



TOWN OF
Blacksburg
VIRGINIA

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2024

Town of Blacksburg, Virginia

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Introductory Section





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Blacksburg
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO

Town of Blacksburg, Virginia

Directory of Principal Officials

June 30, 2024

Members of Town Council

Leslie Hager-Smith
Michael Sutphin
Jerry R. Ford, Jr.
Lauren Colliver
Liam J. Watson
Susan Anderson
Susan Mattingly

Mayor
Vice-Mayor

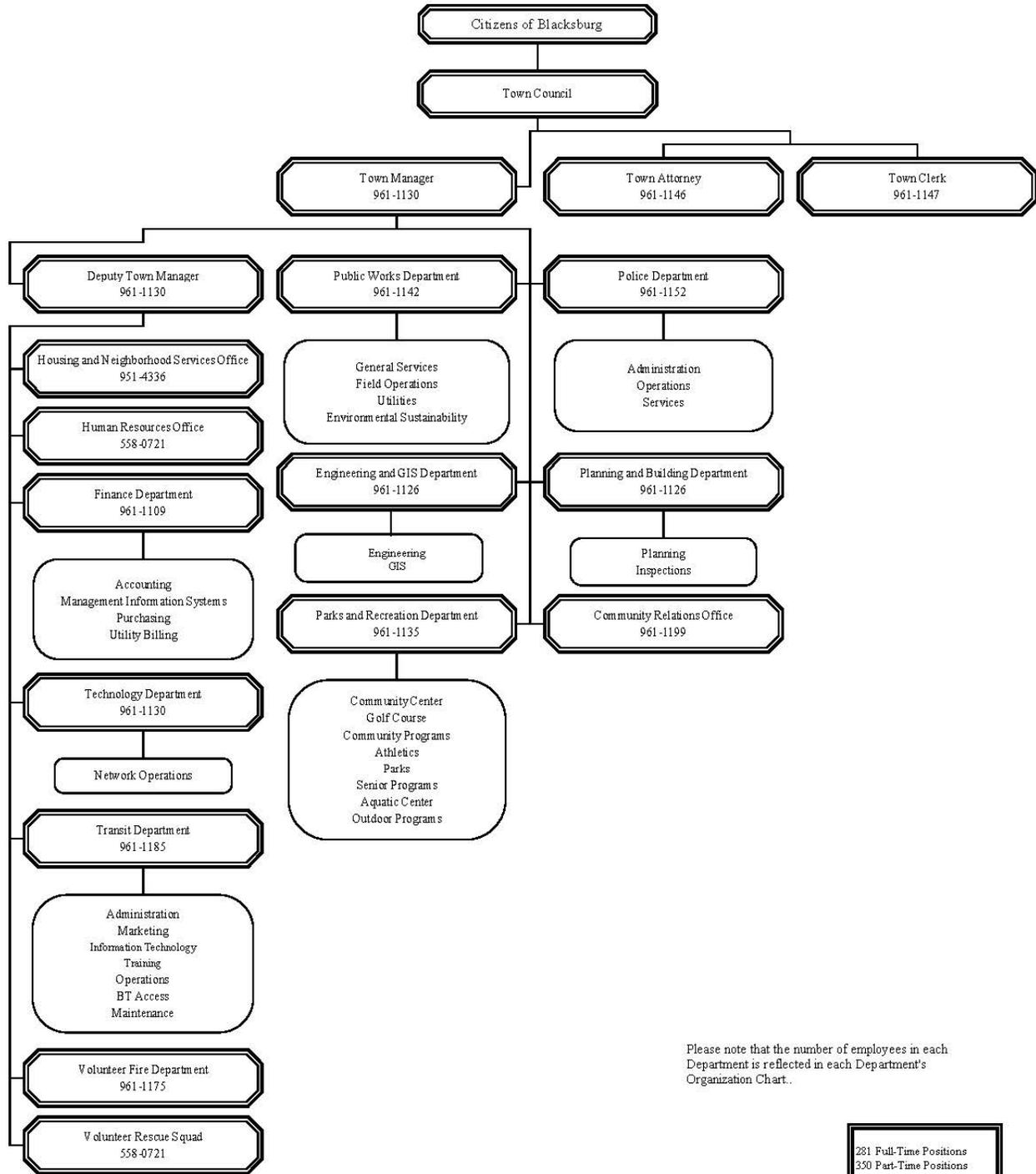
General Town Government

Marc A. Verniel
Steven F. Ross
Matthew T. Hanratty
Lawrence S. Spencer
Lorraine Spaulding
Susan H. Kaiser, CPA
Carolyn A. Howard
Vacant
K. Todd Brewster
John Boyer
Dean B. Crane
Brian Booth
Steven B. Jones
Teresa A. Harless

Town Manager
Deputy Town Manager for Operations
Deputy Town Manager for Economic Development
Town Attorney
Town Clerk
Director of Financial Services
Director of Engineering and GIS
Director of Planning and Building
Chief of Police
Director of Public Works
Director of Parks and Recreation
Director of Transit
Director of Technology
Human Resource Director

Independent Auditors

Brown, Edwards & Company, L.L.P.



Please note that the number of employees in each Department is reflected in each Department's Organization Chart.

281 Full-Time Positions
 350 Part-Time Positions



Financial Section



Independent Auditor's Report

To the Honorable Members of the Town Council
Town of Blacksburg
Blacksburg, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Blacksburg, Virginia (the "Town") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Management has omitted the management’s discussion and analysis, budgetary comparison information, and schedules related to pension and other postemployment benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2025 on our consideration of the Town'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's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 23, 2025



Basic Financial Statements



Town of Blacksburg, Virginia

Exhibit 1

Statement of Net Position

June 30, 2024

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|-----------------------|
| ASSETS | | | |
| Cash and cash equivalents (Note 2) | \$ 26,890,364 | \$ 10,766,407 | \$ 37,656,771 |
| Investments (Note 2) | 4,737,855 | 488,476 | 5,226,331 |
| Receivables, net (Note 3) | 1,393,920 | 1,975,975 | 3,369,895 |
| Internal balances (Note 4) | 274,173 | (274,173) | - |
| Due from other governmental units (Note 5) | 2,310,016 | 3,207,801 | 5,517,817 |
| Inventories | 168,679 | 1,758,844 | 1,927,523 |
| Lease receivable (Note 7) | 115,096 | - | 115,096 |
| Restricted assets: | | | |
| Cash and cash equivalents (Note 2) | 21,030,500 | 12,691,134 | 33,721,634 |
| Capital assets: (Note 6) | | | |
| Land and construction in progress | 29,168,032 | 40,338,394 | 69,506,426 |
| Other capital assets, net | 79,491,436 | 28,082,272 | 107,573,708 |
| Total assets | <u>165,580,071</u> | <u>99,035,130</u> | <u>264,615,201</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions (Notes 10 and 13) | 4,424,256 | 1,601,470 | 6,025,726 |
| Deferred outflows related to other postemployment benefits (Note 11-13) | 1,721,068 | 622,491 | 2,343,559 |
| Deferred charge on refunding | 53,406 | 31,039 | 84,445 |
| Total deferred outflows of resources | <u>6,198,730</u> | <u>2,255,000</u> | <u>8,453,730</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 2,026,849 | 5,962,829 | 7,989,678 |
| Accrued payroll and related liabilities | 1,341,827 | 150,344 | 1,492,171 |
| Accrued interest payable | 424,606 | 74,681 | 499,287 |
| Arbitrage liability (Note 8) | 127,177 | - | 127,177 |
| Public improvement and other deposits | 687,107 | 202,844 | 889,951 |
| Unearned revenue (Note 3) | 11,845,148 | - | 11,845,148 |
| Noncurrent liabilities due within one year: | | | |
| Compensated absences (Note 8) | 1,545,477 | 415,309 | 1,960,786 |
| Bonds payable (Note 8) | 2,601,115 | 628,885 | 3,230,000 |
| Leases and SBITAs (Note 8) | 63,557 | - | 63,557 |
| Noncurrent liabilities due in more than one year: | | | |
| Compensated absences (Note 8) | 1,435,543 | 385,768 | 1,821,311 |
| Net pension liability (Note 10, 13) | 14,973,688 | 5,420,103 | 20,393,791 |
| Net other postemployment benefit liabilities (Note 11-13) | 6,988,949 | 2,527,815 | 9,516,764 |
| Bonds payable, net (Note 8) | 45,444,022 | 12,970,522 | 58,414,544 |
| Leases and SBITAs (Note 8) | 247,354 | - | 247,354 |
| Total liabilities | <u>89,752,419</u> | <u>28,739,100</u> | <u>118,491,519</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property taxes and grants (Note 3) | 50,430 | 246,839 | 297,269 |
| Leases (Note 7) | 124,074 | - | 124,074 |
| Deferred inflows related to pensions (Note 10, 13) | 1,193,722 | 432,099 | 1,625,821 |
| Deferred inflows related to other postemployment benefits (Note 11-13) | 1,400,714 | 506,561 | 1,907,275 |
| Total deferred inflows of resources | <u>2,768,940</u> | <u>1,185,499</u> | <u>3,954,439</u> |
| NET POSITION | | | |
| Net investment in capital assets | 81,090,583 | 63,815,697 | 144,906,280 |
| Restricted for: | | | |
| Capital projects | 300,205 | 71,270 | 371,475 |
| Special tax district | 133,441 | - | 133,441 |
| Unrestricted (deficit) | (2,266,787) | 7,478,564 | 5,211,777 |
| Total net position | <u>\$ 79,257,442</u> | <u>\$ 71,365,531</u> | <u>\$ 150,622,973</u> |

Town of Blacksburg, Virginia

Exhibit 2

Statement of Activities

Year Ended June 30, 2024

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-Type Activities | |
| Governmental activities: | | | | | | | |
| General administration | \$ 11,710,731 | \$ 2,742,319 | \$ - | \$ 1,652,178 | \$ (7,316,234) | | \$ (7,316,234) |
| Public safety | 15,827,045 | 649,771 | 1,469,544 | 201,827 | (13,505,903) | | (13,505,903) |
| Public works | 9,133,067 | 1,658,747 | 4,496,179 | - | (2,978,141) | | (2,978,141) |
| Recreation | 3,707,885 | 932,469 | - | - | (2,775,416) | | (2,775,416) |
| Planning and building | 1,590,295 | 318,018 | - | - | (1,272,277) | | (1,272,277) |
| CDBG Entitlement | 1,288,141 | - | - | 1,288,141 | - | | - |
| HOME consortium | 234,460 | - | - | 234,460 | - | | - |
| Interest on long-term debt | 1,448,707 | - | - | - | (1,448,707) | | (1,448,707) |
| Unallocated depreciation | 3,049,330 | - | - | - | (3,049,330) | | (3,049,330) |
| Total governmental activities | <u>47,989,661</u> | <u>6,301,324</u> | <u>5,965,723</u> | <u>3,376,606</u> | <u>(32,346,008)</u> | | <u>(32,346,008)</u> |
| Business-type activities: | | | | | | | |
| Water and sewer | 15,151,144 | 13,627,867 | 55,800 | 1,245,134 | | \$ (222,343) | (222,343) |
| Transit system | 15,260,432 | 7,753,720 | 6,088,147 | 9,070,382 | | 7,651,817 | 7,651,817 |
| Solid waste and recycling | 2,495,722 | 2,646,620 | 24,431 | 38,500 | | 213,829 | 213,829 |
| Stormwater | 756,384 | 1,131,788 | - | 14,177 | | 389,581 | 389,581 |
| Total business-type activities | <u>33,663,682</u> | <u>25,159,995</u> | <u>6,168,378</u> | <u>10,368,193</u> | | <u>8,032,884</u> | <u>8,032,884</u> |
| Total | <u>\$ 81,653,343</u> | <u>\$ 31,461,319</u> | <u>\$ 12,134,101</u> | <u>\$ 13,744,799</u> | <u>(32,346,008)</u> | <u>8,032,884</u> | <u>(24,313,124)</u> |
| General revenues: | | | | | | | |
| | | | | | 13,031,087 | - | 13,031,087 |
| | | | | | 2,056,425 | - | 2,056,425 |
| | | | | | 7,452,256 | - | 7,452,256 |
| | | | | | 112,972 | - | 112,972 |
| | | | | | 779,187 | - | 779,187 |
| | | | | | 4,487,524 | - | 4,487,524 |
| | | | | | 3,471,093 | - | 3,471,093 |
| | | | | | 1,499,390 | - | 1,499,390 |
| | | | | | 205,850 | 333 | 206,183 |
| | | | | | 2,496,501 | 670,681 | 3,167,182 |
| | | | | | 1,528,210 | 150,349 | 1,678,559 |
| | | | | | 718,493 | (718,493) | - |
| | | | | | <u>37,838,988</u> | <u>102,870</u> | <u>37,941,858</u> |
| | | | | | 5,492,980 | 8,135,754 | 13,628,734 |
| | | | | | <u>73,764,462</u> | <u>63,229,777</u> | <u>136,994,239</u> |
| | | | | | <u>\$ 79,257,442</u> | <u>\$ 71,365,531</u> | <u>\$ 150,622,973</u> |

The Notes to Financial Statements are an integral part of this statement.

