Town of Halifax, Virginia

Annual Comprehensive Financial Report

Year Ended June 30, 2022

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

Town of Halifax, Virginia

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Year Ended June 30, 2022

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Halifax, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Halifax, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Halifax, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Halifax, Virginia, as of June 30, 2022, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, the Town adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Halifax, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise a substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Halifax, Virginia's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Halifax, Virginia's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 1-11, 55, and 56-61 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 March 14, 2023, on our consideration of the Town of Halifax, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Halifax, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Halifax, 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
March 14, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Halifax, Virginia presents the following discussion and analysis as an overview of the Town of Halifax, Virginia's financial activities for the fiscal year ending June 30, 2022. We encourage readers to read this discussion and analysis in conjunction with the Town's basic financial statements.

Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources by $2,307,705. Of this amount, $686,847 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by $305,298 during the current fiscal year.
- As of June 30, 2022, the Town's Governmental Funds reported combined ending fund balances of $552,907, an increase of $70,288 in comparison with the prior year. Approximately 100% of this amount is available for spending at the Town's discretion (unassigned fund balance).
- At the end of fiscal year 2022, the unassigned fund balance was $552,907, or approximately 31.1% of total general fund expenditures

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The Town utilizes one type of fund:

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

Notes to the Basic Financial Statements

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

Other

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2021 and 2022

	Governmental Activities	
	2022	**2021**
Assets		
Current and other assets	$ 849,369	$ 1,049,952
Right to use asset, net	33,570	-
Capital assets	2,557,691	2,368,760
Lease receivable, noncurrent	114,551	
Net pension asset	388,682	103,420
Total Assets	3,943,863	3,522,132
Deferred Outflows of Resources	89,996	116,889
Total Assets and Deferred Outflows of Resources	$ 4,033,859	$ 3,639,021
Liabilities		
Other liabilities	$ 246,595	$ 59,484
Net OPEB liability	21,306	29,705
Unearned grant	-	470,774
Lease liability	38,571	-
Long-term debt outstanding	936,833	1,017,834
Compensated absences	59,972	56,909
Total Liabilities	1,303,277	1,634,706
Deferred Inflows of Resources	422,877	1,908
Net Position		
Net investment in capital assets	1,620,858	1,350,926
Restricted capital improvements	-	13,777
Unrestricted	686,847	637,704
Total Net Position	2,307,705	2,002,407
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 4,033,859	$ 3,639,021

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, 2022 and 2021

	Governmental Activities	
	2022	**2021**
Revenues		
Program Revenues		
Charges for services	$ 72,823	$ -
Operating grants and contributions	752,387	379,243
General Revenues		
Property taxes	404,356	409,136
Other local taxes	431,414	405,824
Other general revenue	70,519	107,109
Unrestricted revenues from use of money and property	65,252	40,350
Total Revenues	1,796,751	1,341,662
Program Expenses		
General government administration	337,134	376,982
Public safety	530,077	504,096
Public works	274,713	297,428
Parks, recreation, and cultural	65,622	42,275
Community development	250,849	35,650
Interest on long-term debt	33,058	31,072
Total Program Expenses	1,491,453	1,287,503
Increase in Net Position	305,298	54,159
Beginning Net Position	2,002,407	1,948,248
Ending Net Position	$ 2,307,705	$ 2,002,407

Governmental activities increased the Town's net position by $305,298 for fiscal year 2022. Revenues from governmental activities totaled $1,796,751. Operating grants and contributions comprise the largest source of these revenues, totaling $752,387 or 41.9% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was $1,491,453. Public safety was the Town's largest program with expenses totaling $530,077. General government administration, which totals $337,134, 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, 2022 and 2021

	2022		2021	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government administration	$ 337,134	$ (337,134)	$ 376,982	$ (121,738)
Public safety	530,077	(385,915)	504,096	(384,597)
Public works	274,713	(274,713)	297,428	(297,428)
Parks, recreation and cultural	65,622	(61,122)	42,275	(37,775)
Community development	250,849	425,699	35,650	(35,650)
Interest on long-term debt	33,058	(33,058)	31,072	(31,072)
Total	$1,491,453	$ (666,243)	$ 1,287,503	$ (908,260)

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The Town's governmental funds reported combined ending fund balances of $552,907. The combined governmental fund balance increased $70,288 from the prior year.

The General Fund is the only operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of $552,907. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 31.1% 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, 2022 and 2021

	2022			2021		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues						
Taxes	$ 388,900	$ 388,900	$ 416,365	$ 375,500	$ 377,000	$ 409,136
Other local taxes	426,300	426,300	431,415	349,300	347,800	405,824
Permits and fees	1,200	1,200	970	1,200	1,200	1,120
Fines and forfeitures	60,000	60,000	71,853	50,000	50,000	78,250
Other general revenues	67,039	67,039	60,411	28,000	1,636	27,739
Unrestricted revenues from use of money and property	44,510	44,510	65,252	44,510	40,510	40,350
Intergovernmental	363,361	363,361	762,495	525,151	917,771	379,243
Total	1,351,310	1,351,310	1,808,761	1,373,661	1,735,917	1,341,662
Expenditures	1,985,608	1,985,608	1,775,324	1,410,700	1,772,956	1,925,744
Excess (Deficiency) of Revenues Over Expenditures	(634,298)	(634,298)	33,437	(37,039)	(37,039)	(584,082)
Other Financing Sources (Uses)						
Prior year surplus	634,298	634,298	-	37,039	37,039	-
Lease liabilities assumed	-	-	36,851	-	-	-
Proceeds from loans	-	-	-	-	-	582,100
Total	634,298	634,298	36,851	37,039	37,039	582,100
Change in Fund Balance	$ -	$ -	$ 70,288	$ -	$ -	$ (1,982)

Actual revenues were more than final budget amounts by $457,451, or 33.9%, while actual expenditures were $210,284, or 10.6%, less than final budget amounts.

