22,903	(22,315)
Total Expenditures	258,972	258,972	1,016,577	(757,605)
Excess (Deficiency) of Revenues Over Expenditures	(6,043)	(6,043)	30,262	36,305
Other Financing Sources (Uses)				
Contingency/surplus	(787)	(787)	-	787
Operating transfers in (out)	6,830	6,830	(19,005)	(25,835)
Total Other Financing Sources (Uses)	6,043	6,043	(19,005)	(25,048)
Net Change in Fund Balance	\$ -	\$ -	11,257	\$ 11,257
Fund Balance (Deficit) - Beginning of Year			(19,308)	
Fund Balance (Deficit) - End of Year			\$ (8,051)	

Town of Brodnax, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability
and Related Ratios
For Plan Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 8,868	\$ 8,750	\$ 8,631	\$ 6,427	\$ 6,126	\$ 6,161	\$ 3,900	\$ 3,865	\$ 16,598
Interest	8,952	7,666	7,663	6,614	9,888	10,637	5,718	7,259	5,781
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(4,826)	(5,255)	(13,003)	5,664	(55,578)	(11,194)	70,002	(30,300)	-
Changes of assumptions	-	2,305	-	3,502	-	(2,892)	-	-	-
Benefit payments	(3,308)	(3,268)	(3,210)	(3,133)	(11,265)	(15,558)	(3,155)	(2,522)	-
Net change in total pension liability	9,686	10,198	81	19,074	(50,829)	(12,846)	76,465	(21,698)	22,379
Total pension liability - beginning	125,407	115,209	115,128	96,054	146,883	159,729	83,264	104,962	82,583
Total pension liability - ending (a)	\$ 135,093	\$ 125,407	\$ 115,209	\$ 115,128	\$ 96,054	\$ 146,883	\$ 159,729	\$ 83,264	\$ 104,962
Plan fiduciary net position									
Contributions - employer	\$ 1,122	\$ 967	\$ 21	\$ 268	\$ 8,830	\$ 8,841	\$ 5,226	\$ 3,601	\$ 6,921
Contributions - employee	3,443	3,745	3,489	3,104	3,750	3,713	2,747	1,949	3,101
Net investment income	(322)	45,688	3,117	10,202	10,605	16,072	2,258	5,222	14,666
Benefit payments	(3,308)	(3,268)	(3,210)	(3,133)	(11,265)	(15,558)	(3,155)	(2,522)	-
Administrator charges	(130)	(109)	(103)	(98)	(87)	(96)	(70)	(67)	(69)
Other	5	4	(4)	(6)	(9)	(14)	(1)	(1)	1
Net change in plan fiduciary net position	810	47,027	3,310	10,337	11,824	12,958	7,005	8,182	24,620
Plan fiduciary net position - beginning	212,091	165,064	161,754	151,417	139,593	126,635	119,630	111,448	86,828
Plan fiduciary net position - ending (b)	\$ 212,901	\$ 212,091	\$ 165,064	\$ 161,754	\$ 151,417	\$ 139,593	\$ 126,635	\$ 119,630	\$ 111,448
Political subdivision's net pension liability - ending (a - b)	\$ (77,808)	\$ (86,684)	\$ (49,855)	\$ (46,626)	\$ (55,363)	\$ 7,290	\$ 33,094	\$ (36,366)	\$ (6,486)
Plan fiduciary net position as a percentage of the total pension liability	157.60%	169.12%	143.27%	140.50%	157.64%	95.04%	79.28%	143.68%	106.18%
Covered payroll	\$ 75,340	\$ 83,095	\$ 77,976	\$ 70,078	\$ 83,008	\$ 85,205	\$ 52,508	\$ 38,976	\$ 38,976
Political subdivision's net pension liability as a percentage of covered payroll	-103.28%	-104.32%	-63.94%	-66.53%	-66.70%	8.56%	63.03%	-93.30%	-16.64%

Town of Brodnax, Virginia

Schedule of Employer Contributions

Political Subdivisions Retirement Plan

For the Years Ended June 30, 2014 through 2023

Date	Contributions in Relation to			Contributions as a % of	
	Contractually Required Contribution (1)*	Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Covered Payroll (5)
2023	\$ 1,189	\$ 1,189	\$ -	\$ 76,690	1.55%
2022	1,620	1,620	-	75,340	2.15%
2021	1,787	1,787	-	83,095	2.15%
2020	694	694	-	77,976	0.89%
2019	624	624	-	70,078	0.89%
2018	8,903	8,903	-	83,008	10.73%
2017	8,943	8,841	102	85,205	10.38%
2016	4,852	4,858	(6)	52,508	9.25%
2015	3,601	3,601	-	38,976	9.24%
2014	4,350	6,649	(2,299)	38,976	17.06%

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

For Reference Only:

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

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

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

Town of Brodnax, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2023

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

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

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Town of Brodnax, Virginia

Schedule of Employer's Share of Net OPEB Liability
Line of Duty Act Program (LODA)
For the Measurement Dates June 30, 2017 through 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net LODA OPEB Liability (Asset)	0.01049%	0.01042%	0.00519%	0.00526%	0.00534%	0.00526%
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset)	\$ 39,700	\$ 45,951	\$ 21,736	\$ 18,873	\$ 17,000	\$ 14,000
Covered - Employee Payroll	\$ 54,229	\$ 55,761	\$ 49,951	\$ 49,067	\$ 50,212	\$ 50,360
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered - Employee Payroll	73.21%	82.41%	43.51%	38.46%	33.86%	27.80% *
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.87%	1.68%	1.02%	0.79%	0.60%	1.30%

Schedule is intended to show information for 10 years. Since 2022 is the sixth year for this presentation, there are only six years available. However, additional years will be included as they become available.