Town of Blacksburg, Virginia
Balance Sheet – Governmental Funds
June 30, 2024

Exhibit 3

| | General | COVID Relief | Midtown Tax District | Capital Projects | | Debt Service | Nonmajor Funds | Total Governmental Funds |
|--|----------------------|----------------------|----------------------|--------------------------|-----------------------|--------------|-------------------|--------------------------|
| | | | | General Capital Projects | Equipment Replacement | | | |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 21,322,306 | \$ - | \$ - | \$ 831,479 | \$ 4,292,261 | \$ - | \$ - | \$ 26,446,046 |
| Cash and cash equivalents, restricted | - | 11,833,309 | 133,441 | 8,747,217 | - | - | 316,533 | 21,030,500 |
| Investments | 4,026,738 | - | - | 115,400 | 595,717 | - | - | 4,737,855 |
| Receivables, net | 1,387,938 | - | - | 278 | 4,767 | - | - | 1,392,983 |
| Lease receivable | 115,096 | - | - | - | - | - | - | 115,096 |
| Due from other funds | 362,554 | - | - | - | - | - | - | 362,554 |
| Due from other governmental units | 1,182,552 | - | - | 791,150 | - | - | 336,314 | 2,310,016 |
| Inventories | 8,383 | - | - | - | - | - | - | 8,383 |
| Total assets | <u>\$ 28,405,567</u> | <u>\$ 11,833,309</u> | <u>\$ 133,441</u> | <u>\$ 10,485,524</u> | <u>\$ 4,892,745</u> | <u>\$ -</u> | <u>\$ 652,847</u> | <u>\$ 56,403,433</u> |
| LIABILITIES | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 757,467 | \$ 79,535 | \$ - | \$ 821,320 | \$ 79,398 | \$ - | \$ 262,310 | \$ 2,000,030 |
| Accrued payroll and related liabilities | 1,334,545 | - | - | - | - | - | 1,951 | 1,336,496 |
| Due to other funds | - | - | - | - | - | - | 88,381 | 88,381 |
| Public improvement and other deposits | 687,107 | - | - | - | - | - | - | 687,107 |
| Unearned revenue | - | 11,753,774 | - | 91,374 | - | - | - | 11,845,148 |
| Total liabilities | <u>2,779,119</u> | <u>11,833,309</u> | <u>-</u> | <u>912,694</u> | <u>79,398</u> | <u>-</u> | <u>352,642</u> | <u>15,957,162</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | |
| Leases | 124,074 | - | - | - | - | - | - | 124,074 |
| Unavailable/deferred revenue | 830,403 | - | - | - | - | - | - | 830,403 |
| Total deferred inflows of resources | <u>954,477</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>954,477</u> |
| FUND BALANCES (Note 9) | | | | | | | | |
| Nonspendable | 8,383 | - | - | - | - | - | - | 8,383 |
| Restricted | - | - | 133,441 | 6,906,338 | - | - | 300,205 | 7,339,984 |
| Committed | 2,131,212 | - | - | 2,666,492 | 1,007,222 | - | 1,124,186 | 6,929,112 |
| Assigned | 8,916,750 | - | - | - | 3,806,125 | - | - | 12,722,875 |
| Unassigned (deficit) | 13,615,626 | - | - | - | - | - | (1,124,186) | 12,491,440 |
| Total fund balances | <u>24,671,971</u> | <u>-</u> | <u>133,441</u> | <u>9,572,830</u> | <u>4,813,347</u> | <u>-</u> | <u>300,205</u> | <u>39,491,794</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 28,405,567</u> | <u>\$ 11,833,309</u> | <u>\$ 133,441</u> | <u>\$ 10,485,524</u> | <u>\$ 4,892,745</u> | <u>\$ -</u> | <u>\$ 652,847</u> | |
| Amounts reported for governmental activities in the statement of net position are different because: | | | | | | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | | | | | | | | |
| Governmental capital assets | | | | | | | 178,311,176 | |
| Less accumulated depreciation and amortization | | | | | | | (69,809,480) | |
| Net capital assets | | | | | | | | 108,501,696 |
| Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds. | | | | | | | | 779,973 |
| Long-term liabilities, including accrued interest, are not due and payable in the current period and, therefore, are not reported in the governmental funds. | | | | | | | | |
| Bonds payable | | | | | | | (44,897,365) | |
| Bond premiums and discounts | | | | | | | (3,147,772) | |
| Accrued interest payable | | | | | | | (424,606) | |
| Arbitrage liability | | | | | | | (127,177) | |
| Compensated absences | | | | | | | (2,951,146) | |
| Lease and subscription liabilities | | | | | | | (310,911) | (51,858,977) |
| For debt refunding resulting in defeasance of debt, the different between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources. | | | | | | | | 53,406 |
| Financial statement elements related to other postemployment benefits and pensions are applicable to future periods and, therefore, are not reported in the governmental funds. | | | | | | | | |
| Deferred outflows related to pension: | | | | | | | 4,346,497 | |
| Deferred inflows related to pension: | | | | | | | (1,172,742) | |
| Net pension liability: | | | | | | | (14,710,515) | (11,536,760) |
| Deferred outflows related to other postemployment benefits: | | | | | | | 1,690,717 | |
| Deferred inflows related to other postemployment benefits: | | | | | | | (1,376,004) | |
| Net other postemployment benefits liabilities: | | | | | | | (6,865,696) | (6,550,983) |
| The internal service fund is used by management to charge the costs of the central garage. Its assets and liabilities are included in the governmental activities' statements of net position. | | | | | | | | 377,293 |
| Net position of governmental activities | | | | | | | | <u>\$ 79,257,442</u> |

Town of Blacksburg, Virginia

Exhibit 4

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2024

| | General | COVID Relief | Midtown Tax District | Capital Projects | | Debt Service | Nonmajor Funds | Total Governmental Funds |
|--|----------------------|------------------|----------------------|--------------------------|-----------------------|------------------|-------------------|--------------------------|
| | | | | General Capital Projects | Equipment Replacement | | | |
| REVENUES | | | | | | | | |
| General property taxes | \$ 12,940,601 | \$ - | \$ 42,667 | \$ - | \$ - | \$ - | \$ - | \$ 12,983,268 |
| Other local taxes | 14,888,364 | - | - | - | - | - | - | 14,888,364 |
| Business license taxes | 3,471,093 | - | - | - | - | - | - | 3,471,093 |
| Permits and fees | 318,018 | - | - | - | - | - | - | 318,018 |
| Intergovernmental | 6,168,005 | 1,498,934 | - | 1,295,847 | - | - | 619,907 | 9,582,693 |
| Charges for services | 4,784,351 | - | - | 356,332 | - | - | - | 5,140,683 |
| Fines and forfeitures | 187,166 | - | - | - | - | - | - | 187,166 |
| Investment earnings | 2,168,790 | - | 46,523 | - | 277,243 | - | 3,945 | 2,496,501 |
| Other | 1,160,892 | - | - | - | - | - | 902,694 | 2,063,586 |
| Total revenues | 46,087,280 | 1,498,934 | 89,190 | 1,652,179 | 277,243 | - | 1,526,546 | 51,131,372 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General administration | 8,774,755 | 1,498,934 | - | - | - | - | - | 10,273,689 |
| Public safety | 12,370,706 | - | - | - | - | - | - | 12,370,706 |
| Public works | 6,646,322 | - | - | - | - | - | - | 6,646,322 |
| Recreation | 3,108,333 | - | - | - | - | - | - | 3,108,333 |
| Planning and building | 1,581,353 | - | - | - | - | - | - | 1,581,353 |
| CDBG Entitlement | - | - | - | - | - | - | 1,288,141 | 1,288,141 |
| HOME Consortium | - | - | - | - | - | - | 234,460 | 234,460 |
| Capital outlays | - | - | - | 7,723,804 | 2,927,577 | - | - | 10,651,381 |
| Debt service: | | | | | | | | |
| Principal retirement | - | - | 360,000 | - | - | 2,126,517 | - | 2,486,517 |
| Interest and fiscal charges | - | - | 195,075 | - | - | 1,290,196 | - | 1,485,271 |
| Total expenditures | 32,481,469 | 1,498,934 | 555,075 | 7,723,804 | 2,927,577 | 3,416,713 | 1,522,601 | 50,126,173 |
| Excess (deficiency) of revenues over expenditures | 13,605,811 | - | (465,885) | (6,071,625) | (2,650,334) | (3,416,713) | 3,945 | 1,005,199 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Bond proceeds | 4,155,000 | - | - | - | - | - | - | 4,155,000 |
| Premiums on bonds | 417,953 | - | - | - | - | - | - | 417,953 |
| Sale of general capital assets | 206,828 | - | - | - | - | - | - | 206,828 |
| Transfers in | 601,387 | - | 534,200 | 3,387,230 | 2,003,646 | 3,416,713 | - | 9,943,176 |
| Transfers out | (8,623,296) | - | - | (601,387) | - | - | - | (9,224,683) |
| Total other financing sources (uses) | (3,242,128) | - | 534,200 | 2,785,843 | 2,003,646 | 3,416,713 | - | 5,498,274 |
| Net change in fund balance | 10,363,683 | - | 68,315 | (3,285,782) | (646,688) | - | 3,945 | 6,503,473 |
| FUND BALANCES AT JULY 1 | 14,308,288 | - | 65,126 | 12,858,612 | 5,460,035 | - | 296,260 | 32,988,321 |
| FUND BALANCES AT JUNE 30 | \$ 24,671,971 | \$ - | \$ 133,441 | \$ 9,572,830 | \$ 4,813,347 | \$ - | \$ 300,205 | \$ 39,491,794 |
| Net changes in fund balances - total governmental funds | | | | | | | | \$ 6,503,473 |
| Reconciliation of amounts for governmental activities in the Statement of Activities: | | | | | | | | |
| 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 and reported as depreciation and amortization expense. This is the amount by which capital outlay exceeded depreciation and amortization in the current period. | | | | | | | | |
| Capital outlay | | | | | | 6,961,246 | | |
| Book value of assets disposed | | | | | | (978) | | |
| Less depreciation and amortization expense | | | | | | (5,295,580) | | |
| Excess of depreciation and amortization over capital outlay | | | | | | | | 1,664,688 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | | | | | | | |
| Change in deferred revenue | | | | | | | | 47,819 |
| The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayments of the principal of long-term debt consumes the current financial resources of governmental funds. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | | | | | | | | |
| Debt issued or incurred: | | | | | | | | |
| Issuance of debt | | | | | | | | (4,155,000) |
| Bond premiums | | | | | | | | (417,953) |
| Principal retired on: | | | | | | | | |
| General obligation debt, leases, and subscription liabilities | | | | | | | | 2,486,517 |
| 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. | | | | | | | | |
| Change in accrued interest payable | | | | | | 11,259 | | |
| Change in arbitrage liability | | | | | | (127,177) | | |
| Change in compensated absences | | | | | | (1,072,248) | | |
| Amortization of premiums, discounts, and deferred charges on refundings | | | | | | 152,482 | | |
| Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the Statement of Activities, the cost of these benefits, net of employee contributions, is reported as other postemployment benefit expense. | | | | | | | | (1,035,684) |
| Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits, net of employee contributions, is reported as pension expense. | | | | | | | | (305,111) |
| The internal service fund is used by management to charge the costs of the central garage. The change in net position reported with governmental activities. | | | | | | | | 628,094 |
| Change in net position of governmental activities | | | | | | | | 76,137 |
| | | | | | | | | \$ 5,492,980 |

Town of Blacksburg, Virginia

Exhibit 5

Statement of Net Position – Proprietary Funds

June 30, 2024

| | Business-Type Activities – Enterprise Funds | | | | | Governmental Activities – Internal Service Fund |
|--|---|-------------------|------------------------------|--------------|---------------|--|
| | Water and Sewer | Transit System | Solid Waste and Recycling | Stormwater | Total | |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 1,618,601 | \$ 7,246,832 | \$ - | \$ 1,900,974 | \$ 10,766,407 | \$ 444,318 |
| Cash and investments, restricted | 11,050,481 | - | - | 1,640,653 | 12,691,134 | - |
| Investments | 224,643 | - | - | 263,833 | 488,476 | - |
| Receivables, net | 1,398,913 | 148,873 | 353,259 | 74,930 | 1,975,975 | 937 |
| Due from other governmental units | 55,800 | 3,152,001 | - | - | 3,207,801 | - |
| Inventories | - | 1,758,844 | - | - | 1,758,844 | 160,296 |
| Total current assets | 14,348,438 | 12,306,550 | 353,259 | 3,880,390 | 30,888,637 | 605,551 |
| Noncurrent assets: | | | | | | |
| Land and construction in progress | 5,312,912 | 34,708,967 | - | 316,515 | 40,338,394 | - |
| Other capital assets, net | 11,080,717 | 15,295,004 | 697,577 | 1,008,974 | 28,082,272 | 157,772 |
| Total noncurrent assets | 16,393,629 | 50,003,971 | 697,577 | 1,325,489 | 68,420,666 | 157,772 |
| Total assets | 30,742,067 | 62,310,521 | 1,050,836 | 5,205,879 | 99,309,303 | 763,323 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred outflows related to pensions | 316,591 | 1,216,377 | 27,771 | 40,731 | 1,601,470 | 77,759 |
| Deferred outflows related to other postemployment benefits | 123,350 | 472,757 | 10,705 | 15,679 | 622,491 | 30,351 |
| Deferred charge on refunding | 31,039 | - | - | - | 31,039 | - |
| Total deferred outflows of resources | 470,980 | 1,689,134 | 38,476 | 56,410 | 2,255,000 | 108,110 |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and accrued liabilities | 3,338,196 | 2,449,512 | 161,653 | 13,468 | 5,962,829 | 26,819 |
| Accrued payroll and related liabilities | 22,991 | 124,500 | 1,758 | 1,095 | 150,344 | 5,331 |
| Due to other funds | - | - | 274,173 | - | 274,173 | - |
| Accrued interest payable | 67,278 | - | - | 7,403 | 74,681 | - |
| Customer deposits | 202,844 | - | - | - | 202,844 | - |
| Compensated absences | 123,136 | 276,431 | 6,019 | 9,723 | 415,309 | 15,488 |
| Bonds payable | 608,885 | - | - | 20,000 | 628,885 | - |
| Total current liabilities | 4,363,330 | 2,850,443 | 443,603 | 51,689 | 7,709,065 | 47,638 |
| Noncurrent liabilities: | | | | | | |
| Compensated absences | 114,378 | 256,768 | 5,591 | 9,031 | 385,768 | 14,386 |
| Net pension liability | 1,071,489 | 4,116,772 | 93,990 | 137,852 | 5,420,103 | 263,173 |
| Net other postemployment benefits liabilities | 500,904 | 1,919,772 | 43,469 | 63,670 | 2,527,815 | 123,253 |
| Bonds payable | 11,422,417 | - | - | 1,548,105 | 12,970,522 | - |
| Total noncurrent liabilities | 13,109,188 | 6,293,312 | 143,050 | 1,758,658 | 21,304,208 | 400,812 |
| Total liabilities | 17,472,518 | 9,143,755 | 586,653 | 1,810,347 | 29,013,273 | 448,450 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Grants | - | 246,839 | - | - | 246,839 | - |
| Deferred inflows related to pensions | 85,421 | 328,195 | 7,493 | 10,990 | 432,099 | 20,980 |
| Deferred inflows related to other postemployment benefits | 100,440 | 384,661 | 8,715 | 12,745 | 506,561 | 24,710 |
| Total deferred inflows of resources | 185,861 | 959,695 | 16,208 | 23,735 | 1,185,499 | 45,690 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 14,017,538 | 47,702,545 | 697,577 | 1,398,037 | 63,815,697 | 157,772 |
| Restricted | - | 71,270 | - | - | 71,270 | - |
| Unrestricted | (462,870) | 6,122,390 | (211,126) | 2,030,170 | 7,478,564 | 219,521 |
| Total net position | \$ 13,554,668 | \$ 53,896,205 | \$ 486,451 | \$ 3,428,207 | \$ 71,365,531 | \$ 377,293 |