There were no budget amendments during the year to reflect grant funds received.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2022, the Town's governmental activities net capital assets total $2,557,691, which represents a net increase of $188,931 or 8% over the previous fiscal year-end balance as summarized in the following table:

Change in Capital Assets

Governmental Activities

	Balance July 1, 2021	Net Additions and Deletions	Balance June 30, 2022
Land	$ 165,637	$ -	$ 165,637
Building and improvements	2,711,328	254,648	2,965,976
Machinery, equipment, and vehicles	889,847	52,903	942,750
Total Capital Assets	3,766,812	307,551	4,074,363
Less: Accumulated depreciation and amortization	(1,398,052)	(118,620)	(1,516,672)
Total Capital Assets, Net	$ 2,368,760	$ 188,931	$ 2,557,691
Right to use leased assets	$ 6,797	$ 36,851	$ 43,648
Less: Accumulated amortization	-	10,078	10,078
Total Right to Use Leased Assets, Net	$ 6,797	$ 26,773	$ 33,570

Long-Term Debt

As of June 30, 2022, the Town's long-term obligations total $996,805.

		Governmental Activities	
		2022	2021
General obligation debt	$	936,833	$ 1,017,834
Compensated absences		59,972	56,909
	$	996,805	$ 1,074,743

More detailed information on the Town's long-term obligations is presented in Note 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 2023 budget.

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

This along with other indicators were taken into account when adopting the General Fund budget for 2023, which accounts for most of the Town's operational costs. The fiscal year 2023 adopted budget anticipates General Fund revenues and expenditures to be $1,470,204, an 8.79% increase over the fiscal year 2022 original budget.

MANAGER'S STATEMENT

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

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

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

A Department of Historic Resources (DHR) cost-share grant to expand the boundary of the existing Mountain Road Historic District was completed in June 2015 to enhance preservation efforts throughout the significant historic footprint of the Town and to bolster tax credit eligibility for new private investments. The former Halifax Elementary School was purchased from Halifax County by Halifax Lofts, LLC in April 2016 to convert the building into 30 market rate loft apartment units at an estimated construction cost of $2.7 million, which was opened for leasing in August 2017 and fully let by December 2017. The Town worked previously with DHR to complete historic district designation including the downtown central business district. This designation of the "Town of Halifax Court House Historic District" makes qualifying historic buildings eligible for tax credits.

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

The Town received grant funding from VDOT to design and construct improvements for the Banister River Gateway Project to enhance the area adjacent to the new bridge constructed by VDOT on VA Scenic Byway 360. A dedication ceremony of the King's Bridge Landing and the naming of the James Stone Easley Memorial Bridge took place on April 24, 2015. The facility improvements include bridge streetlights, a gateway sign, and a wayside with lighted parking which will provide interpretive signage, a river overlook near the old King's Bridge stone piers, river access as part of the Southern Virginia Wild Blueway (SVWB) regional canoe trail system and future trailhead to the Tobacco Heritage Trail (THT). The Town negotiated with SunTrust Bank to secure a grant reimbursement loan for interim financing during the construction phase so as not to encumber regular operational costs and account balances. VDOT reimbursement of $437,893 in construction was received before June 30, 2015 to pay down the SunTrust loan, which matured on July 31, 2015. Town Council approved the use of reserve funds until the additional VDOT grant reimbursements were processed. Because VDOT funds had to be re-allocated to the project, and due to an extended post-construction review by VDOT, the drawdown/reimbursement, which was originally anticipated to be approximately $147,000, was received in the FY 2018-19 budget year at a reduced amount of $77,500, reflecting a change in reimbursement eligibility for certain expenditures after the construction costs were completed prior to project close-out.