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

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Line of Duty Act Program (LODA) for each year is presented on page 136 of the VRS 2022 Annual Report.

Town of Brodnax, Virginia

Schedule of Employer Contributions

Line of Duty Act Program (LODA)

For the Years Ended June 30, 2014 through 2023

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll (4)	Contributions as a % of Covered - Employee Payroll (5)
2023	\$ 682	\$ 682	\$ -	\$ 26,147 *	2.61% *
2022	1,445	1,445	-	54,229 *	2.66% *
2021	1,435	1,435	-	55,761 *	2.57% *
2020	706	706	-	49,951 *	1.41% *
2019	706	706	-	49,067 *	1.44% *
2018	567	567	-	50,212 *	1.13% *
2017	567	567	-	50,360 *	1.13% *
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A

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

For Reference Only:

Column 1 - Employer contribution rate multiplied by the covered-employee payroll

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

Column 4 - Covered-employee payroll amount for the fiscal year

Town of Brodnax, Virginia

Notes to Required Supplementary Information – VRS LODA OPEB

For the Year Ended June 30, 2023

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

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

Town of Brodnax, Virginia

Schedule of Employer's Share of Net OPEB Liability Virginia Local Disability Program (VLDP) - Political Subdivisions For the Measurement Dates of June 30, 2017 through 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net VLDP OPEB Liability (Asset)	0.00692%	0.01020%	0.01100%	0.01294%	0.01647%	0.02157%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$ (41)	\$ (103)	\$ 110	\$ 262	\$ -	\$ -
Employer's Covered Payroll	\$ 32,399	\$ 40,996	\$ 40,996	\$ 39,996	\$ 39,996	\$ 39,600
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	-0.13%	-0.25%	0.27%	0.66%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	107.99%	119.59%	76.84%	49.19%	51.22%	38.40%

*Schedule is intended to show information for 10 years.
Since 2022 is the sixth year for this presentation, there are only six years available. However, additional years will be included as they become available.*

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Virginia Local Disability (VLDP) for each year is presented on page 133 of the VRS 2022 Annual Report.

Town of Brodnax, Virginia

Schedule of Employer Contributions

Virginia Local Disability Program

For the Years Ended June 30, 2014 through 2023

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2023	\$ 272	\$ 272	\$ -	\$ 32,032	0.85%
2022	269	269	-	32,399	0.83%
2021	340	340	-	40,996	0.83%
2020	295	295	-	40,996	0.72%
2019	288	288	-	39,996	0.72%
2018	240	240	-	39,996	0.60%
2017	238	238	-	39,600	0.60%
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A

For Reference Only:

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

Column 2 - Actual employer contribution remitted to VRS.

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

Town of Brodnax, Virginia

Notes to Required Supplementary Information – VLDP

For the Year Ended June 30, 2023

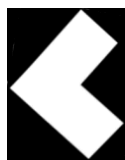
Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

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

Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

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

COMPLIANCE SECTION



**Creedle
Jones
& Associates**

A Professional Corporation

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

Sherwood H. Creedle, Founder

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

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

To the Town Council
Town of Brodnax, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Brodnax, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Brodnax, Virginia's basic financial statements and have issued our report thereon dated April 3, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Brodnax, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Brodnax, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Brodnax, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as an item that we consider to be a material weakness. [2023-001].

Report on Compliance and Other Matters

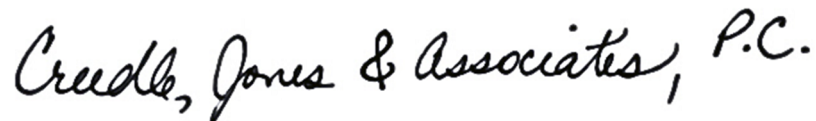
As part of obtaining reasonable assurance about whether Town of Brodnax, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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*.

Town of Brodnax, Virginia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Brodnax, Virginia's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Town of Brodnax, Virginia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

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

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

South Hill, Virginia
April 3, 2024

Town of Brodnax, Virginia

Schedule of Findings and Responses

For the Year Ended June 30, 2023

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the audited financial statements were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
a. Material weakness(es) identified?	Yes
b. Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Findings – Financial Statements Audit

Material Weaknesses

2023-001

Condition:

The Town's financial statements required material adjustments at the conclusion of audit fieldwork to ensure that such statements complied with Generally Accepted Accounting Principles (GAAP). Audit adjusting entries were proposed to record and correct accounts receivable, accounts payable, the allowance for doubtful accounts, cash balances, beginning net position, revenues, fixed assets, and to correct the posting of certain fringe benefits.

Criteria:

Per Statement of Auditing Standards 115, identification of material adjustments to the financial statements that are not detected by the entity's internal controls indicates that a material weakness still exists.

Cause:

Town management failed to identify all year-end accounting adjustments in a timely manner necessary for the Town's financial statements to be prepared in accordance with current reporting standards. Town management does not have proper controls in place to detect all adjustments in closing their year-end financial statements and to reconcile financial activity to ensure timely reporting.

Effect:

There is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented by the entity's internal controls over financial reporting.

Recommendation:

Town management should have procedures in place to properly identify and record year-end closing entries to the accounting system in a timely manner.

Views of Responsible Officials and Planning Corrective Actions:

The Town is considering corrective action for the upcoming fiscal year-end.