Town of Blacksburg, Virginia

Exhibit 6

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2024

| | Business-Type Activities – Enterprise Funds | | | | Total | Governmental Activities – Internal Service Fund |
|--|---|---------------------|------------------------------|---------------------|---------------------|--|
| | Water and Sewer | Transit System | Solid Waste and Recycling | Stormwater | | |
| OPERATING REVENUES | | | | | | |
| Charges for services | \$ 13,206,291 | \$ 7,753,720 | \$ 2,646,620 | \$ 1,131,788 | \$24,738,419 | \$ 1,379,107 |
| Availability and transfer fees | 252,885 | - | - | - | 252,885 | - |
| Meter installation | 59,984 | - | - | - | 59,984 | - |
| Connection fees | 108,707 | - | - | - | 108,707 | - |
| Other | 142,166 | 1,898 | - | 6,285 | 150,349 | - |
| Total operating revenues | <u>13,770,033</u> | <u>7,755,618</u> | <u>2,646,620</u> | <u>1,138,073</u> | <u>25,310,344</u> | <u>1,379,107</u> |
| OPERATING EXPENSES | | | | | | |
| Personal services | 1,676,283 | 8,838,995 | 113,207 | 155,209 | 10,783,694 | 323,468 |
| Contractual services | 8,406,284 | 2,113,397 | 1,852,190 | 32,100 | 12,403,971 | 99,209 |
| Administration | 1,207,517 | 899,816 | 380,451 | 510,400 | 2,998,184 | 13,106 |
| Depreciation | 886,024 | 2,471,083 | 85,094 | 48,538 | 3,490,739 | 20,590 |
| Other | 2,792,540 | 937,141 | 64,780 | - | 3,794,461 | 846,597 |
| Total operating expenses | <u>14,968,648</u> | <u>15,260,432</u> | <u>2,495,722</u> | <u>746,247</u> | <u>33,471,049</u> | <u>1,302,970</u> |
| Operating income (loss) | <u>(1,198,615)</u> | <u>(7,504,814)</u> | <u>150,898</u> | <u>391,826</u> | <u>(8,160,705)</u> | <u>76,137</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Gain (loss) on disposal of capital assets | (59,765) | 333 | - | - | (59,432) | - |
| Intergovernmental revenue | 55,800 | 5,502,469 | 24,431 | - | 5,582,700 | - |
| ARPA operating grant revenue | - | 585,678 | - | - | 585,678 | - |
| Investment earnings | 285,141 | 261,823 | - | 123,717 | 670,681 | - |
| Interest expense | (122,731) | - | - | (10,137) | (132,868) | - |
| Net nonoperating revenues (expenses) | <u>158,445</u> | <u>6,350,303</u> | <u>24,431</u> | <u>113,580</u> | <u>6,646,759</u> | <u>-</u> |
| Income (loss) before contributions and transfers | <u>(1,040,170)</u> | <u>(1,154,511)</u> | <u>175,329</u> | <u>505,406</u> | <u>(1,513,946)</u> | <u>76,137</u> |
| CAPITAL CONTRIBUTIONS | 1,245,134 | 9,070,382 | 38,500 | 14,177 | 10,368,193 | - |
| TRANSFERS OUT | (295,245) | - | (415,248) | (8,000) | (718,493) | - |
| Change in net position | <u>(90,281)</u> | <u>7,915,871</u> | <u>(201,419)</u> | <u>511,583</u> | <u>8,135,754</u> | <u>76,137</u> |
| NET POSITION AT JULY 1, RESTATED | <u>13,644,949</u> | <u>45,980,334</u> | <u>687,870</u> | <u>2,916,624</u> | <u>63,229,777</u> | <u>301,156</u> |
| NET POSITION AT JUNE 30 | <u>\$ 13,554,668</u> | <u>\$53,896,205</u> | <u>\$ 486,451</u> | <u>\$ 3,428,207</u> | <u>\$71,365,531</u> | <u>\$ 377,293</u> |

Town of Blacksburg, Virginia

Exhibit 7

Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2024

| | Business-Type Activities – Enterprise Funds | | | | | Governmental Activities – Internal Service Fund |
|---|---|---------------------|------------------------------|---------------------|----------------------|--|
| | Water and Sewer | Transit System | Solid Waste and Recycling | Stormwater | Total | |
| OPERATING ACTIVITIES | | | | | | |
| Receipts from customers | \$ 13,563,443 | \$ 8,349,078 | \$ 2,601,146 | \$ 1,127,243 | \$ 25,640,910 | \$ 1,380,301 |
| Payments to suppliers | (12,451,552) | (3,198,259) | (2,278,411) | (531,840) | (18,460,062) | (949,219) |
| Payments to employees | (1,582,395) | (8,422,187) | (156,721) | (193,155) | (10,354,458) | (370,474) |
| Other receipts | 142,166 | 1,898 | - | 6,285 | 150,349 | - |
| Net cash provided by (used in) operating activities | (328,338) | (3,269,470) | 166,014 | 408,533 | (3,023,261) | 60,608 |
| NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Transfers to other funds | (295,245) | - | (415,248) | (8,000) | (718,493) | - |
| Advances from other funds | - | - | 224,803 | - | 224,803 | - |
| Operating assistance grants received | - | 6,955,037 | 24,431 | - | 6,979,468 | - |
| Net cash provided by (used in) noncapital financing activities | (295,245) | 6,955,037 | (166,014) | (8,000) | 6,485,778 | - |
| CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Acquisition and construction of capital assets | (1,232,294) | (2,736,617) | - | (48,033) | (4,016,944) | - |
| Proceeds from sale of capital assets | - | 333 | - | - | 333 | - |
| Proceeds from bond issuance | 9,225,000 | - | - | 1,420,000 | 10,645,000 | - |
| Premiums from bond issuance | 965,795 | - | - | 148,921 | 1,114,716 | - |
| Principal paid on debt | (536,000) | - | - | - | (536,000) | - |
| Interest and fiscal charges | (87,789) | - | - | (3,550) | (91,339) | - |
| Net cash provided by (used in) capital and related financing activities | 8,334,712 | (2,736,284) | - | 1,517,338 | 7,115,766 | - |
| INVESTING ACTIVITIES | | | | | | |
| Sale of investments | 672,612 | 1,331,368 | - | - | 2,003,980 | - |
| Purchase of investments | - | - | - | (150,163) | (150,163) | - |
| Interest income | 285,141 | 261,823 | - | 123,717 | 670,681 | - |
| Net cash provided by (used in) investing activities | 957,753 | 1,593,191 | - | (26,446) | 2,524,498 | - |
| Net increase in cash and cash equivalents | 8,668,882 | 2,542,474 | - | 1,891,425 | 13,102,781 | 60,608 |
| CASH AND CASH EQUIVALENTS | | | | | | |
| Beginning at July 1 | 4,000,200 | 4,704,358 | - | 1,650,202 | 10,354,760 | 383,710 |
| Ending at June 30 | <u>\$ 12,669,082</u> | <u>\$ 7,246,832</u> | <u>\$ -</u> | <u>\$ 3,541,627</u> | <u>\$ 23,457,541</u> | <u>\$ 444,318</u> |
| RECONCILIATION TO STATEMENT OF NET POSITION: | | | | | | |
| Cash and cash equivalents | \$ 1,618,601 | \$ 7,246,832 | \$ - | \$ 1,900,974 | \$ 10,766,407 | \$ 444,318 |
| Cash and cash equivalents, restricted | 11,050,481 | - | - | 1,640,653 | 12,691,134 | - |
| | <u>\$ 12,669,082</u> | <u>\$ 7,246,832</u> | <u>\$ -</u> | <u>\$ 3,541,627</u> | <u>\$ 23,457,541</u> | <u>\$ 444,318</u> |

Town of Blacksburg, Virginia

Exhibit 7

Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2024

| | Business-Type Activities – Enterprise Funds | | | | | Governmental Activities - Internal Service Fund |
|--|---|-----------------------|------------------------------|-------------------|-----------------------|--|
| | Water and Sewer | Transit System | Solid Waste and Recycling | Stormwater | Total | |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH | | | | | | |
| PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | | | | |
| Operating income (loss) | \$ (1,198,615) | \$ (7,504,814) | \$ 150,898 | \$ 391,826 | \$ (8,160,705) | \$ 76,137 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | |
| Depreciation | 886,024 | 2,471,083 | 85,094 | 48,538 | 3,490,739 | 20,590 |
| Pension expense net of employer contributions | 45,590 | 355,762 | (12,843) | (17,787) | 370,722 | (20,222) |
| Other postemployment benefit expense net of employer contribution | (19,391) | (104,100) | (11,317) | (16,171) | (150,979) | (23,731) |
| Change in assets and liabilities | | | | | | |
| (Increase) decrease in: | | | | | | |
| Receivable, net | (34,563) | 595,358 | (45,474) | (4,545) | 510,776 | 1,194 |
| Inventories | - | (59,024) | - | - | (59,024) | (702) |
| (Decrease) increase in: | | | | | | |
| Accounts payable and accrued liabilities | (45,211) | 811,119 | 19,010 | 10,660 | 795,578 | 10,395 |
| Accrued payroll and related liabilities | 4,046 | 24,996 | (168) | (1,680) | 27,194 | 157 |
| Compensated absences | 63,643 | 140,150 | (19,186) | (2,308) | 182,299 | (3,210) |
| Customer deposits | (29,861) | - | - | - | (29,861) | - |
| Net cash provided by (used in) operating activities | <u>\$ (328,338)</u> | <u>\$ (3,269,470)</u> | <u>\$ 166,014</u> | <u>\$ 408,533</u> | <u>\$ (3,023,261)</u> | <u>\$ 60,608</u> |
| NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Capital asset purchases financed by accounts payable | <u>\$ 1,361,187</u> | <u>\$ 1,093,701</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,454,888</u> | <u>\$ -</u> |
| Decrease in due from other governmental units for capital and operating grants | <u>\$ -</u> | <u>\$ (836,890)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (836,890)</u> | <u>\$ -</u> |

Town of Blacksburg, Virginia

Exhibit 8

Statement of Fiduciary Net Position – Fiduciary Funds

June 30, 2024

| | Other Postemployment Benefits Trust | Custodial Funds |
|---|---|--------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ - | \$ 799,763 |
| Cash and cash equivalents, restricted | - | 1,137,701 |
| Investments: | | |
| Fixed income | 1,958,111 | - |
| Stocks | 4,797,372 | - |
| Real estate | 1,468,583 | - |
| Alternative investments | 1,566,488 | - |
| Accounts receivable | - | 96,470 |
| Due from other governments | - | 54,567 |
| Lease receivable | - | 41,981 |
| Inventory | - | 51,355 |
| Total current assets | 9,790,554 | 2,181,837 |
| Noncurrent assets | | |
| Lease receivable | - | 282,070 |
| Total noncurrent assets | - | 282,070 |
| Total assets | 9,790,554 | 2,463,907 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | - | 159,652 |
| Compensated absences | - | 14,424 |
| Lease payable | - | 45,650 |
| Due to Town of Blacksburg | - | 485,675 |
| Total current liabilities | - | 705,401 |
| Noncurrent liabilities | | |
| Net pension liability | - | 492,926 |
| Net other postemployment benefits liabilities | - | 230,338 |
| Lease payable | - | 31,130 |
| Compensated absences | - | 30,602 |
| Total noncurrent liabilities | - | 784,996 |
| Total liabilities | - | 1,490,397 |
| NET POSITION | | |
| Restricted other postemployment benefits | 9,790,554 | - |
| Restricted for other governments | - | 973,510 |
| Total net position restricted for fiduciary funds | \$ 9,790,554 | \$ 973,510 |

Town of Blacksburg, Virginia

Exhibit 9

Statement of Changes in Fiduciary Net Position – Fiduciary Funds June 30, 2024

| | Other Post- Employment Benefits Trust | Custodial Funds |
|---|---|--------------------|
| ADDITIONS | | |
| Employer contributions | \$ 1,608,884 | \$ - |
| Investment earnings | 809,748 | - |
| Investment-related expenses | (9,044) | - |
| Custodial fund additions | - | 3,359,158 |
| Total additions, net | 2,409,588 | 3,359,158 |
| DEDUCTIONS | | |
| Retirement benefits | 805,665 | - |
| Custodial fund payments and withdrawals | - | 3,658,943 |
| Total deductions | 805,665 | 3,658,943 |
| Change in net position | 1,603,923 | (299,785) |
| NET POSITION AT JULY 1 | 8,186,631 | 1,273,295 |
| NET POSITION AT JUNE 30 | \$ 9,790,554 | \$ 973,510 |

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

Note 1 – Summary of Significant Accounting Policies

A – The Financial Reporting Entity

The Town of Blacksburg, Virginia (the “Town”) was incorporated on March 22, 1871. The Town operates on a Council-Manager form of government and provides municipal services to its residents including fire and police protection, planning, engineering, inspections, public works and public utilities, parks, and general government. The Town also provides water, sewer, refuse collection, recycling, and public transit services to its citizens. The Town is part of a county and has taxing powers subject to state-wide restrictions and limits. The financial statements present the Town as the primary government. A component unit is an entity for which the Town is considered to be financially accountable. The Town does not have any component units.

The following entities are excluded from the accompanying financial statements:

Jointly Governed Organizations

New River Valley Regional Water Authority

The New River Valley Regional Water Authority was created by a concurrent resolution of the Town and other participating governing bodies. The Authority operates and maintains a water supply system for the Town, Virginia Tech, Montgomery County, and the Town of Christiansburg. Each governing body appoints one member of the five-member board of directors. Two at-large members are appointed by joint resolution of each of the member localities. All indebtedness is payable solely from the revenues of the water system. Although the Town is one of the Authority’s customers, the Town has no obligation for any of its indebtedness. During fiscal year 2024, the Town paid \$4,254,978 to the Authority for purchases of water.

Montgomery Regional Solid Waste Authority

The Town is a member of the Montgomery Regional Solid Waste Authority, which was created by a joint resolution on December 14, 1994 by the Town of Blacksburg, Virginia, the Town of Christiansburg, Virginia, Montgomery County, Virginia, and Virginia Tech. The Authority is governed by a five-member board whereby the governing body of each member jurisdiction appoints one board member, and all jurisdictions jointly appoint a fifth member. The Authority, which began operation in August 1995, operates a sanitary landfill and recycling facility. Each jurisdiction provides collection of solid waste and recyclables from within its jurisdiction and delivers the collected materials to the Authority for disposal of waste in the landfill, and processing and marketing of the recyclables. All Authority operations are financed by tipping fees and the individual jurisdictions are not liable for the debt of the Authority. The Town paid \$445,188 in tipping fees during fiscal year 2024.

Blacksburg-VPI Sanitation Authority

The Blacksburg-VPI Sanitation Authority was created by a concurrent resolution of the Town and Virginia Tech. The Authority operates and maintains a wastewater treatment system for the Town and Virginia Tech. The five-member board of directors consists of one member appointed by each governing body. Three at-large members are appointed by joint resolution. All indebtedness of the Authority is payable solely from its revenues and is not an obligation of the Town. During fiscal year 2024, the Town paid \$3,721,579 to the Authority for purchase of sewer services.

Town of Blacksburg, Virginia

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Virginia Tech-Montgomery Regional Airport Authority

The Virginia Tech-Montgomery Regional Airport Authority (the “Airport Authority”) was created by concurrent resolutions of the governing bodies of the Towns of Blacksburg and Christiansburg, Montgomery County, and Virginia Tech. The Airport Authority is governed by a five-member board whereby the governing body of each member jurisdiction appoints one board member, and all jurisdictions jointly appoint a fifth member. The Airport Authority utilizes revenues generated by the airport and contributions by the members to fund all airport activities. The Airport Authority has bonded indebtedness. All indebtedness of the Airport Authority is payable solely from its revenues and is not an obligation of the Town. During fiscal year 2024, the Town paid \$60,000 toward the operations of the airport.