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

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

Working with Halifax County as the grant recipient utilizing Virginia Department of Transportation (VDOT) enhancement funds, the 1st Phase of the downtown utility relocation was completed in 2012 as part of the multifaceted Halifax Downtown Revitalization Project in which earlier construction of streetscape and building façade improvements began in 2006. VDOT approved Halifax County's use for the remaining balance of funds to perform engineering/design services from Hurt & Proffitt to extend decorative streetlights with streetscaping and landscaping surrounding the Halifax County War Memorial north of the historic Courthouse Square at the intersection of Mountain Road and Houston Street and continuing along North Main Street toward Church Street. Following the design phase, construction funding has been sought by the Town with the assistance from the SSPDC utilizing MAP-21 grants through VDOT; $164,844 in preliminary construction funds were awarded by VDOT in FY 2017. Another grant request, submitted in November 2017, received an additional award by VDOT of $231,444 in FY 2018, which will allow the final construction plans to be developed for bid on the estimated $495,361 project total. Smart Scale funds totaling $739,000 were awarded by the Commonwealth Transportation Board (CTB) as part of the 2020-2026 Six Year Improvement Plan (SYIP) expended directly by VDOT to improve the turning radius at the intersection of North Main Street (US Hwy 501) and Mountain Road (VA Scenic Byway 360), next to the Halifax County War Memorial; the original scope included $150,000 for engineering, $391,607 for utility relocation and $197,318 in roadway construction, but the SYIP timeline pushes preliminary engineering out to 2023 for construction to be completed by 2027. In June 2019, VDOT discovered construction activities overlapped in both grants. For these reasons, VDOT recommended merging the grants into one project. Halifax Town Council approved the VDOT resolution for project administration and programming on January 14, 2020, allowing VDOT to oversee and administer the merged projects. The base bid improvements for UPC#11724 included the construction of ADA compliant sidewalks and crosswalks, landscape areas and decorative streetlights around the Halifax War Memorial and Maple Avenue Parking Area, in addition to the installation of the crosswalk at Church Street and North Main Street in tandem with the turning radius (UPC#115494). The additive bid improvements involved the installation of decorative streetlights from Houston Street along the east side of North Main Street to the crosswalk at Church Street; this additive plan also required demolition, repair, and modification of sidewalk sections to install the conduit and decorative light post anchors within the VDOT right-of-way. On May 12, 2020, Halifax Town Council authorized the execution of agreements with VDOT to administer construction of the base bid of $366,000 including the $91,287.07 for CEI, Survey & Contingencies totaling $457,287.07, for the MAP-21 (TAP) portion, the completion of the merged Halifax Downtown Streetscape/War Memorial Enhancement and VDOT Smart Scale Turning Radius Improvements by Ramirez Contracting, LLC. The project was substantially completed prior to the Veteran's Day Services in November 2020. The revised Smart Scale funding eliminated the utility relocation costs, which cannot be performed within the accelerated schedule timeframe. The Town engaged Hill Studio PC-Kittelson Associates to update the Halifax Downtown Revitalization Master Plan, focusing on a Traffic Safety, Pedestrian-Parking Connections & Strategic Wayfinding Sign Plan. Hill Studio has been involved with a number of successful planning, design and construction project initiatives for the Town of Halifax, and recently the firm partnered with Kittelson Associates to update the City of Lynchburg's Downtown Master Plan. This plan was developed through a 3-day design charrette performed by the consulting team featuring interactive sessions and walking tours with the "Here's Halifax!" Working Groups in October 2020. The Halifax Downtown Connections Plan, including concept renderings for the Change X Alleyway, preliminary wayfinding examples, and other place-making enhancements, totaled $18,000 (planning & design), and the wayfinding sign design work for fabrication and installation totals $4,000 (design & installation), making a total commitment of $22,000 paid by the Town in planning and design for DHCD's application, Halifax Downtown Connections: Place Making & Wayfinding. A ChangeX "Urban Thinkscape" grant with Microsoft, totaling $5,000 has already been secured, whereby $3,500 of the $7,000 requested from DHCD will be utilized as construction match along with $3,500 in Town funds for the alleyway improvements, totaling $12,000. For the downtown wayfinding signage, the South Boston-Halifax County Rotary Club has committed $5,500 with the aid of a Rotary District grant to fabricate and install corresponding number of signs at strategic locations downtown including the north and south approaches to the alleyway's east-west axis and crosswalk on Main Street. $3,500 in CVG funds is being requested by the Town, which has committed $6,000 for this phase of wayfinding sign installations, budgeted at $15,000 total (construction). As a critical part of the Town's economic recovery, particularly in response to the pandemic, these plans also connect downtown parking, pedestrian circulation and development to several empty Main Street properties for a healthier business climate. Property redevelopment will address underutilized, vacant sites that have hindered unifying and connecting with the surrounding downtown core area, will promote healthy and safe community outdoor engagement, and will help entice more commercial businesses to the area. On December 14, 2021, Town Council voted to acquire the former Exxon service station property at a cost of $220,000, utilizing American Recovery Plan Act (ARPA) funds. The property has been recognized as a critical part of the Town's economic recovery, particularly in response to the pandemic, with plans to incorporate the site into downtown parking, pedestrian circulation and development for a healthier business climate. Working with the SSPDC, the Town was awarded a $100,000 Industrial Revitalization Fund (IRF) planning grant from the Department of Housing and Community Development (DHCD). Property redevelopment will improve a vacant site that has hindered unifying and connecting with the surrounding downtown core area, will promote healthy and safe community outdoor engagement, and will help entice more commercial businesses to the area. The feasibility study award will address building programming (identification of highest and best uses for the entire Exxon & lower level of the adjoining former Halifax Tire Company building), create existing and proposed floor plan of both buildings, a proforma development (Exxon building & site use only), construction budget development with preliminary design concepts and basic rendering sketches (both Halifax Tire and Exxon properties), a professional market demand study for proposed new building use, structural, lead hazard assessments or other assessments designed to ensure safe and healthy environments for future uses, structural assessment on both properties and identification of tenants or end users (Exxon building and property joint use). In January 2022, DHCD also awarded to the Town an additional $50,000 to complete the Banister Neighborhood Rehabilitation Planning Grant to further study eligibility and need for substantial reconstruction or rehabilitation of approximately 15 low to moderate income (LMI) households for a Community Development Block Grant (CDBG) construction improvement grant.

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

This year in order to balance the budget, the Finance Committee recommended an increase in the tax rate for Real Property to .19 per $100 assessed value from .175 per $100 assessed value which has been in effect since 2010, following the revenue neutral reduction to .18 per $100 assessed value in 2008 from .19 per $100 assessed value held in 2004 when real estate began trending up prior to the "Great Recession" (this compares to .27 per $100 [upcoming year] from .21 per $100 in South Boston [current year]). The 2022 reassessment value of real estate within Town's corporate limits prepared by the Halifax County Commissioner of Revenue's Office equals $105,248,643 for real estate (4.67% increase from 2021), and the current assessment trend continues to indicate more favorable valuations for Town properties versus the county as a whole. The 2019 reassessment value of real estate within Town's corporate limits increased slightly to $99,223,311 (+0.008%) up from the 2018 assessment equaling $98,424,648, (a climb by 1.60% from the 2016 $96,327,700 assessment). 2016's valuation reflected a 0.46% increase from the 2015 assessment of $95,891,525, with 2014's property valuation of $94,727,415 marking a 0.98%

decrease from the 2012 assessment of $96,065,118. In the FY 2021-22 Budget, the Meals Tax was raised to 6% from 4%, equaling the rate of South Boston and Halifax County. The Machine & Tool Tax has held at .50 since 2014 where it remains competitive compared to the Halifax County rate of $1.26 per $100 value. The tax on personal property holds at $1.68 per $100 assessed (compared to $2.00 per $100 in South Boston) and this year the amount of relief to owners of eligible personal property remains at the current 0.5189 PPTRA rate. The Finance Committee focused on revising all Town departments' expenses, including those with personnel, in light of impacts due to COVID-19 which varied compared to those experienced during the current FY 2021-22 Amended Budget because of increased price of materials, contracted services and substantially higher fuel prices. The Budget totals $1,470,204 which is an 8.79% increase (+$118,894), from the current year's FY 2021-2022 Amended Budget which equaled $1,351,310 + $627,698 in 1st tranche American Rescue Plan Act (ARPA), totaling $1,979,008 allocated budget. The Amended 2021-2022 Budget adopted on October 12, 2021, reflects the Finance Committee's recommendation to follow US Treasury Uniform Guidance Requirements (2 CRF Part 200), for identified eligible expenses by allocating generally into the following categories by percentage % (these may be revised when specific totals are finalized or revised per project/expenses under these categories) ARPA Fund Revenues = $627,698 with Preliminary Projected Expense Categories: Economic Recovery-$408,003 (65%); Broadband-$62,770 (10%); Infrastructure-$62,770 (10%); Housing-$31,385 (5%); Essential Workers-$31,385 (5%); Contingency*-$31,385 (5%[* Contingency may fall under all categories above {Economic Recovery, Broadband, Infrastructure, Housing, Essential Workers}, in addition to other US Treasury approved expenses, including public health and lost revenue]). The 2022-23 ARPA Revenues (2nd tranche & estimated carryover FY 21-22), equal $934,110, creating a total projected allocation of $2,404,314 (+21.49%/+$425,306 from current year). In addition to ARPA, the variability of the budget is also due to the grant funded projects and capital expenses continuing from the Amended FY 2021-22 Budget, the USDA-RD grant/loans for new vehicles (Police & Sanitation), DHCD South Main Street-Exxon Plaza Project IRF Planning Grant in downtown (Administrative), and the FEMA-DHR grant for repairs at King's Bridge Landing (Streets & Administrative). This year's budget strives to support personnel who've provided essential services during the pandemic while factoring the rate of inflation. In Public Safety, the Police Department retains its roster of 5 Full-time officers, including the Chief, with compensation and certain operational expense total averages increasing between 15.61%-22.0%. Fire Department funding increases by 9.85%. The Sanitation Department utilizes 3 Full-time employees with compensation and operation expenses ranging from 9.41%-35.0% given the increase in gas prices. The Town's healthcare plan premium cost has increased for the first time in 4 years to 8.5%; all employees now pay the 5% contribution rate to the Virginia Retirement System (VRS) with enhanced hazardous duty benefits for Law Enforcement Officers (LEOs) becoming effective July 1, 2018.

While Halifax has strived to continue a very consumer friendly tax rate structure by utilizing additional revenues other than property taxes, increases in the cost of services, particularly in law enforcement, along with the highlighted capital improvement projects, may require additional rate adjustments in future budget cycles. The Finance Committee's strategy of reducing the tax burden on local residents and businesses during difficult economic times by diversifying income allocations, tightening operational costs, conserving resources and attracting increased visitation, sustainable business growth and private capital investments, has been successful to date. However, revenue growth, compared to inflationary costs has remained very marginal.

The Town's budget reflects a reasonable spending plan, with increases occurring in some operational costs while capital projects are ongoing. It continues the focus on expenditures, which if properly planned over the near term will help bring back the economic vitality our residents expect and deserve. Momentum created by the Halifax Downtown Revitalization Project, the Banister River Gateway Project, the Banister Lake Boat Landing Project, the completion of the Halifax Lofts, and the completion of the VDOT Smart Scale-Streetscape Extension Project in tandem with the Halifax County Courthouse Renovation Project continue to attract new economic opportunities and greater potential for additional private investment by embracing a shared community vision for the historic County Seat.

All of these factors were considered in preparing the Town's budget for the 2022 fiscal year.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

Exhibit 1

Town of Halifax, Virginia

Statement of Net Position

June 30, 2022

	Governmental Activities
Assets	
Current Assets	
Cash	$ 758,201
Receivables	
Taxes, including penalties	25,065
Lease, current	30,763
Other	35,340
Total Current Assets	849,369
Noncurrent Assets	
Lease receivable, noncurrent	114,551
Right to use leased assets, net of amortization	33,570
Capital Assets	
Land	165,637
Depreciable assets, net of accumulated depreciation	2,392,054
Capital Assets, Net	2,557,691
Total Noncurrent Assets	2,705,812
Other Assets	
Net pension asset	388,682
Total Assets	3,943,863
Deferred Outflows of Resources	
OPEB	7,814
Pension	82,182
Total Deferred Outflows of Resources	89,996
Total Assets and Deferred Outflows of Resources	$ 4,033,859
Liabilities	
Current Liabilities	
Accounts payable	$ 236,718
Accrued expenses	9,877
Total Current Liabilities	246,595
Long-Term Liabilities	
Due within one year	
Notes, bonds, other	72,877
Lease liabilities	13,791
Due in more than one year	
Notes, bonds, other	863,956
Compensated absences	59,972
Lease liabilities	24,780
OPEB liability	21,306
Total Long-Term Liabilities	1,056,682
Total Liabilities	1,303,277
Deferred Inflows of Resources	
OPEB	8,988
Leases	139,625
Pension	274,264
Total Deferred Inflows of Resources	422,877
Net Position	
Net investment in capital assets	1,620,858
Unrestricted	686,847
Total Net Position	2,307,705
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 4,033,859

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

Exhibit 2

Town of Halifax, Virginia

Statement of Activities

For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities	Total
Primary Government						
Governmental Activities						
General government administration	$ 337,134	$ -	$ -	$ (337,134)	$ (337,134)	$ (337,134)
Public safety	530,077	72,823	71,339	(385,915)	(385,915)	(385,915)
Public works	274,713	-	-	(274,713)	(274,713)	(274,713)
Parks, recreation, and cultural	65,622	-	4,500	(61,122)	(61,122)	(61,122)
Community development	250,849	-	676,548	425,699	425,699	425,699
Interest on long-term debt	33,058	-	-	(33,058)	(33,058)	(33,058)
Total Governmental Activities	1,491,453	72,823	752,387	(666,243)	(666,243)	(666,243)
Total Primary Government	$ 1,491,453	$ 72,823	$ 752,387	$ (666,243)	(666,243)	(666,243)
General Revenues						
Taxes						
General property taxes, real and personal					404,356	404,356
Other local taxes					431,414	431,414
Other general revenue					70,519	70,519
Unrestricted revenues from use of money and property					65,252	65,252
Total General Revenues					971,541	971,541
Change in Net Position					305,298	305,298
Net Position - Beginning of Year					2,002,407	2,002,407
Net Position - End of Year					$ 2,307,705	$ 2,307,705

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

Town of Halifax, Virginia

Balance Sheet

June 30, 2022

		General Fund
Assets		
Cash	$	758,201
Receivables		
Taxes, including penalties		25,065
Lease		145,314
Other		35,340
Total Assets	$	963,920
Liabilities		
Accounts payable	$	236,718
Accrued liabilities		9,605
Total Liabilities		246,323
Deferred Inflows of Resources		
Unavailable revenue - property taxes		25,065
Leases		139,625
Total Deferred Inflows of Resources		164,690
Fund Balances		
Unassigned		552,907
Total Fund Balances		552,907
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$	963,920