Blacksburg/Christiansburg/Montgomery Area Metropolitan Planning Organization

The Town is a member of the Blacksburg/Christiansburg/Montgomery Area Metropolitan Planning Organization (the “MPO”). The MPO is a transportation policy-making organization serving the Blacksburg, Christiansburg, and Montgomery County area. The MPO provides the information, tools, and public input necessary to improve the performance of the transportation system of the region. Future transportation needs are addressed, giving consideration to all possible strategies and the community’s vision. The Town has three members within this organization, two of which are voting members that are appointed by Town Council. During fiscal year 2024, the Town paid \$7,520 toward operations of the MPO.

Montgomery Regional Tourism Board

The Town is a member of the Montgomery Regional Tourism Board (the “MRTB”). The MRTB functions as a joint tourism agency that serves the County of Montgomery and the Towns of Blacksburg and Christiansburg to promote tourism in the region. Per the operating agreement, the board consists of the County Administrator and both Town Managers. Funding for tourism expenditures are based on the amount of funding received from hotel occupancy taxes. The Town pays 1% of the 7% transient lodging tax collections to the MRTB, less 15% of this amount for the Town’s own tourism efforts. During fiscal year 2024, the Town paid \$276,440 to the MRTB.

New River Valley Emergency Communications Regional Authority

The Town is a member of the New River Valley Emergency Communications Regional Authority (the “Communications Authority”). The Communications Authority is a regional partnership, serving the County of Montgomery, the Towns of Blacksburg and Christiansburg, and Virginia Tech. The Communications Authority provides 911 dispatch and emergency communication services to the community and agencies in these localities. The Communications Authority is governed by a five-member board whereby the governing body of each member jurisdiction appoints one board member, and all jurisdictions jointly appoint a fifth member. During fiscal year 2024, the Town paid \$1,006,398 toward operations of the Communications Authority.

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Town of Blacksburg, Virginia

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The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the 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.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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 45 days of the end of the current fiscal period. 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

Custodial funds utilize the economic resources focus and the accrual basis of accounting much like the proprietary funds.

The Town reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *COVID relief fund* accounts for financial resources to be used for expenditures relating to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19).

The *Midtown Tax District fund* accounts for financial resources to be used for debt service payments relating to taxable general obligation bonds issued for the midtown parking garage.

The *general capital projects fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities.

The *equipment replacement fund* accounts for financial resources to be used for the acquisition or replacement of major capital items.

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Town reports the following major proprietary funds:

The *water and sewer fund* accounts for the activities of the Town's water and sewer operations.

The *transit system fund* accounts for the activities of the Town's transit operations.

The *solid waste and recycling fund* accounts for the activities of the Town's solid waste operations.

The *stormwater fund* accounts for infrastructure maintenance and improvements to the Town's stormwater infrastructure.

Additionally, the Town reports the following fund types:

The *internal service fund* accounts for the garage operations and related services provided to other departments of the Town or to other governments.

The *fiduciary funds* are used to account for monies held by the Town as an agent or custodian for others. These funds consist of the New River Valley Alcohol Safety Action Program and the Virginia Tech/Montgomery Regional Airport Authority, both of which are other governmental units. There is also the OPEB Trust Fund that accounts for the assets held for, and costs of, other postemployment benefits (OPEB). It is accounted for in the same manner as a proprietary fund type. Measurement focus is upon determination of the change in net position.

During the course of operations, the government has activity between funds for various purposes. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer, transit, stormwater, and solid waste and recycling enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D – Budgets and Budgetary Accounting

The budget for the general fund is adopted and maintained on the modified accrual basis adjusted for encumbrances. The original budget and budget revisions during the fiscal year are authorized at the departmental level by Town Council. The Town Manager has the authority to transfer amounts within departments, as long as the total appropriation for the

Town of Blacksburg, Virginia

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department is not adjusted. All appropriations lapse at year end to the extent they have not been expended or lawfully encumbered. An appropriation equal to year end encumbrances is authorized in the succeeding year.

E – Cash and Cash Equivalents

The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

F – Investments

Investments are stated at fair value.

G – Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and specific account analysis.

H – Inventories

Inventories are stated at cost (first-in, first-out) or market for enterprise and internal service funds and at cost for the general fund. Inventories consist of parts and materials held for consumption, which are recorded as an expenditure or expense when used. Golf course inventory, which is held for resale, is held at the lower of its cost or net realizable value.

I – Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, works of art or similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

| | |
|-------------------------------------|------------------------|
| Buildings and improvements | 20-40 years |
| Machinery and equipment | 3-20 years |
| Water and sewer systems | 30 years |
| Infrastructure | 15 -40 years |
| Leases and subscription liabilities | Over term of agreement |

J – Deferred Outflows/Inflows of Resources

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of Net Position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

In addition to liabilities, the statements that present financial position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of Net Position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The Town has the following items that qualify for reporting as deferred outflows/inflows:

- Deferred loss on refunding. A deferred loss on refunding is a deferred outflow which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Net difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five-year period and may be reported as a deferred outflow or inflow as appropriate.
- OPEB or pension changes in proportion and changes in assumptions. These differences will be recognized in pension or OPEB expense over the estimated remaining service life of employees subject to the plan and may be reported as a deferred inflow or outflow as appropriate.
- Lease-related amounts are recognized at the inception of leases in which the Town is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

K – Leases

Leases (Lessee) – The Town recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term.

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

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

- The Town uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Town generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise.

Town of Blacksburg, Virginia

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The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Leases (Lessor) – At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include how the Town determines the discount rate it uses to discount the expected lease receipts to present value, the lease term, and lease receipts.

- The Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

L – Subscription-Based Information Technology Arrangements

A subscription-based information technology arrangement (“SBITA” or “subscription liability”) is defined as a contract that conveys control of the right to use another party’s information technology software, along or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange like transaction.

The Town recognizes a right to use subscription asset (intangible asset) and a corresponding subscription liability. The subscription term includes the period during which the Town has a non cancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the Town or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the Town or SBITA vendor will not exercise that option).

The Town recognizes the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability is initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the interest rate the SBITA vendor charges the Town, which may be implicit, or the Town’s incremental borrowing rate if the interest rate is not readily determinable. The Town recognizes amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset is initially measured as the sum of: (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The Town recognizes amortization of the subscription asset as an outflow of resources over the subscription term.

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Activities associated with a SBITA, other than making subscription payments, are grouped into the following three stages, and their costs are accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage are expensed as incurred.
- Initial Implementation Stage, includes all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally are capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for the Town's ongoing operations related to a SBITA. Outlays in this stage are expensed as incurred unless they meet specific capitalization criteria.

An exception exists for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs are recognized as outflows of resources.

M – Compensated Absences

The Town has policies which allow for the accumulation and vesting of limited amounts of vacation, holiday, compensatory, and sick leave until termination or retirement. Outstanding vacation, holiday, and compensatory time is payable upon termination of employment. The amount of vacation leave payable is dependent on length of service and limited to a certain amount of hours. Sick leave is payable only upon retirement and limited to a certain amount of hours and is only accrued upon the announcement of an employee's retirement. Amounts for vacation, holiday, and compensatory time are accrued when incurred in the government-wide, proprietary, and fiduciary statements. A liability for these amounts is reported in the governmental funds when the amounts are due for payment.

N – Other Postemployment Benefit Trust Fund

The Town's policy is to fund a portion of the annual required contribution of its other postemployment benefit liability by contributing to the VACo/VML Pooled OPEB Trust Fund. The OPEB Trust Fund assets and investments are recorded at fair value. The Trust Fund Board of Trustees establishes investment objectives, risk tolerance and asset allocation policies in light of the investment policy, market and economic conditions, and generally prevailing prudent investment practices. Further information regarding the Town's other postemployment benefits liability is included in Note 11.

O – Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

P – Pension and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the Town's Plans and the additions to/deductions from the Town's Plans' net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS) and the Town's plan. 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.

Q – Fund Balances/Net Position

Fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources. The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as prepaid expenses, inventories, and long-term interfund loans.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts constrained to specific purposes by the Town, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** – Amounts the Town intends to use for a specified purpose; intent can be expressed by the governing body or by the Town Manager which has been designated this authority.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

Council establishes fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. Appropriations for capital projects lapse at the end of the project and not at the end of the year. Assigned fund balance is established by Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes such as balancing the subsequent year's budget).

Restricted Amounts

The Town applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Minimum Fund Balance Policy

The general fund unassigned fund balance is targeted at no less than 10% of operating expenditures exclusive of capital improvements. However, the Town continues to strive to increase the level to a target of 15% of operating expenditures exclusive of capital improvements. Unassigned fund balance should only be used for one-time uses.

Other governmental funds do not have specified fund balance targets. Recommended levels of committed and/or assigned fund balance will be determined on a case-by-case basis, based on the needs of each fund and as recommended by officials and approved by Council.

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary in the governmental funds. Encumbrances outstanding at the end of the year are reappropriated as part of the subsequent year's budget. Committed fund balance consists solely of encumbrances.

R – Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

Note 2 – Deposits and Investments

Deposits

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

Investments

Investment Policy

In accordance with the *Code* and other applicable law, including regulations, the Town's Investment Policy (Policy) permits investments in Treasury Securities, agency securities, prime quality commercial paper, certificates of deposit maturing within one year and issued by domestic banks, banker's acceptances, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements, open-end investments, the Virginia State Non-Arbitrage Program (SNAP) or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool). Pursuant to Sec. 2.1-234.7 of the *Code*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the carrying value of the position in LGIP and SNAP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share) in accordance with GASB 79. SNAP is designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. These programs provide comprehensive investment management, accounting, and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia local governments. The SNAP has been assigned an "AAAm" rating by Standard & Poor's. The maturity of the SNAP is less than one year.

To the extent possible, the Policy will match investment with anticipated cash flow requirements. Unless matched to a specific cash flow, the Policy will not allow the Town to directly invest in securities maturing more than five years from the date of purchase or in accordance with state and local statutes and ordinances. At times, securities are purchased with a maturity greater than five years. These maturities are matched with cash flows of the equipment replacement fund.

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

Credit Risk

As required by state statute or by the Town, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: (i) at least prime 1 by Moody's Investors Service; (ii) at least A1 by Standard & Poor's; or (iii) at least F1 by Fitch Ratings provided that the issuing corporation has a net worth of \$50 million. Banker's acceptances and Certificates of Deposit maturing in less than one year must have at least two of the following ratings: (i) at least A-1 by Standard & Poor's; (ii) at least P-1 by Moody's Service; or (iii) at least at least F1 by Fitch Ratings. Open-end investment funds must be registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein. Commonwealth of Virginia and Virginia Local Government Obligations secured by debt service reserve funds not subject to annual appropriation must be rated AA or higher by Moody's or Standard and Poor's. Repurchase agreements require that the counterparty be rated A or better by Moody's and Standard & Poor's.

The Town's investments in LGIP and SNAP are rated AAAM by Standard and Poor's and represent 72.72% of the Town's investment. Each of the Town's certificates of deposit is under \$250,000 and is secured by FDIC.

Concentration of Credit Risk

The intent of the Policy is for the Town to diversify its investment portfolio to avoid incurring unreasonable risks regarding: (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity; accordingly, the Policy places certain limits on the amount the Town may invest in any one issuer. The portions of the Town's portfolio that exceed 5% of the total portfolio at June 30, 2024 are shown in the table below under Interest Rate Risk.

Custodial Credit Risk

The Policy requires that all investments be maintained by financial institutions authorized to provide investment services and security broker/dealers selected by creditworthiness.

Interest Rate Risk

As of June 30, the fair values of the Town's investments were as follows:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Percentage of Portfolio</u> |
|-------------------------|----------------------|--------------------------------|
| SNAP | \$ 21,438,351 | 71.71% |
| LGIP | 300,559 | 1.01 |
| Money market | 200,039 | 0.67 |
| Certificates of deposit | 7,955,290 | 26.61 |
| Total investments | <u>\$ 29,894,239</u> | <u>100.00%</u> |

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

The above items are shown in the statements as follows:

| | Fair Value |
|---|----------------------|
| Investments | \$ 29,894,239 |
| Deposits | 46,710,497 |
| Total deposits and investments | \$ 76,604,736 |
| Reconciliation of deposits and investments to Exhibit 1 | |
| Cash and cash equivalents | \$ 37,656,771 |
| Cash and cash equivalents, restricted | 33,721,634 |
| Investments | 5,226,331 |
| Total deposits and investments | \$ 76,604,736 |

Restricted cash and cash equivalents consists of unexpended debt proceeds and grant funds received from the Commonwealth of Virginia for capital projects.

The Town does not have a formal policy relating to interest rate risk but does follow the *Code of Virginia* regarding types of securities in which to invest.

Note 3 – Receivables, Net

Receivables are as follows:

| | Governmental Activities | | | | Business-Type Activities | | | |
|-----------------------------------|-------------------------|--------------------------------|--------------------------|---------------------|--------------------------|-------------------|------------------------------|------------------|
| | General | General Capital Projects | Equipment Replacement | Internal Service | Water and Sewer | Transit System | Solid Waste and Recycling | Stormwater |
| Receivables | | | | | | | | |
| Interest | \$ 34,083 | \$ - | \$ 4,767 | \$ - | \$ 4,075 | \$ 2,870 | \$ - | \$ 1,641 |
| Taxes | 1,332,810 | - | - | - | - | - | - | - |
| Accounts | 72,997 | 278 | - | 937 | 1,397,906 | 146,003 | 354,578 | 73,625 |
| | 1,439,890 | 278 | 4,767 | 937 | 1,401,981 | 148,873 | 354,578 | 75,266 |
| Less allowance for uncollectibles | (51,952) | - | - | - | (3,068) | - | (1,319) | (336) |
| | \$ 1,387,938 | \$ 278 | \$ 4,767 | \$ 937 | \$ 1,398,913 | \$ 148,873 | \$ 353,259 | \$ 74,930 |

Governmental funds report *deferred inflows-deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental and proprietary funds also defer

Town of Blacksburg, Virginia

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June 30, 2024

revenue recognition in connection with resources that have been received, but not yet earned. At June 30, the components of *deferred inflows-unavailable/deferred revenue* reported in the governmental funds were as follows:

| | Unavailable | Unearned | Total |
|---|-------------|---------------|---------------|
| Included in receivables | | | |
| Delinquent property taxes | \$ 557,674 | \$ - | \$ 557,674 |
| Sales tax | 162,824 | - | 162,824 |
| Telecommunication tax | 59,475 | - | 59,475 |
| | 779,973 | - | 779,973 |
| Included in cash | | | |
| COVID relief funds | - | 11,753,774 | 11,753,774 |
| Developer proffer | - | 91,374 | 91,374 |
| Subsequent years' fee collections | - | 50,430 | 50,430 |
| Total unavailable/deferred revenue for governmental funds | \$ 779,973 | \$ 11,895,578 | \$ 12,675,551 |

Deferred inflows of resources for deferred revenue in the transit fund represent grant payments received for future activities.