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

Town of Halifax, Virginia

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

At June 30, 2022

Total Fund Balances for Governmental Funds		$ 552,907
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	$ 165,637	
Buildings and improvements, net of accumulated depreciation	2,183,017	
Furniture, equipment, and vehicles, net of accumulated depreciation	209,037	
Total Capital Assets		2,557,691
Right to Use Assets, net of accumulated amortization		33,570
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds financial statements.		
Unavailable revenue - property taxes		25,065
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	82,182	
Deferred outflows of resources related to OPEB	7,814	
Deferred inflows of resources related to pensions	(274,264)	
Deferred inflows of resources related to OPEB	(8,988)	
Total Deferred Outflows and Inflows of Resources		(193,256)
Liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.		
Balances of long-term liabilities affecting net position are as follows:		
Bonds and notes payable	(936,833)	
Net pension asset	388,682	
Interest payable on lease liability	(272)	
Lease liabilities and related interest payable	(38,571)	
Net OPEB liability	(21,306)	
Compensated absences	(59,972)	
Total		(668,272)
Total Net Position of Governmental Activities		$ 2,307,705

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

Town of Halifax, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2022

	General Fund
Revenues	
General property taxes	$ 416,365
Other local taxes	431,415
Permits and fees	970
Fines and forfeitures	71,853
Miscellaneous	60,411
Use of money and property	65,252
Intergovernmental	
Revenue from the Commonwealth of Virginia	64,276
Revenue from the Federal Government	698,219
Total Revenues	1,808,761
Expenditures	
Current	
General government administration	294,860
Public safety	522,015
Public works	246,804
Parks, recreation, and cultural	65,622
Community development	532,354
Debt service and fiscal charges	113,669
Total Expenditures	1,775,324
Excess (Deficiency) of Revenues Over Expenditures	33,437
Other Financing Sources (Uses)	
Lease liabilities assumed	36,851
Total Other Financing Sources (Uses)	36,851
Net Change in Fund Balance	70,288
Fund Balance - Beginning of Year, Restated	482,619
Fund Balance - End of Year	$ 552,907

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

Town of Halifax, Virginia

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

Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds		$ 70,288
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	$ 307,551	
Depreciation	(118,620)	
		188,931
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.		(12,009)
Bonds, long-term purchase obligations, and lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.		
Repayments on debt	81,001	
Net Adjustment		81,001
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Pension contributions and related accounts	(15,650)	
		(15,650)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Changes in the following accounts are as follows:		
Net OPEB	1,073	
Lease liabilities and related accounts adjustments	(5,273)	
Compensated absences	(3,063)	
Net Adjustment		(7,263)
Change in Net Position of Governmental Activities		$ 305,298

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

1 Summary of Significant Accounting Policies

Narrative Profile

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

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

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

1-A. *Financial Reporting Entity*

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

1-B. Financial Reporting Model

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1-C. Financial Statement Presentation

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

- *Governmental Funds* – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the Town's major governmental funds:
    - *General Fund* – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
    - *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. There are no Special Revenue Funds as of June 30, 2022.
    - *Capital Projects Funds* – The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. There are no Capital Projects Funds as of June 30, 2022.

- *Proprietary Funds* – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Proprietary Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the cost of providing services to the general public be financed or recovered through user charges. There are no Enterprise Funds as of June 30, 2022.

- *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, 2022.

1-D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

1-E-1 Cash and Cash Equivalents

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

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

1-E-2 Investments

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

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

1-E-3 Receivables and Payables

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

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

Real and Personal Property Tax Data

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

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

The Town bills and collects its own property taxes.

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

1-E-4 Lease Receivable

The Town's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Town may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

1-E-5 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-6 Capital Assets

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

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

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

Asset Description	Estimated Lives
Buildings	20-50 years
Machinery and equipment	5-10 years
Improvements	10-20 years
Other infrastructure	10-50 years

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

1-E-7 Right to Use Assets

The Town has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

1-E-8 Deferred Outflows/Inflows of Resources

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

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

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

1-E-9 Compensated Absences

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

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

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

1-E-10 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-11 Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-12 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:

<u>Nonspendable</u> – 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.

<u>Restricted</u> – 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.

<u>Committed</u> – 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.

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

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

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

1-E-13 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings and gains or losses on the disposition of capital assets. The Town has no proprietary funds as of June 30, 2022.

1-E-14 Interfund Activity

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

1-E-15 Long-Term Obligations

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

1-E-16 Adoption of New GASB Statements

The Town adopted the following GASB statements during the year ended June 30, 2022:

Statement No. 87, Leases increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this statement are effective for the fiscal year ending June 30, 2022 for the Town.

GASB Statement No. 92, Omnibus 2020 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of GASB Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports. (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of GASB Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of GASB Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments. The requirements of this statement are effective for the fiscal year ending June 30, 2022 for the Town.

Statement No. 93, Replacement of Interbank Offered Rates, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021. The requirements of this statement are effective for the fiscal year ending June 30, 2022 for the Town.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32. This Statement provides a more consistent financial reporting of defined contribution plans, defined contribution OPEB plans and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain provisions of this Statement are effective for fiscal year 2022 for the Town.

GASB Statement No. 98, *The Annual Comprehensive Financial Report,* This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this statement are effective for the fiscal year ending June 30, 2022 for the Town.

1-F. *Estimates*

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

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

Budgetary Data

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

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

Expenditures in Excess of Appropriations

Expenditures did not exceed appropriations in the General Fund at June 30, 2022.

Fund Deficits

No funds had fund deficits.

3 Deposits and Investments

Deposits

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

Investments

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

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

The following is a summary of cash and cash equivalents:

Asset Type	Balance June 30, 2022
Petty cash	$ 300
Deposit accounts	757,901
Total Cash and Cash Equivalents	$ 758,201

4 Receivables

Receivables at June 30, 2022 consist of the following:

	Governmental Activities General
Property taxes receivable	$ 25,065
Other receivables	35,340
Total Receivables	$ 60,405

5 Lease Receivable

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

Property Description	Original Date	Renewal Payment Terms	Next Payment Amount	Interest Rate	Balance June 30, 2022
nTelos (T-Mobile) Ground Space, Water Tower	3/30/2009	5 years, renewable	$12,960 year	4.00%	$ 24,418
New Cingular Wireless PCS, LLC (AT&T) Ground Space, Water Tower	5/21/2008	5 years, renewable	$1,750 month	4.00%	106,642
Land and Building, Halifax Marketplace, 209 South Main Street	6/9/2020	5 years	$400/month	4.00%	14,254
Totals					$ 145,314

Lease-Related Revenue	Year Ending June 30, 2022
Lease revenue	$ 35,709
Interest revenue	6,470
Total	$ 42,179

Annual payments to be received are as follows:

Fiscal Year	Receivable Principal	Interest Income
2023	$ 30,763	$ 5,497
2024	34,571	4,189
2025	23,020	2,780
2026	19,897	1,903
2027	19,879	1,121
2028	17,184	316
Totals	$ 145,314	$ 15,806

6 Capital Assets

The following is a summary of changes in capital assets:

Primary Government

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital Assets Not Being Depreciated				
Land	$ 165,637	$ -	$ -	$ 165,637
Total Capital Assets Not Being Depreciated	165,637	-	-	165,637
Other Capital Assets				
Buildings and improvements	2,711,328	254,648	-	2,965,976
Equipment	889,847	52,903	-	942,750
Total Other Capital Assets	3,601,175	307,551	-	3,908,726
Less: Accumulated depreciation for				
Buildings and improvements	715,115	67,844	-	782,959
Equipment	682,937	50,776	-	733,713
Total Accumulated Depreciation	1,398,052	118,620	-	1,516,672
Net Capital Assets	$ 2,368,760	$ 188,931	$ -	$ 2,557,691

Depreciation expense was allocated as follows:

General government administration	$ 36,609
Public works	22,030
Public safety	39,639
Community development	20,342
Total Depreciation Expense	$ 118,620

7 Right to Use Leased Assets

The Town has recorded the right to use leased assets. The assets are right to use for leased equipment and a vehicle. The related leases are discussed in the Leases notes. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the year ended June 30, 2022 was as follows:

Governmental Activities

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Right to use assets				
Equipment	$ -	$ 36,851	$ -	$ 36,851
Vehicle	6,797	-	-	6,797
Total	6,797	36,851	-	43,648
Less: accumulated amortization for				
Equipment	-	4,980	-	4,980
Vehicle	-	5,098	-	5,098
Total	-	10,078	-	10,078
Right to use assets. Net	$ 6,797	$ 26,773	$ -	$ 33,570

	Amortization Expense
General government administration	$ 4,980
Public safety	5,098
Total	$ 10,078

8 Compensated Absences

Each Town employee earns vacation at the rate of a minimum of 6.68 hours per month up to 10 hours per month based on years of service. Sick leave is earned at the rate of 8 hours per month. Sick leave is paid based on 25 percent of unused sick leave up to a maximum of $2,500. Accumulated vacation up to 240 hours is paid upon termination. The Town has outstanding compensated absences totaling $59,972 for the governmental activities.

9 Long-Term Debt

PRIMARY GOVERNMENT

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

Years Ending June 30,	Principal	Interest
2023	$ 72,877	$ 23,609
2024	179,615	44,313
2025	179,673	31,402
2026	167,042	18,736
2027	32,793	10,873
2028-2032	181,077	37,255
2033-2037	123,756	7,244
Subtotal	936,833	173,432
Compensated absences	59,972	-
Total	$ 996,805	$ 173,432

Changes in Long-Term Debt

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

	Balance July 1, 2021	Increase	Decrease	Balance June 30, 2022	Due Within One Year
Governmental Activities					
Benchmark Community Bank Commercial Line of Credit with a credit limit of $250,000. Interest at the rate of 3.500% per annum, with an expiration date of October 15, 2022.	$ 300	$ -	$ 300	$ -	$ -
$296,250 authorized and issued General Obligation Refunding Bond Series 2018A issued May 24, 2018. Payable in semiannual installments of $15,600 plus interest at the rate of 3.10% fixed for 5 years. After the 5 years, the rate will reset to the current 5-year treasury rate plus 45 basis points. The maturity date is January 1, 2038.	265,050	-	15,600	249,450	15,600
$201,750 authorized and issued General Obligation Refunding Bond Series 2018B issued May 24, 2018. Payable in semiannual installments of $10,625 plus interest at the rate of 3.10% fixed for 5 years. After the 5 years, the rate will reset to the current 5-year treasury rate plus 45 basis points. The maturity date is January 1, 2038.	180,500	-	10,625	169,875	10,625
Hometrust Bank note payable in the amount of $27,000 payable in 3 annual payments of $9,402.80 starting November 29, 2019 with interest at 3.19%. The note matures November 29, 2021.	9,011	-	9,011	-	-
KS Statebank loan payable to be paid in 60 monthly installments of $186.89 which includes interest at the rate of 11.15%. The loan matures October 15, 2024.	6,219	-	1,631	4,588	1,822
BB&T 2020 General Obligation Bond issued August 27, 2020. Payable in semiannual installments of $21,833.30 plus interest at the rate of 3.30% fixed for 5 years. The maturity date is February 27, 2035.	486,417	-	27,843	458,574	28,769
USDA Promissory note payable in 60 monthly installments of $1,077.00 starting January 01, 2021 with interest at the rate of 2.25%. The note matures July 6, 2025.	51,258	-	11,893	39,365	11,875
USDA Promissory note payable in 60 monthly installments of $372.00 starting January 01, 2021 with interest at the rate of 2.125%. The note matures December 21, 2025.	19,079	-	4,098	14,981	4,186
	1,017,834	-	81,001	936,833	72,877
Compensated absences	56,909	3,063	-	59,972	-
Total Long-Term Indebtedness	$ 1,074,743	$ 3,063	$ 81,001	$ 996,805	$ 72,877