Note 4 – Transfers, Interfund Receivables and Payables

Interfund transfers are as follows:

| | Transfers Out | | | | | Total |
|-----------------------|---------------|-----------------|-----------------|---------------------------|------------|--------------|
| | General | General Capital | Water and Sewer | Solid Waste and Recycling | Stormwater | |
| Transfers in | | | | | | |
| General | \$ - | \$ 601,387 | \$ - | \$ - | \$ - | \$ 601,387 |
| Midtown tax district | 534,200 | - | - | - | - | 534,200 |
| General capital | 3,087,230 | - | - | 300,000 | - | 3,387,230 |
| Equipment replacement | 1,585,153 | - | 295,245 | 115,248 | 8,000 | 2,003,646 |
| Debt service | 3,416,713 | - | - | - | - | 3,416,713 |
| Total | \$ 8,623,296 | \$ 601,387 | \$ 295,245 | \$ 415,248 | \$ 8,000 | \$ 9,943,176 |

The primary purposes of the transfers are as follows:

- Transfer general fund resources to fund acquisition or construction of capital projects.
- Transfer general fund resources to fund debt service payments.
- Transfer resources from the underlying funds that own the equipment to replace the equipment in the future following a replacement schedule.
- Transfer resources to fund the purchase of assets in other funds.

Amounts due from/to other funds consist of the following at June 30:

| Receivable Fund | Payable Fund | Amount |
|-----------------|---------------------------|------------|
| General | HOME | \$ 88,381 |
| General | Solid waste and recycling | 274,173 |
| | | \$ 362,554 |

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

The primary purpose of the amounts due to/from other funds are as follows:

- Amounts due to the general fund represent short-term interfund advances for operating or capital needs.

Note 5 – Due from Other Governmental Units

Amounts due from other governmental units are as follows:

| | Governmental Activities | Business-Type Activities |
|--|------------------------------------|-------------------------------------|
| Federal | | |
| Transit capital assistance grant | \$ - | \$ 1,390,257 |
| Community Development Planning Entitlement Grant | 234,094 | - |
| HOME funding | 102,220 | - |
| Capital improvement projects | 653,398 | - |
| Other Federal | | |
| Department of Transportation | - | 55,800 |
| Department of Criminal Justice | 243,554 | - |
| Commonwealth of Virginia | | |
| Transit grants | - | 1,691,033 |
| Telecommunications tax | 126,694 | - |
| VDOT Revenue Sharing | 137,752 | - |
| Other | | |
| Local government transit grants | - | 70,711 |
| Sales tax | 326,164 | - |
| Other – including airport and VASAP | 486,140 | - |
| | <u>\$ 2,310,016</u> | <u>\$ 3,207,801</u> |

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

Note 6 – Capital Assets

Capital asset activity for the year ended June 30 was as follows:

| Governmental Activities | Beginning Balance, Restated (Note 18) | Increases | Decreases | Ending Balance |
|---|--|----------------------------|----------------------------|------------------------------|
| Capital assets, not depreciated | | | | |
| Land | \$ 15,014,079 | \$ - | \$ - | \$ 15,014,079 |
| Construction in progress | 10,576,838 | 3,750,925 | (173,810) | 14,153,953 |
| Total capital assets, not depreciated | <u>25,590,917</u> | <u>3,750,925</u> | <u>(173,810)</u> | <u>29,168,032</u> |
| Capital assets, depreciated | | | | |
| Buildings and improvements | 55,037,733 | 173,810 | - | 55,211,543 |
| Infrastructure | 62,418,060 | 748,634 | - | 63,166,694 |
| Machinery and equipment | 28,981,658 | 2,461,687 | (409,869) | 31,033,476 |
| Total capital assets depreciated | <u>146,437,451</u> | <u>3,384,131</u> | <u>(409,869)</u> | <u>149,411,713</u> |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | (18,563,577) | (1,471,688) | - | (20,035,265) |
| Infrastructure | (27,583,172) | (1,906,458) | - | (29,489,630) |
| Machinery and equipment | (19,365,222) | (1,816,479) | 408,891 | (20,772,810) |
| Total accumulated depreciation | <u>(65,511,971)</u> | <u>(5,194,625)</u> | <u>408,891</u> | <u>(70,297,705)</u> |
| Total capital assets, depreciated, net | <u>80,925,480</u> | <u>(1,810,494)</u> | <u>(978)</u> | <u>79,114,008</u> |
| Intangible right-to-use assets, being amortized | | | | |
| Leased property – general administration | 219,265 | - | - | 219,265 |
| Less accumulated amortization for | | | | |
| Leased property – general administration | (34,367) | (14,776) | - | (49,143) |
| Total intangible right-of-use assets, net | <u>184,898</u> | <u>(14,776)</u> | <u>-</u> | <u>170,122</u> |
| Subscription assets, being amortized | | | | |
| Software – general administration | 418,462 | - | - | 418,462 |
| Less accumulated amortization for | | | | |
| Software – general administration | (104,387) | (106,769) | - | (211,156) |
| Total subscription assets, net | <u>314,075</u> | <u>(106,769)</u> | <u>-</u> | <u>207,306</u> |
| Governmental activities, capital assets, net | <u>\$ 107,015,370</u> | <u>\$ 1,818,886</u> | <u>\$ (174,788)</u> | <u>\$ 108,659,468</u> |

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

| <u>Business-Type Activities</u> | <u>Beginning Balance, Restated (Note 18)</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|--|-----------------------------|----------------------------|-----------------------------|
| Capital assets, not depreciated | | | | |
| Land | \$ 219,247 | \$ - | \$ - | \$ 219,247 |
| Construction in progress | 29,370,324 | 11,269,186 | (520,363) | 40,119,147 |
| Total capital assets, not depreciated | <u>29,589,571</u> | <u>11,269,186</u> | <u>(520,363)</u> | <u>40,338,394</u> |
| Capital assets, depreciated | | | | |
| Buildings and improvements | 10,150,080 | 520,363 | - | 10,670,443 |
| Water system – plant | 12,406,700 | - | - | 12,406,700 |
| Sewer system – plant | 16,737,218 | - | - | 16,737,218 |
| Machinery and equipment | 48,719,622 | 3,363,421 | (184,112) | 51,898,931 |
| Total capital assets depreciated | <u>88,013,620</u> | <u>3,883,784</u> | <u>(184,112)</u> | <u>91,713,292</u> |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | (5,973,409) | (231,535) | - | (6,204,944) |
| Water system – plant | (8,862,216) | (228,241) | - | (9,090,457) |
| Sewer system – plant | (9,412,456) | (434,382) | - | (9,846,838) |
| Machinery and equipment | (36,016,148) | (2,596,581) | 123,948 | (38,488,781) |
| Total accumulated depreciation | <u>(60,264,229)</u> | <u>(3,490,739)</u> | <u>123,948</u> | <u>(63,631,020)</u> |
| Total capital assets, depreciated, net | <u>27,749,391</u> | <u>393,045</u> | <u>(60,164)</u> | <u>28,082,272</u> |
| Business-type activities, capital assets, net | <u>\$ 57,338,962</u> | <u>\$ 11,662,231</u> | <u>\$ (580,527)</u> | <u>\$ 68,420,666</u> |

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

| | |
|---------------------------|----------------------------|
| Governmental activities | |
| General administration | \$ 695,487 |
| Public safety | 1,785,104 |
| Public works | 663,701 |
| Recreation | 334,028 |
| Planning and building | 20,189 |
| Unallocated depreciation | 1,797,071 |
| Internal service fund | 20,590 |
| | <u>\$ 5,316,170</u> |
| Business-Type activities | |
| Water and sewer | \$ 886,024 |
| Transit system | 2,471,083 |
| Stormwater | 48,538 |
| Solid waste and recycling | 85,094 |
| | <u>\$ 3,490,739</u> |

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

Construction Commitments

The Town has active construction projects as of June 30, 2024. At year end, the government's commitments with contractors are as follows:

| Project | Spent to Date | Remaining Commitment |
|--|----------------------|-------------------------|
| Multi-modal transit facility | \$ 30,027,845 | \$ 6,405,992 |
| Two bus purchases | 3,363,421 | 781,515 |
| Midtown parking garage | 9,018,827 | 30,905 |
| Hospital sewer force main and pump station | 927,104 | 315,852 |
| | \$ 43,337,197 | \$ 7,534,264 |

Note 7 – Lease Receivables

The Town, as lessor, has entered into two non-cancellable lease agreements involving building space. The Town uses an implicit interest rate or rate stated in the lease as a discount rate of 0.89%. The Town has leases receivable of \$115,096 and deferred inflows of resources of \$124,074 as of June 30, 2024 related to these leases included within Governmental Activities. The total amount of inflows of resources, including lease revenue and interest revenue related to these leases, recognized during the fiscal year was \$180,669 for the General Fund. The leases are as follows:

| Lease* | Contract Date | Maturity Date |
|---------------------|---------------|---------------|
| Armory Building | 05/06/2010 | 03/05/2025 |
| Thomas Connor House | 11/12/2019 | 12/11/2024 |

*Maturity date includes option years, if applicable.

Note 8 – Long-Term Liabilities

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

The following is a summary of changes in long-term liabilities:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|---------------------|-----------------------|----------------------|------------------------|
| Governmental Activities | | | | | |
| General obligation bonds | \$ 43,131,363 | \$ 4,155,000 | \$ (2,388,998) | \$ 44,897,365 | \$ 2,601,115 |
| Net discounts/premiums | 2,890,312 | 417,953 | (160,493) | 3,147,772 | - |
| Total bonds payable | 46,021,675 | 4,572,953 | (2,549,491) | 48,045,137 | 2,601,115 |
| Lease liability | 200,815 | - | (20,667) | 180,148 | 21,379 |
| Subscription liability | 207,615 | - | (76,852) | 130,763 | 42,178 |
| Compensated absences | 2,016,975 | 964,045 | - | 2,981,020 | 1,545,477 |
| | 2,425,405 | 964,045 | (97,519) | 3,291,931 | 1,609,034 |
| Governmental Activities, long-term liabilities | \$ 48,447,080 | \$ 5,536,998 | \$ (2,647,010) | \$ 51,337,068 | \$ 4,210,149 |

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|----------------------|---------------------|----------------------|------------------------|
| Business-Type Activities | | | | | |
| General obligation bonds | \$ 2,248,636 | \$ 10,645,000 | \$ (536,000) | \$ 12,357,636 | \$ 628,885 |
| Net discounts/premiums | 131,946 | 1,114,716 | (4,891) | 1,241,771 | - |
| Total bonds payable | 2,380,582 | 11,759,716 | (540,891) | 13,599,407 | 628,885 |
| Compensated absences | 618,778 | 182,299 | - | 801,077 | 415,309 |
| Business-type Activities, long-term liabilities | \$ 2,999,360 | \$ 11,942,015 | \$ (540,891) | \$ 14,400,484 | \$ 1,044,194 |

Governmental activities compensated absences, pension liabilities, lease liabilities, and other postemployment benefits liabilities are generally liquidated by the general fund.

The legal debt margin for the Town mandated by the Commonwealth of Virginia is \$492 million, which is computed based upon 10% of the assessed value on real estate subject to taxation.

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

| Year Ended June 30, | Governmental Activities | | | | | | | |
|------------------------|-------------------------------------|---------------------|---|---------------------|-------------------|------------------|-------------------|-----------------|
| | General Obligation Bonds General | | General Obligation Bonds Special Revenue | | Leases | | Subscriptions | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2025 | \$ 2,171,115 | \$ 1,175,141 | \$ 430,000 | \$ 191,475 | \$ 21,379 | \$ 3,446 | \$ 42,178 | \$ 4,322 |
| 2026 | 2,190,000 | 1,119,919 | 510,000 | 182,875 | 20,588 | 2,707 | 43,572 | 2,928 |
| 2027 | 2,291,250 | 1,024,119 | 520,000 | 172,675 | 4,128 | 2,323 | 45,013 | 1,488 |
| 2028 | 2,185,000 | 923,769 | 530,000 | 162,275 | 4,358 | 2,253 | - | - |
| 2029 | 2,255,000 | 834,613 | 540,000 | 151,675 | 4,432 | 2,180 | - | - |
| 2030-2034 | 10,595,000 | 2,905,969 | 2,865,000 | 598,988 | 23,301 | 9,758 | - | - |
| 2035-2039 | 9,500,000 | 1,455,694 | 3,160,000 | 298,313 | 25,327 | 7,733 | - | - |
| 2040-2044 | 4,170,000 | 409,725 | 675,000 | 16,031 | 27,528 | 5,531 | - | - |
| 2045-2049 | 310,000 | 10,850 | - | - | 29,921 | 3,138 | - | - |
| 2050-2054 | - | - | - | - | 19,186 | 649 | - | - |
| | \$ 35,667,365 | \$ 9,859,799 | \$ 9,230,000 | \$ 1,774,307 | \$ 180,148 | \$ 39,718 | \$ 130,763 | \$ 8,738 |

| Year Ended June 30, | Business-Type Activities | |
|------------------------|--------------------------|---------------------|
| | General Obligation Bonds | |
| | Principal | Interest |
| 2025 | \$ 628,885 | \$ 441,846 |
| 2026 | 535,000 | 533,981 |
| 2027 | 563,750 | 509,131 |
| 2028 | 455,000 | 482,931 |
| 2029 | 475,000 | 462,338 |
| 2030-2034 | 2,735,000 | 1,958,550 |
| 2035-2039 | 3,235,000 | 1,255,000 |
| 2040-2044 | 3,730,001 | 466,650 |
| | \$ 12,357,636 | \$ 6,110,427 |

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

Details of long-term indebtedness are as follows:

| | Interest Rates | Date Issued | Final Date | Amount of Original Issue | Governmental Activities | Business-Type Activities |
|--------------------------|----------------|-------------|--------------|--------------------------|-------------------------|--------------------------|
| General Obligation Bonds | | | | | | |
| General Obligation 2011C | 1.92% | 11-2011 | 10-2025 | \$ 9,545,000 | \$ 60,490 | \$ 299,510 |
| General Obligation 2012 | 1.94 | 11-2012 | 03-2032 | 3,855,000 | 1,720,000 | - |
| General Obligation 2015 | 2.00-5.00 | 03-2015 | 06-2045 | 15,170,000 | 8,056,875 | 358,126 |
| General Obligation 2017 | 2.98 | 10-2017 | 03-2037 | 4,740,000 | 2,310,000 | 1,055,000 |
| General Obligation 2020 | 2.00-5.00 | 08-2020 | 03-2040 | 7,590,000 | 6,740,000 | - |
| General Obligation 2020B | 2.00-5.00 | 11-2020 | 03-2040 | 14,210,000 | 12,625,000 | - |
| General Obligation 2020C | 1.75-2.38 | 11-2020 | 03-2040 | 9,590,000 | 9,230,000 | - |
| General Obligation 2024 | 4.00-5.00 | 05-2024 | 03-2044 | 14,800,000 | 4,155,000 | 10,645,000 |
| | | | | | <u>44,897,365</u> | <u>12,357,636</u> |
| | | | Net Premiums | | <u>3,147,772</u> | <u>1,241,771</u> |
| | | | | | <u>\$ 48,045,137</u> | <u>\$ 13,599,407</u> |

Arbitrage Liability

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the actual earnings from the investment of tax-exempt bond proceeds, which exceed related interest earnings if such investments were invested at a rate equal to the yield of the bonds, must be remitted to federal government on every fifth anniversary of each bond issuance. The Town has evaluated each series of tax-exempt general obligation bonds, lease revenue bonds, and other direct loans. The Town has recognized an arbitrage rebate of \$127,177 in the government-wide statements subject to these requirements.