10 Leases

Lessee Arrangements

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

Description	Lessor	Asset Type	Original Lease Date	Original Payment Terms	Payment Amount	Interest Rate	Balance June 30, 2022
2021 Dodge Charger Police Vehicle	Hometrust Bank	Vehicle	2/14/2022	3 years	$12,717.05/year	1.74%	$36,851
Xerox Altalink and Versalink Copy Machines	Xerox Financial Services, LLC	Copy machine	7/24/2019	39 months	$432.84/month	3.00%	1,720
							$ 38,571

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Due Within One Year
Lease Liabilities	$ 6,797	$ 36,851	$ 5,077	$ 38,571	$ 13,791

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

Fiscal Year	Principal	Interest
2023	$ 13,791	$ 657
2024	12,282	435
2025	12,498	219
Totals	$ 38,571	$ 1,311

Lease Expense	Year Ending June 30, 2022
Amortization expense by class of underlying asset	
Equipment	$ 5,098
Vehicle	4,980
Total amortization expense	10,078
Interest on lease liabilities	390
Total	$ 10,468

11 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, 2022 is determined as follows:

Net Investment in Capital Assets	Governmental Activities
Cost of capital assets	$ 4,074,363
Less: Accumulated depreciation	(1,516,672)
Book value	2,557,691
Less: Capital related debt	(936,833)
Net Investment in Capital Assets	$ 1,620,858

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:

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

13 Commitments and Contingencies

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

14 Litigation

At June 30, 2022, 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.

15 Legal Compliance

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

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Estate	$ 100,552,156
Debt Limits per Constitution of Virginia - 10% Total Assessed Value	$ 10,055,216
Amount of Debt Applicable to Debt Limit	
Gross debt	936,833
Legal Debt Margin - June 30, 2022	$ 9,118,383

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

16 Pension Plan

Plan Description

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

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

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

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

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

PLAN 2

About Plan 2

Same as Plan 1

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

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

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

Eligible Members

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

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

**Non-Eligible Members*

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

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

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

PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	*Retirement Contributions* Same as Plan 1.	*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 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.	*Service Credit* Same as Plan 1.	*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 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.	*Vesting* Same as Plan 1.	*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	PLAN 2	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 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.	*Calculating the Benefit* See definition under Plan 1.	*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 A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	*Average Final Compensation* A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	*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 **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%.	*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.	*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: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.	**Sheriffs and regional jail superintendents:** Same as Plan 1.	**Sheriffs and regional jail superintendents:** Not applicable.
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.	**Political subdivision hazardous duty employees:** Same as Plan 1.	**Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component** Not applicable.

PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Normal Retirement Age **VRS:** Age 65. **Political subdivisions hazardous duty employees:** Age 60.	*Normal Retirement Age* **VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	*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 **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 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 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 **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.	*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.	*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 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.	*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*	*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	PLAN 2	HYBRID RETIREMENT PLAN
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.	*Exceptions to COLA Effective Dates:* Same as Plan 1	*Exceptions to COLA Effective Dates:* Same as Plan 1 and Plan 2
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.	*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.	*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 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.	*Purchase of Prior Service* Same as Plan 1	*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, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	13
Inactive members:	
Vested inactive members	2
Non-vested inactive members	7
LTD	0
Inactive members active elsewhere in VRS	19
Total inactive members	41
Active members	9
Total covered employees	50

Contributions

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

If the employer used the certified rate: The Town of Halifax, Virginia's contractually required contribution rate for the year ended June 30, 2022 was 6.24% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town of Halifax, Virginia were $26,095 and $22,526 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Liability

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

Actuarial Assumptions – General Employees

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

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment 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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – 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 Improveme nt 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, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment 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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Hazardous Duty:

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

Long-Term Expected Rate of Return

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

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

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

**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, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2021 on, 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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2020	$ 1,906,025	$ 2,009,445	$ (103,420)
Changes for the Year			
Service cost	53,591	-	53,591
Interest	125,399	-	125,399
Benefit changes	-	-	-
Assumption changes	107,974	-	107,974
Differences between expected and actual experience	16,512	-	16,512
Contributions - employer	-	22,384	(22,384)
Contributions - employee	-	18,152	(18,152)
Net investment income	-	549,540	(549,540)
Benefit payments, including refunds	(96,525)	(96,525)	-
Administrative expenses	-	(1,389)	1,389
Other changes	-	51	(51)
Net Changes	206,951	492,213	(285,262)
Balances at June 30, 2021	$ 2,112,976	$ 2,501,658	$ (388,682)

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's Net Pension Liability (Asset)	$ (78,702)	$ (388,682)	$ (641,659)

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

For the year ended June 30, 2022, the Town of Halifax, Virginia recognized pension expense of $41,602. At June 30, 2022, the Town of Halifax, 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	$ 7,439	$ -
Change in assumptions	48,648	-
Net difference between projected and actual earnings on pension plan investments	-	274,264
Employer contributions subsequent to the measurement date	26,095	-
Total	$ 82,182	$ 274,264

$26,095 reported as deferred outflows of resources related to pensions resulting from the Town of Halifax, Virginia's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30,	
2023	$ (8,256)
2024	(62,797)
2025	(63,955)
2026	(83,169)
2027	-

Pension Plan Data

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

17 Other Post-Employment Benefits - Group Life Insurance

Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. •*Natural Death Benefit*: The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. •*Accidental Death Benefit:* The accidental death benefit is double the natural death benefit. •*Other Benefit Provisions:* In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: Accidental dismemberment benefit Safety belt benefit Repatriation benefit Felonious assault benefit Accelerated death benefit option
Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,722 as of June 30, 2022.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were $2,258 and $2,042 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the participating employer reported a liability of $21,306 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was .00183% as compared to.00183% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of $1,190. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,430	$ 162
Net difference between projected and actual earnings on GLI OPEB program investments	-	5,085
Change in assumptions	1,175	2,915
Changes in proportionate share	1,951	826
Employer contributions subsequent to the measurement date	2,258	-
Total	$ 7,814	$ 8,988

$2,258 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30,	
2023	$ (732)
2024	(496)
2025	(485)
2026	(1,502)
2027	(217)
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

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

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

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

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

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

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

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

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

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

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

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

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

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

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

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

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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$ 3,577,346
Plan Fiduciary Net Position	2,413,074
GLI Net OPEB Liability (Asset)	$ 1,164,272
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%

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

Long-Term Expected Rate of Return

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

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

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
State Agency's Proportionate Share of the Group Life Insurance Plan Net OPEB Liability	$ 31,129	$ 21,306	$ 13,374

Group Life Insurance Program Fiduciary Net Position

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

18 Fund Balances – Governmental Funds

As of June 30, 2022, fund balances are composed of the following:

	Primary Government
Unassigned	$ 552,907
Total Fund Balances	$ 552,907

19 Deferred Inflows of Resources

Deferred inflows of resources from unavailable property taxes are comprised of the following:

Primary Government	
General Fund	
Taxes not collected within 60 days	$ 25,065
Total Deferred Inflows of Resources - Governmental Funds	$ 25,065

20 Restatement

Fund balance was restated as follows:

Fund balance, beginning of year	$ 519,693
Adjustment for Deferred Revenue - Taxes	(37,074)
Fund balance - beginning of year, Restated	$ 482,619

21 Upcoming Pronouncements

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for fiscal year 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription based information technology arrangements for government end users. The provisions of this Statement are effective for fiscal year 2023.

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.

22 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2022 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2022. Management has performed their analysis through March 14, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 5

Town of Halifax, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2022

General Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
General property taxes	$ 388,900	$ 388,900	$ 416,365	$ 27,465
Other local taxes	426,300	426,300	431,415	5,115
Permits and fees	1,200	1,200	970	(230)
Fines and forfeitures	60,000	60,000	71,853	11,853
Miscellaneous	67,039	67,039	60,411	(6,628)
Use of money and property	44,510	44,510	65,252	20,742
Intergovernmental				
Revenue from the Commonwealth of Virginia	86,361	86,361	64,276	(22,085)
Revenue from the Federal Government	277,000	277,000	698,219	421,219
Total Revenues	1,351,310	1,351,310	1,808,761	457,451
Expenditures				
General government administration	335,240	335,240	294,860	40,380
Public safety	485,600	485,600	522,015	(36,415)
Public works	440,660	440,660	246,804	193,856
Parks, recreation, and cultural	53,610	53,610	65,622	(12,012)
Community development	635,498	635,498	532,354	103,144
Debt service	35,000	35,000	113,669	(78,669)
Total Expenditures	1,985,608	1,985,608	1,775,324	210,284
Excess (Deficiency) of Revenues Over Expenditures	(634,298)	(634,298)	33,437	667,735
Other Financing Sources (Uses)				
Lease liabilities assumed	-	-	36,851	36,851
Prior year surplus	634,298	634,298	-	(634,298)
Total Other Financing Sources (Uses)	634,298	634,298	36,851	(597,447)
Net Change in Fund Balance	$ -	$ -	70,288	$ 70,288
Fund Balance - Beginning of Year (Restated)			482,619	
Fund Balance - End of Year			$ 552,907	

Town of Halifax, Virginia

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

For the Plan Years Ended June 30

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

Town of Halifax, Virginia

Political Subdivisions Retirement Plan

Schedule of Employer Contributions

For the Years Ended June 30, 2013 through 2022

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)
2022	**$ 26,095**	**$ 26,095**	**$ -**	**$ 418,190**	**6.24%**
2021	22,526	22,526	-	378,127	5.96%
2020	14,493	14,493	-	367,037	3.95%
2019	16,573	16,573	-	434,526	3.81%
2018	4,598	4,598	-	455,246	1.01%
2017	5,141	5,141	-	405,039	1.27%
2016	7,479	7,479	-	421,096	1.78%
2015	11,868	11,868	-	399,231	2.97%
2014	13,832	13,832	-	389,952	3.55%
2013	13,588	13,588	-	287,200	4.73%

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

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll
Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website
Column 4 – Employer's covered payroll amount for the fiscal year

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

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

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Town of Halifax, Virginia

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Plan
For the Measurement Dates of June 30, 2017 through 2021

		2021		2020		2019		2018		2017
Employer's Proportion of the Net GLI OPEB Liability (Asset)		**0.00183%**		0.00183%		0.00178%		0.00186%		0.00180%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	**$**	**21,306**	$	29,705	$	30,267	$	26,000	$	27,000
Employer's Covered Payroll	**$**	**378,127**	$	367,037	$	363,399	$	323,008	$	332,677
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll		**5.63%**		8.09%		8.33%		8.05%		8.12%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		**67.45%**		52.64%		52.00%		51.22%		48.86%

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

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 130 of the VRS 2021 Annual Report.

Town of Halifax, Virginia

Schedule of Employer Contributions

Group Life Insurance OPEB Plan

For the Years Ended June 30, 2013 through 2022

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)
2022	**$ 2,258**	**$ 2,258**	**$ -**	**$ 418,190**	**0.54%**
2021	2,042	2,042	-	378,127	0.54%
2020	1,909	1,909	-	367,037	0.52%
2019	1,890	1,890	-	363,399	0.52%
2018	1,679	1,679	-	323,008	0.52%
2017	1,730	1,730	-	332,677	0.52%
2016	1,691	1,691	-	352,262	0.48%
2015	1,633	1,633	-	340,254	0.48%
2014	1,422	1,422	-	296,287	0.48%
2013	1,295	1,295	-	269,700	0.48%

For Reference Only

Column 1 – Employer contribution rate multiplied by the employer's covered payroll
Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website
Column 4 – Employer's covered payroll amount for the fiscal year

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

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

Non-Largest Ten Locality Employers – General Employees

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

Non-Largest Ten Locality Employers – Hazardous Duty Employees

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

COMPLIANCE SECTION

Creedle
Jones
& Associates

A Professional Corporation

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

Nadine L. Chase, 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 Halifax, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Town of Halifax, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Halifax, Virginia's basic financial statements, and have issued our report thereon dated March 14, 2023.

Report on Internal Control over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

Purpose of this Report

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

Creedle, Jones & Associates, P.C.

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

South Hill, Virginia
March 14, 2023