Lease Liability

The Town has entered into several non-cancellable lease agreements that convey controls of the right to use another party's asset, along or in combination with tangible capital assets, as specified in the contract in an exchange or exchange-like transaction. At the commencement of the lease, the Town initially measured the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The Town used its estimated incremental borrowing rate as the rate for leases, which ranges from 1.68% to 3.90%. The significant contracts are as follows:

| Lease* | Contract Date | Maturity Date |
|--|---------------|---------------|
| ACC Golf Carts | 11/01/2021 | 05/31/2026 |
| Virginia Tech/Montgomery Executive Airport Authority | 02/13/2008 | 02/12/2052 |

*Maturity date includes option years, if applicable.

Subscription-based Information Technology (SBITA) Arrangements

The Town has entered into several non-cancellable subscription liability agreements that convey control of the right to use another party's information technology software, along or in combination with tangible capital assets, as specified in the contract in an exchange or exchange-like transaction. At the commencement of the subscription, the Town initially measured the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The Town used

Town of Blacksburg, Virginia

Notes to Financial Statements

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its estimated incremental borrowing rate as the rate for subscriptions, which ranges from 1.07% to 3.31%. The significant contracts are as follows:

| Lease* | Contract Date | Maturity Date |
|----------------------------------|---------------|---------------|
| Cisco SAAS Flex | 07/01/2022 | 07/31/2024 |
| Debtbook | 07/01/2022 | 05/31/2025 |
| Human Resources Management Suite | 10/01/2022 | 09/30/2024 |
| Open Gov Budget Builder | 07/01/2022 | 11/30/2023 |
| Open Gov Software | 12/01/2022 | 11/30/2027 |

*Maturity date includes option years, if applicable.

Note 9 – Fund Balance

Fund balance is classified based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on the fund balances are presented below:

| | General Fund | Other Governmental Funds |
|--|----------------------|--------------------------------|
| Nonspendable | | |
| Inventories | \$ 8,383 | \$ - |
| Restricted | | |
| Urban Construction – capital outlays | - | 300,205 |
| Midtown Tax District – unspent bond proceeds | - | 133,441 |
| General CIP – unspent bond proceeds | - | 6,906,338 |
| Committed | | |
| General administration | 389,990 | - |
| Public safety | 89,922 | - |
| Public works | 1,390,839 | - |
| Planning and building | 260,461 | - |
| General capital projects | - | 2,666,492 |
| Equipment replacement | - | 1,007,222 |
| CDBG capital projects | - | 1,110,891 |
| Home capital projects | - | 13,295 |
| Assigned | | |
| Subsequent year’s budget | 8,916,750 | - |
| Equipment replacement | - | 3,806,125 |
| Unassigned | 13,615,626 | (1,124,186) |
| | \$ 24,671,971 | \$ 14,819,823 |

Note 10 – Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the Town of Blacksburg, (the “Town”) are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is administered by the Virginia Retirement System

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

("VRS" or 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 Town is the fiscal agent for separate legal entities, the New River Valley Alcohol Safety Action Program and the Virginia Tech/Montgomery Regional Airport Authority (the "Fiduciary Entities"). The Fiduciary Entities participate in VRS through inclusion in the Town's pension plan. This participation is considered a cost-sharing relationship for the Fiscal Entities. As a result, the proportionate share of the Fiduciary Entities' participation in the Town's pension plan is excluded from the Town's pension related balances. The information and amounts provided in this note disclosure include these cost-sharing participants unless otherwise noted.

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

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

Employees Covered by Benefit Terms

As of the June 30, 2022, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | <u>Number</u> |
|--|---------------|
| Inactive members or their beneficiaries currently receiving benefits | 237 |
| Inactive members | |
| Vested inactive members | 66 |
| Non-vested inactive members | 104 |
| LTD | - |
| Inactive members active elsewhere in VRS | 98 |
| Total inactive members | 268 |
| Active members | 277 |
| Total covered employees | <u>782</u> |

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to Towns by the Virginia

General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Town's contractually required contribution rate for the year ended June 30, 2024, was 16.29% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the

Town of Blacksburg, Virginia

Notes to Financial Statements

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pension plan from the Town (excluding the cost-sharing participants) were \$2,969,639 and \$2,544,048 for the years ended June 30, 2024 and 2023, respectively.

Net Pension Liability

The net pension liability 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 the Town, the net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022, rolled forward to the measurement date of June 30, 2023.

Actuarial Assumptions

The total pension liability for General Employees, Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

| | |
|--|--|
| Inflation | 2.50% |
| General Employees – Salary increases, including inflation | 3.50 – 5.35% |
| Public Safety Employees with hazardous duty benefits – Salary increases, including inflation | 3.50 – 4.75% |
| Investment rate of return | 6.75%, net of pension plan investment expense, including inflation |

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 45% to 70% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Mortality Table with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2022, 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, 2021. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rates to better fit experience; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rate to better fit experience and increased final retirement age to 70; decreased rates of withdrawal; no change to disability rates; no changes to salary scale; no change to line of duty disability; and no change to discount rate.

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

Town of Blacksburg, Virginia

Notes to Financial Statements

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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) | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|--------------------------------------|-------------------------------------|--|--|
| Public Equity | 34.00% | 6.14% | 2.09% |
| Fixed Income | 15.00 | 2.56 | 0.38 |
| Credit Strategies | 14.00 | 5.60 | 0.78 |
| Real Assets | 14.00 | 5.02 | 0.70 |
| Private Equity | 16.00 | 9.17 | 1.47 |
| MAPS – Multi-Asset Public Strategies | 4.00 | 4.50 | 0.18 |
| PIP – Private Investment Partnership | 2.00 | 7.18 | 0.14 |
| Cash | 1.00 | 1.20 | 0.01 |
| Total | 100.00% | | 5.75% |
| | Inflation | | 2.50% |
| | *Expected arithmetic nominal return | | 8.25% |

* The above allocation provides for a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, the Town was also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in the fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022 actuarial valuations, whichever was greater. From July 1, 2023, 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.

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

Changes in Net Pension Liability

The table below reflects the total amounts of the Plan, including the cost-sharing participants.

| | Increase (Decrease) | | |
|--|-----------------------------------|---------------------------------------|---------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Town Balance at June 30, 2022 | \$ 98,467,160 | \$ 81,765,620 | \$ 16,701,540 |
| Changes for the year | | | |
| Service cost | 1,703,508 | - | 1,703,508 |
| Interest | 6,604,773 | - | 6,604,773 |
| Differences between expected and actual experience | 3,769,680 | - | 3,769,680 |
| Contributions – employer | - | 2,463,214 | (2,463,214) |
| Contributions – employee | - | 743,641 | (743,641) |
| Net investment income | - | 5,259,306 | (5,259,306) |
| Benefit payments, including refunds | (4,997,952) | (4,997,952) | - |
| Administrative expenses | - | (52,574) | 52,574 |
| Other changes | 176,801 | 148,924 | 27,877 |
| Net changes | <u>7,256,810</u> | <u>3,564,559</u> | <u>3,692,251</u> |
| Town Balances at June 30, 2023 | <u>105,723,970</u> | <u>85,330,179</u> | <u>20,393,791</u> |
| Cost-sharing participants | | | |
| New River Valley Alcohol Safety Action Program | 855,406 | 690,402 | 165,004 |
| Virginia Tech/Montgomery Regional Airport Authority | <u>1,699,986</u> | <u>1,372,064</u> | <u>327,922</u> |
| Total cost-sharing participants | <u>2,555,392</u> | <u>2,062,466</u> | <u>492,926</u> |
| Total Balances at June 30, 2023 | <u><u>\$ 108,279,362</u></u> | <u><u>\$ 87,392,645</u></u> | <u><u>\$ 20,886,717</u></u> |

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

The following presents the net pension liability of the Town (excluding the cost-sharing participants) using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it was 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%) |
|------------------------------|------------------------------|-------------------------------------|------------------------------|
| Town's net pension liability | <u><u>\$ 34,672,268</u></u> | <u><u>\$ 20,393,791</u></u> | <u><u>\$ 8,663,756</u></u> |

Town of Blacksburg, Virginia

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

For the year ended June 30, 2024, the Town (excluding the cost-sharing participants) recognized pension expense of \$3,512,306. At June 30, 2024, the Town 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 | \$ 2,557,270 | \$ 323,168 |
| Change in assumptions | 498,817 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,302,653 |
| Employer contributions subsequent to the measurement date | 2,969,639 | - |
| Total | <u>\$ 6,025,726</u> | <u>\$ 1,625,821</u> |

The \$2,969,639 reported as deferred outflows of resources related to pensions resulting from the Town's (excluding the cost-sharing participants) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (including cost-sharing participants) as follows:

| Year Ending June 30, | Effect on Pension Expense |
|---------------------------------|--------------------------------------|
| 2025 | \$ 712,803 |
| 2026 | (196,906) |
| 2027 | 1,206,411 |
| 2028 | 42,529 |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2023 Annual Comprehensive Financial Report. A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2024, approximately \$249,016 was payable to the Virginia Retirement System for the legally required contributions related to June 2024 payroll.

Note 11 – Other Postemployment Benefits – Local Plan

The cost of postemployment healthcare benefits are associated with the periods in which the cost occurs, rather than in the future years when it will be paid. A trust fund was established by the Town with the Virginia Pooled OPEB Trust Fund (the "Trust Fund"), sponsored by the Virginia Municipal League (VML) and the Virginia Association of Counties (VaCo). The Trust Fund is established as an investment vehicle for participating employers to accumulate assets to fund OPEB. Plan

Town of Blacksburg, Virginia

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assets are usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, in which: (a) contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer or plan administrator, for the payment of benefits in accordance with the terms of the plan.

Trust Fund Investments

Investment decisions for the fund's assets are made by the Board of Trustees. The Board of Trustees established investment objectives, risk tolerance and asset allocation policies in light of the investment policy, market and economic conditions, and generally prevailing prudent investment practices. The Board of Trustees also monitors the investments to ensure adherence to the adopted policies and guidelines. In addition, the Trustees review, monitor, and evaluate the performance of the investments and its investment advisors in light of available investment opportunities, market conditions and publicly available indices for the generally accepted evaluation and measurement of such performance. The investment objective of the Fund is to maximize total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection.

The following was the Board's adopted asset allocation policy as of June 30, 2022:

| <u>Asset Class (Strategy)</u> | <u>Allocation Portfolio I</u> | <u>Allocation Portfolio II</u> |
|-------------------------------|-----------------------------------|------------------------------------|
| Total Equity | 65% | 40% |
| Total Fixed Income | 20 | 55 |
| Total Real Assets | 15 | 5 |
| | <u>100%</u> | <u>100%</u> |

Concentrations

There are no investments in any one organization that represents 5 percent or more of the OPEB Trust's fiduciary net position.

Rate of Return

For the year ended June 30, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 9.40%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Additional investment information for the Trust can be obtained by writing to VML/VACo Finance Program, 1108 East Main Street, Richmond, Virginia, 23219.

Plan Description and Benefits Provided

The Town provides postemployment health benefits for retired employees through a single-employer defined benefit plan. The Town may change, add or delete health insurance benefits as the Town deems appropriate with Town Council approval. The plan does not grant retirees vested health coverage benefits. The Town provides healthcare, prescription drug, vision, and life insurance benefits to retirees and their dependents. The Town also pays a portion of the cost of healthcare and prescription drug benefits for retirees, disabled retirees, spouses, and dependents. All full-time, active employees who retire or are disabled directly from the Town and meet the eligibility criteria may participate.

Town of Blacksburg, Virginia

Notes to Financial Statements

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Similar to the pension plan, two fiduciary entities, as described in Note 10, participate in the Town's other postemployment benefits as cost-sharing participants. These entities are excluded from the Town's other postemployment benefit liabilities. The information and amounts provided in this note disclosure include the cost-sharing participants unless otherwise noted.

Membership

The number of participants at June 30, 2024 was as follows:

| | <u>Number</u> |
|---------------------------------------|-------------------|
| Retirees currently receiving benefits | 99 |
| Active employees | <u>272</u> |
| Total | <u><u>371</u></u> |

Contributions

The Town contributed (excluding the cost-sharing participants) \$880,951 and \$921,147 during the years ended June 30, 2024 and 2023, respectively.

Net OPEB Liability

The Town's (excluding the cost-sharing participants) total net OPEB liability of \$8,716,429 was measured as of June 30, 2024 and was determined by an actuarial valuation performed as of July 1, 2022.

Actuarial Assumptions and Other Inputs

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2022 actuarial valuation, the entry age normal, level percentage of pay method was used to determine liabilities. Under this method, the actuarial present value of all plan benefits is determined as of the valuation date and then allocated between the period before and after the valuation date. The present value of plan benefits earned prior to the valuation date is called the actuarial liability. The present value of plan benefits to be earned after the valuation date is called the present value of future normal costs. The actuarial assumptions used a 6.50% discount rate and an initial annual healthcare cost trend rate of 6.40% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 3.90%. An inflation rate of 2.50% and a payroll growth rate of 3.00% per year were used.

It is assumed that 100% of active members are married at retirement with husbands three years older than their wives. The unfunded actuarial accrued liability is being amortized over a closed period of 22 years as of July 1, 2023 as a level percent of payroll. The age-related claims cost assumption was updated and the assumed percentage of future retirees who elect medical coverage at retirement and also elect to cover their spouse was 10% based on inspection of actual spouse election experience as of July 1, 2021.

Town of Blacksburg, Virginia

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Long-Term Expected Rate of Return

The assumption for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of December 31, 2023. The inflation assumption is based on the 2022 Social Security Trustees report.

| Asset Class (Strategy) | Index | Target Allocation | Long-Term Expected Arithmetic Real Rate of Return | Long-Term Expected Geometric Real Rate of Return |
|--|-----------------------------|--------------------------|--|---|
| | Bloomberg Barclays | | | |
| US Core Fixed Income | Aggregate | 20.00% | 2.21% | 2.08% |
| US Large Cap Equity | S&P 500 TR USD | 21.00 | 5.38 | 3.80 |
| US Small Cap Equity | Russell 2000 TR USD | 10.00 | 6.94 | 4.39 |
| Foreign Developed Equity | MSCI EAFE NR USD | 13.00 | 6.92 | 5.13 |
| Emerging Markets Equity | MSCI EM NR USD | 5.00 | 9.59 | 6.21 |
| Private Real Estate Property – Core | NCREIF Property | 15.00 | 5.14 | 3.91 |
| | Cambridge Assoc. US Private | | | |
| Private Equity | Equity | 10.00 | 10.46 | 6.25 |
| Hedge Fund of Funds – Strategic | HFRI FIF Strategic | 6.00 | 2.69 | 1.94 |
| Assumed Inflation – Mean | | | 2.31 | 2.30 |
| Assumed Inflation – Standard Deviation | | | 1.44 | 1.44 |
| Portfolio Real Mean Return | | | 5.62 | 4.71 |
| Portfolio Nominal Mean Return | | | 7.93 | 7.12 |
| Portfolio Standard Deviation | | | | 13.16 |
| Long-Term Expected Rate of Return | | | | 6.50% |

Discount Rate

The discount rate used to measure the net OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that the Town's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

Changes in Net OPEB Liability

The table below reflects the total amounts of the Plan, including the cost-sharing participants.

| | Increase (Decrease) | | |
|---|--------------------------------|---------------------------------------|------------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Town Balance at June 30, 2023 | \$ 18,746,093 | \$ 7,972,633 | \$ 10,773,460 |
| Changes for the year | | | |
| Service cost | 218,909 | - | 218,909 |
| Interest | 1,210,752 | - | 1,210,752 |
| Economic/demographic gains/losses | (838,560) | - | (838,560) |
| Assumption changes | (323,598) | - | (323,598) |
| Contributions – employer | - | 1,570,931 | (1,570,931) |
| Net investment income | - | 790,646 | (790,646) |
| Benefit payments | (786,660) | (786,660) | - |
| Administrative expenses | - | (8,831) | 8,831 |
| Other changes | 49,091 | 20,879 | 28,212 |
| Net changes | (470,066) | 1,586,965 | (2,057,031) |
| Town Balances at June 30, 2024 | 18,276,027 | 9,559,598 | 8,716,429 |
| Cost-sharing participants | | | |
| New River Valley Alcohol Safety Action Program | 147,953 | 77,389 | 70,564 |
| Virginia Tech/Montgomery Regional Airport Authority | 293,588 | 153,567 | 140,021 |
| Total cost-sharing participants | 441,541 | 230,956 | 210,585 |
| Town Balances at June 30, 2024 | \$ 18,717,568 | \$ 9,790,554 | \$ 8,927,014 |

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

The following presents the net OPEB liability of the Town (excluding the cost-sharing participants), as well as what the Town's net OPEB liability would be if it was calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current discount rate:

| | 1.00% Decrease (5.50%) | Current Discount Rate (6.50%) | 1.00% Increase (7.50%) |
|--------------------|------------------------------|-------------------------------------|------------------------------|
| Net OPEB liability | \$ 11,243,750 | \$ 8,716,429 | \$ 6,640,267 |

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Town (excluding the cost-sharing participants), as well as what the Town's net OPEB liability would be if it was calculated using healthcare cost trend rates that are one percentage point lower (5.40%) or one percentage point higher (7.40%) than the current healthcare cost trend rates:

| | 1.00% Decrease (5.40%) | Current Healthcare Cost Trend Rate (6.40%) | 1.00% Increase (7.40%) |
|--------------------|---------------------------------------|---|---------------------------------------|
| Net OPEB liability | \$ 6,188,017 | \$ 8,716,429 | \$ 11,847,368 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the Town (excluding the cost-sharing participants) recognized OPEB expense of \$1,007,141. At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 317,837 | \$ 870,532 |
| Change in assumptions | 1,829,612 | 800,987 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 24,865 |
| Total | \$ 2,147,449 | \$ 1,696,384 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (including cost-sharing participants) as follows:

| Year Ending June 30, | Effect on OPEB Expense |
|---------------------------------|-----------------------------------|
| 2025 | \$ 80,360 |
| 2026 | 437,058 |
| 2027 | 51,660 |
| 2028 | (8,691) |
| 2029 | (98,424) |

Note 12 – Other Postemployment Benefits Liability – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Town also participates in a cost-sharing and agent multi-employer other postemployment benefit plan, described as follows.

Town of Blacksburg, Virginia

Notes to Financial Statements

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Plan Descriptions

Group Life Insurance Program

All full-time teachers and employees of the Town are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

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 GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

The GLI are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple-employer, cost-sharing plan.

The Town is the fiscal agent for separate legal entities, the New River Valley Alcohol Safety Action Program and the Virginia Tech/Montgomery Airport Authority (the "Fiduciary Entities"). This makes this plan a cost-sharing plan. The information and amounts provided in this note disclosure include the cost-sharing participants unless otherwise noted.

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2021. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

| | |
|----------------------------|---|
| Governed by: | <i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly. |
| Total rate: | 1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution. |
| June 30, 2024 Contribution | \$97,886 |
| June 30, 2023 Contribution | \$83,860 |

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session.

Town of Blacksburg, Virginia

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June 30, 2024

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

The net OPEB liabilities were measured as of June 30, 2023 and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2022 and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. The information provided below excludes the cost-sharing participants of the Town.

Group Life Insurance Program

| | | |
|--|----|----------|
| June 30, 2024 proportionate share of liability | \$ | 800,335 |
| June 30, 2023 proportion | | 0.06838% |
| June 30, 2022 proportion | | 0.07017% |
| June 30, 2024 expense | | 13,677 |

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

At June 30, 2024, the Town (excluding the cost-sharing participants) reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 79,934 | \$ 24,295 |
| Change in assumptions | 17,108 | 55,450 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 32,162 |
| Changes in proportion | 1,182 | 98,984 |
| Employer contributions subsequent to the measurement date | 97,886 | - |
| Total | \$ 196,110 | \$ 210,891 |

The deferred outflows of resources related to OPEB resulting from the Town's (excluding the cost-sharing participants) contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the Fiscal Year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources

Town of Blacksburg, Virginia

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related to OPEB will be recognized in OPEB expense (including cost-sharing participants) in future reporting periods as follows:

Group Life Insurance Program

| Year Ending June 30, | Effect on OPEB Expense |
|-------------------------|---------------------------|
| 2025 | \$ (30,700) |
| 2026 | (58,834) |
| 2027 | (11,112) |
| 2028 | (19,172) |
| 2029 | 4,370 |

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2022, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023:

| | |
|---|--------------|
| Inflation | 2.50% |
| Salary increases, including inflation: | |
| • Locality – general employees | 3.50 – 5.35% |
| • Locality – hazardous duty employees | 3.50 – 4.75% |
| • Teachers | 3.50 – 5.95% |
| Healthcare cost trend rates: | |
| • Under age 65 | 7.00 – 4.75% |
| • Ages 65 and older | 5.25 – 4.75% |
| Investment rate of return, net of expenses, including inflation | GLI: 6.75% |

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 10.

Net OPEB Liabilities

The net OPEB liabilities represent each 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, 2023, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

| | |
|---|---|
| | Group Life Insurance Program |
| Total OPEB liability | \$ 3,907,052 |
| Plan fiduciary net position | 2,707,739 |
| Employers’ net OPEB liability | 1,199,313 |
| Plan fiduciary net position as a percentage of total OPEB liability | 69.30% |

The total liability is calculated by the VRS actuary and each plan’s fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements.

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Long-Term Expected Rate of Return

Group Life Insurance Program

The long-term expected rate of return on VRS 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 OPEB 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 Note 10.

Discount Rate

The discount rate used to measure the GLI OPEB 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 Guidance 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. Through the fiscal year ending June 30, 2023, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 113% of the actuarially determined contribution rate for GLI and 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2023 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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 OPEB liability.

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

The following presents the net OPEB liabilities of the Town (excluding the cost-sharing participants), as well as what the Town's net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (5.75% GLI) or one percentage point higher (7.75% GLI) than the current discount rate:

| | 1.00% Decrease (5.75%) | Current Discount Rate (6.75%) | 1.00% Increase (7.75%) |
|--------------------|---------------------------------------|--|---------------------------------------|
| Net OPEB liability | <u>\$ 1,186,349</u> | <u>\$ 800,335</u> | <u>\$ 488,243</u> |

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

Note 13 – Summary of Pension and Other Postemployment Benefits Elements

The elements presented in this note exclude the cost-sharing participants.

| | Governmental Activities | Business-Type Activities | Total Primary Government |
|---|------------------------------------|-------------------------------------|-------------------------------------|
| Deferred outflows of resources – pension | | | |
| Difference between expected and actual experience | | | |
| VRS | \$ 1,877,619 | \$ 679,651 | \$ 2,557,270 |
| Changes in assumptions | | | |
| VRS | 366,245 | 132,572 | 498,817 |
| Employer contributions subsequent to the measurement date | | | |
| VRS | 2,180,392 | 789,247 | 2,969,639 |
| Total deferred outflows of resources – pensions | \$ 4,424,256 | \$ 1,601,470 | \$ 6,025,726 |
| Deferred outflows of resources – OPEB | | | |
| Difference between expected and actual experience | | | |
| Local Plan | \$ 233,390 | \$ 84,447 | \$ 317,837 |
| VRS GLI | 58,766 | 21,168 | 79,934 |
| Change in assumptions | | | |
| Local Plan | 1,343,501 | 486,111 | 1,829,612 |
| VRS GLI | 12,578 | 4,530 | 17,108 |
| Change in proportionate share | | | |
| VRS GLI | 869 | 313 | 1,182 |
| Employer contributions subsequent to the measurement date | | | |
| VRS GLI | 71,964 | 25,922 | 97,886 |
| Total deferred outflows of resources – OPEB | \$ 1,721,068 | \$ 622,491 | \$ 2,343,559 |

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

| | Governmental Activities | Business-Type Activities | Total Primary Government |
|---|------------------------------------|-------------------------------------|-------------------------------------|
| Net pension liability | | | |
| VRS | \$ 14,973,688 | \$ 5,420,103 | \$ 20,393,791 |
| Total net pension liability | \$ 14,973,688 | \$ 5,420,103 | \$ 20,393,791 |
| Net OPEB liability | | | |
| Local plan | \$ 6,400,556 | \$ 2,315,873 | \$ 8,716,429 |
| VRS GLI | 588,393 | 211,942 | 800,335 |
| Total net OPEB liability | \$ 6,988,949 | \$ 2,527,815 | \$ 9,516,764 |
| Deferred inflows of resources – pension | | | |
| Difference between expected and actual experience | | | |
| VRS | \$ 237,279 | \$ 85,889 | \$ 323,168 |
| Net difference between projected and actual investment earnings on pension plan investments | | | |
| VRS | 956,443 | 346,210 | 1,302,653 |
| Total deferred inflows of resources – pensions | \$ 1,193,722 | \$ 432,099 | \$ 1,625,821 |
| Deferred inflows of resources – OPEB | | | |
| Difference between expected and actual experience | | | |
| Local plan | \$ 639,240 | \$ 231,292 | \$ 870,532 |
| VRS GLI | 17,861 | 6,434 | 24,295 |
| Net difference between projected and actual investment earnings on OPEB plan investments | | | |
| Local plan | 18,259 | 6,606 | 24,865 |
| VRS GLI | 23,645 | 8,517 | 32,162 |
| Change in assumptions | | | |
| Local plan | 588,172 | 212,815 | 800,987 |
| VRS GLI | 40,766 | 14,684 | 55,450 |
| Change in proportionate share | | | |
| VRS GLI | 72,771 | 26,213 | 98,984 |
| Total deferred inflow of resources – OPEB | \$ 1,400,714 | \$ 506,561 | \$ 1,907,275 |

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

| | Governmental Activities | Business-Type Activities | Total Primary Government |
|-----------------------|----------------------------|-----------------------------|-----------------------------|
| Pension expense | | | |
| VRS | \$ 2,578,833 | \$ 933,473 | \$ 3,512,306 |
| Total pension expense | \$ 2,578,833 | \$ 933,473 | \$ 3,512,306 |
| OPEB expense | | | |
| Local plan | \$ 739,553 | \$ 267,588 | \$ 1,007,141 |
| VRS GLI | 10,055 | 3,622 | 13,677 |
| Total OPEB expense | \$ 749,608 | \$ 271,210 | \$ 1,020,818 |

Note 14 – Property Taxes

Property is assessed at its current market value on January 1 by Montgomery County, Virginia. Real estate taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on June 5 and December 5. Town Council approves the tax rate for both installments in April of each year. The Town bills and collects the real estate taxes. A penalty of 10% of the tax or \$10, whichever is greater, but not to exceed the tax, is assessed after June 5 and December 5. Taxes were levied at a rate of \$0.26 per \$100 of assessed valuation for the 2024 calendar year. The Town places liens on property as necessary to supplement collection efforts. The Commonwealth of Virginia has no limitation on tax rates.

Note 15 – Risk Management

The Town is exposed to various risks of loss related to the following: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates with other localities in a public entity risk pool, The Virginia Municipal Group Self Insurance, for their coverage of workers' compensation. The Town also participates with other localities in a public entity risk pool, the Virginia Municipal League, for their coverage of property damage. The Town pays an annual premium to the pools for its general insurance coverage. The agreement for the formation of the pools provides that the pools will be self-sustaining through member premiums. The Town continues to carry commercial insurance for all other risks of loss. There have been no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 16 – Commitments and Contingencies

Special Purpose Grants

Special Purpose Grants are subject to audit to determine compliance with their requirements. Town officials believe that if any refunds are required, they will be immaterial.

Landfill

The Town has a closed municipal solid waste landfill that it previously operated. The Town has continued to monitor the landfill since closure, and no liabilities related to environmental remediation have arisen.

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

VDOT Land Contribution

During 2007, \$1,725,000 of land was contributed to the Town by the Virginia Department of Transportation (VDOT). This land was intended by VDOT to be used for open space and recreational purposes for the general public. The Town also had the right to designate a portion of the land, up to eight acres, for future commercial use. If the Town elected not to devote the land for the specific purpose within ten years, the land was to be conveyed back to VDOT. In 2014, the Town negotiated the sale of four acres to construct an assisted living facility. The sale generated \$750,000 which was reinvested in the property to construct roads, infrastructure, and a public trail. Currently the Town is looking to sell an additional four acres. The proceeds from this sale will reimburse the Town for the cost to develop over six acres of athletic fields which was completed in 2019.

414 North Main Street Building

A claim was filed against the Town by a property owner on North Main Street that alleged the Town eliminated access to parking spaces at their place of business. During 2015, the Town settled the lawsuit whereby the Town purchased the building for \$900,000 and completed remediation. The Town is currently rehabilitating the building with an anticipated completion date of May 2026. When completed, the building will be used as a retail incubator.

Litigation

Various claims are pending against the Town. In the opinion of management, after consulting with legal counsel, the potential loss, if any, on all claims will be covered by the Town's insurance.

Note 17 – Cemetery Trust Disclosure

In 1969, the Town established a trust to provide funds for the perpetual care and maintenance of Westview Cemetery. The trust is administered by a local bank. An independent trustee has title to and control over all assets of the trust and is not included in the reporting entity. The Town remits 80 percent of the proceeds from the sale of cemetery lots to the trust.

Note 18 – Prior Period Adjustments

Prior period adjustments were made related to capital assets for several funds. During 2024, management re-evaluated certain assets that had previously been capitalized and determined those assets were more appropriately presented as expenditures/expenses in previous years. In addition, multiple adjustments to accumulated depreciation at June 30, 2023 were made due to accumulation of immaterial errors. The net result of these adjustments are as follows:

| | Governmental Activities | Transit Fund | Solid Waste Fund | Business-Type Activities |
|---|------------------------------------|----------------------|-----------------------------|-------------------------------------|
| Beginning net position, previously stated | \$ 74,577,735 | \$ 46,083,117 | \$ 701,136 | \$ 63,345,826 |
| Capital asset adjustments | (813,273) | (102,783) | (13,266) | (116,049) |
| Beginning net position, restated | <u>\$ 73,764,462</u> | <u>\$ 45,980,334</u> | <u>\$ 687,870</u> | <u>\$ 63,229,777</u> |

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

Note 19 – New Accounting Standards

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

In December 2023, the GASB issued **Statement No. 102**, *Certain Risk Disclosures*. This statement defines and requires governments to disclose the risks related to concentrations of inflows or outflows of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2024.

In April 2024, the GASB issued **Statement No. 103**, *Financial Reporting Model Improvements*. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability as well as addresses certain application issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

Management has not yet evaluated the effects, if any, of adopting this standard, but does not expect it to be material.



Supplementary Information



Non-Major Governmental Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

CDBG Fund – accounts for the administration of the Community Development Block Grant program. Financing is provided by grants from the federal government.

HOME Fund – accounts for the administration of the HOME program. Financing is provided by grants from the federal government.

Urban Construction Fund – accounts for the revenue and construction activity relating to highway planning and construction funded by federal and state funds.

Town of Blacksburg, Virginia

Exhibit A-1

Combining Balance Sheet – Non-Major Governmental Funds June 30, 2024

| | CDBG | HOME | Urban Construction | Total |
|--|-------------------|-------------------|-----------------------|-------------------|
| ASSETS | | | | |
| Cash and cash equivalents, restricted | \$ 16,328 | \$ - | \$ 300,205 | \$ 316,533 |
| Due from other governmental units | 234,094 | 102,220 | - | 336,314 |
| Total assets | \$ 250,422 | \$ 102,220 | \$ 300,205 | \$ 652,847 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 249,835 | \$ 12,475 | \$ - | \$ 262,310 |
| Accrued payroll and related liabilities | 587 | 1,364 | - | 1,951 |
| Due to other funds | - | 88,381 | - | 88,381 |
| Total liabilities | 250,422 | 102,220 | - | 352,642 |
| FUND BALANCES (Note 9) | | | | |
| Restricted | - | - | 300,205 | 300,205 |
| Committed | 1,110,891 | 13,295 | - | 1,124,186 |
| Unassigned | (1,110,891) | (13,295) | - | (1,124,186) |
| Total fund balances | \$ - | \$ - | \$ 300,205 | \$ 300,205 |

Town of Blacksburg, Virginia

Exhibit A-2

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Non-Major Governmental Funds
Year Ended June 30, 2024**

| | <u>CDBG</u> | <u>HOME</u> | <u>Urban Construction</u> | <u>Total</u> |
|----------------------------|--------------------|--------------------|-------------------------------|--------------------------|
| REVENUES | | | | |
| Intergovernmental | \$ 391,072 | \$ 228,835 | \$ - | \$ 619,907 |
| Investment earnings | - | - | 3,945 | 3,945 |
| Other | 897,069 | 5,625 | - | 902,694 |
| Total revenues | <u>1,288,141</u> | <u>234,460</u> | <u>3,945</u> | <u>1,526,546</u> |
| EXPENDITURES | | | | |
| CDBG Entitlement | 1,288,141 | - | - | 1,288,141 |
| HOME Consortium | - | 234,460 | - | 234,460 |
| Total expenditures | <u>1,288,141</u> | <u>234,460</u> | <u>-</u> | <u>1,522,601</u> |
| Net change in fund balance | <u>-</u> | <u>-</u> | <u>3,945</u> | <u>3,945</u> |
| FUND BALANCES AT JULY 1 | <u>-</u> | <u>-</u> | <u>296,260</u> | <u>296,260</u> |
| FUND BALANCES AT JUNE 30 | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 300,205</u></u> | <u><u>\$ 300,205</u></u> |



Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Town as an agent for private organizations or other governments. Custodial funds in this category include:

New River Valley Alcohol Safety Action Program

Virginia Tech/Montgomery Regional Airport Authority



Town of Blacksburg, Virginia

Exhibit B-1

Combining Statement of Fiduciary Net Position – Custodial Funds June 30, 2024

| | New River Valley Alcohol Safety Action Program | Virginia Tech/ Montgomery Regional Airport Authority | Total |
|---|--|---|------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 318,353 | \$ 481,410 | \$ 799,763 |
| Cash and cash equivalents, restricted | - | 1,137,701 | 1,137,701 |
| Accounts receivable | 74,942 | 21,528 | 96,470 |
| Due from other governments | - | 54,567 | 54,567 |
| Leases receivable | - | 41,981 | 41,981 |
| Inventory | - | 51,355 | 51,355 |
| Total current assets | 393,295 | 1,788,542 | 2,181,837 |
| NONCURRENT ASSETS | | | |
| Leases receivable | - | 282,070 | 282,070 |
| Total noncurrent assets | - | 282,070 | 282,070 |
| Total assets | 393,295 | 2,070,612 | 2,463,907 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued liabilities | 24,676 | 134,976 | 159,652 |
| Compensated absences | 4,249 | 10,175 | 14,424 |
| Lease payable | - | 45,650 | 45,650 |
| Due to Town of Blacksburg | 29,306 | 456,369 | 485,675 |
| Total current liabilities | 58,231 | 647,170 | 705,401 |
| NONCURRENT LIABILITIES | | | |
| Net pension liability | 165,004 | 327,922 | 492,926 |
| Net other postemployment benefits liabilities | 76,933 | 153,405 | 230,338 |
| Compensated absences | - | 31,130 | 31,130 |
| Leases payable | - | 30,602 | 30,602 |
| Total noncurrent liabilities | 241,937 | 543,059 | 784,996 |
| Total liabilities | 300,168 | 1,190,229 | 1,490,397 |
| Restricted for other governments | 93,127 | 880,383 | 973,510 |
| Total net position | \$ 93,127 | \$ 880,383 | \$ 973,510 |

Town of Blacksburg, Virginia

Exhibit B-2

Combining Statement of Changes in Fiduciary Net Position – Custodial Funds Year Ended June 30, 2024

| | New River Valley Alcohol Safety Action Program | Virginia Tech/ Montgomery Regional Airport Authority | Total |
|---|--|---|-------------------|
| Additions | | | |
| Custodial fund additions | \$ 474,608 | \$ 2,884,550 | \$ 3,359,158 |
| Total additions | 474,608 | 2,884,550 | 3,359,158 |
| Deductions | | | |
| Custodial fund payments and withdrawals | 454,845 | 3,204,098 | 3,658,943 |
| Total deductions | 454,845 | 3,204,098 | 3,658,943 |
| Change in fiduciary net position | 19,763 | (319,548) | (299,785) |
| Total net position - beginning | 73,364 | 1,199,931 | 1,273,295 |
| Total net position - ending | \$ 93,127 | \$ 880,383 | \$ 973,510 |



Compliance Section



Town of Blacksburg, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

| Federal Grantor/Pass-through Grantor/Program Title | Federal Assistance Listing Number | Federal Expenditures | Expenditures to Subrecipients |
|---|-----------------------------------|----------------------|-------------------------------|
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| CDBG-Entitlement Grants Cluster: | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | \$ 1,288,141 | \$ 1,115,661 |
| HOME Investment Partnerships Program | 14.239 | 234,460 | - |
| DEPARTMENT OF TRANSPORTATION | | | |
| Transit Cluster: | | | |
| Federal Transit – Capital Investment Grants | 20.500 | 8,833,901 | - |
| Federal Transit – Formula Grants | 20.507 | 585,678 | - |
| MPO Grant | 20.500 | 70,787 | - |
| Federal Transit Cluster Subtotal | | 9,490,366 | |
| 5339 VA-2018-032-0 | | | |
| 73121-22 | | | |
| 73020-67/75/87/91/92 | | | |
| 73019-67/68/69 | | | |
| 50018-01, 50018-02 | | | |
| 46022-11, 46023-11 | | | |
| Virginia Department of Motor Vehicles | | | |
| Alcohol Impaired Driving Countermeasurer Incentive Grant | 20.601 | 5,221 | - |
| FSC-2022-52250/2023-53273 | | | |
| ENF_AL-2022-52256/2023-53139 | | | |
| DEPARTMENT OF TREASURY | | | |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 | 1,762,489 | 1,204,159 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Virginia Department of Social Services | | | |
| Low-Income Home Energy Assistance | 93.568 | - | - |
| ENVIRONMENTAL PROTECTION AGENCY | | | |
| Virginia Department of Health | | | |
| Reducing Lead in Drinking Water Grant | 66.443 | 55,800 | - |
| FEDERAL HIGHWAY ADMINISTRATION | | | |
| Virginia Department of Transportation | | | |
| Highway Planning and Construction – South Main Street Pedestrian Improvements | 20.205 | 498,605 | - |
| Highway Planning and Construction – Bicycle Storage Facilities | 20.205 | 101,032 | - |
| Highway Planning and Construction Subtotal | | 599,637 | |
| Total Expenditures of Federal Awards | | \$ 13,436,114 | |

Notes to Schedule of Expenditures of Federal Awards

Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting as contemplated by generally accepted accounting principles.

Subrecipients

The federal expenditures of the Community Development Block Grants Program, HOME Investment Partnership Program, and Coronavirus State and Local Fiscal Recovery Funds Program include grants to subrecipients for various rehabilitation projects throughout the Town.

De Minimus Indirect Cost Rate

The Town did not elect to use the 10% de minimus indirect cost rate.

Outstanding Loan Balances

As of June 30, 2024, the Town had no outstanding loan balances requiring continuing disclosure.



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 Honorable Members of the Town Council
Town of Blacksburg
Blacksburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Blacksburg, Virginia (the “Town”), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated October 23, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a significant deficiency.**



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.**

Town's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 23, 2025



Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Members of the Town Council
Town of Blacksburg
Blacksburg, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

We have audited the Town of Blacksburg, Virginia’s (the “Town”) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town’s major federal programs for the year ended June 30, 2024. The Town’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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



Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance the requirements of each major federal program as a whole.

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-002 and 2024-003 . Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion the response.

Report on Internal Control over Compliance

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

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

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

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

Brown, Edwards & Company, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 23, 2025

Town of Blacksburg
Summary of Compliance Matters
June 30, 2024

As more fully described in the 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*, we performed tests of the Town’s compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

State Compliance Matters

Code of Virginia

Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act

State Agency Requirements

Highway Maintenance Funds

Federal Compliance Matters

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal program selected for testing.

Town of Blacksburg
Schedule of Findings and Questioned Costs
June 30, 2024

A – Summary of Auditor’s Results

1. The auditor’s report expresses an **unmodified opinion** on the financial statements.
2. **One significant deficiency and no material weaknesses** relating to the audit of the financial statements were reported in the 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies and no material weaknesses** relating to the audit of the major federal award programs were reported in the Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **two audit findings relating to the major programs**.
7. The programs tested as major were:

| Name of Program | Assistance Listing Number |
|---|---------------------------|
| CDBG – Entitlement/Special Purpose Grants Cluster | |
| Community Development Block Grant – Entitlement Program | 14.218 |
| COVID-19 Coronavirus State and Local Recovery Funds | 21.027 |

8. The threshold for distinguishing Type A and B programs was **\$750,000**.
9. The Town was determined to be a **low-risk auditee**.

B – Findings – Financial Statement Audit

2024-001: Segregation of Duties (Significant Deficiency)

Condition A fundamental concept of internal controls is the separation of duties. Due to the limited staff size, a proper segregation has not been established.

Criteria No one employee should have access to physical assets and the related accounting records, to all phases of a transaction, or have unlimited system administrator rights.

Cause Limited staff size.

Effect Access to both physical assets and the related accounting records may allow errors or irregularities to occur and either not be detected or concealed.

Recommendation Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

View of Responsible Officials and Planned Corrective Action The auditee concurs with this recommendation. The Town has put compensating controls in place, to the extent practical for day-to-day operation.

Action

Town of Blacksburg

Schedule of Findings and Questioned Costs

June 30, 2024

C – Findings and Questioned Costs – Major Federal Award Program Audit

2024-002: CDBG – Community Development Block Grants/Entitlement Grants – ALN #14.218, Reporting

Condition Housing and Community Connections did not timely file Cash on Hand Quarterly Reports in two instances of testing.

Criteria Under the requirements in the Uniform Guidance, reports are to be filed within 30 days after the end of the reporting period.

Cause Housing and Community Connections typically files all reports timely, however, two quarterly reports during the same quarter were filed late.

Effect Failure to file timely reports could result in improper reporting of the use of Federal funds.

Perspective Information Two Cash on Hand Quarterly Reports of four tested were not filed within 30 days after the end of the reporting period.

Recommendation Management should implement a procedure to ensure that reports are filed within reporting periods.

View of Responsible Officials and Planned Corrective Action To address this finding, Housing and Community Connections has taken the following steps:

1. **Compliance Calendar & Reminders** – Staff have implemented calendar reminders for all HUD reporting requirements. Reporting deadlines are also reviewed at bi-monthly staff meetings to ensure awareness of upcoming due dates.
2. **Defined Roles and Responsibilities** – The HOME/CDBG Program Coordinator now assembles applicable data and prepares a draft of each quarterly Cash on Hand Report. This draft is reviewed with the Housing and Community Connections Manager before submission.
3. **Approval and Retention Process** – A final review and approval is conducted by the Manager prior to submission. Copies of all submitted reports are retained in office files as part of our strengthened workflow.

2024-003: CDBG – Community Development Block Grants/Entitlement Grants – ALN #14.218, COVID-19 Coronavirus State and Local Fiscal Recovery Fund – ALN #21.027, Late Filing of Financial Report and Data Collection Form

Condition The Town did not submit the data collection form or financial report for the year ended June 30, 2024 timely.

Criteria For June 30, 2024, year-end audits, under the requirements in the Uniform Guidance and the Office of Management and Budget (OMB), all entities are required to submit the annual data collection form with the Federal Audit Clearinghouse the earlier of either 30 days after the issuance of the entity's annual audit or nine months after the entity's fiscal year end.

Cause Management did not complete and certify their portion of the form before the deadline. The form cannot be completed before the audit is issued.

Effect The Town's form was submitted to the Federal Audit Clearinghouse late, delaying completion of all annual audit requirements for the Town.

Recommendation Management should take steps to ensure that the form and financial report is filed timely.

Town of Blacksburg
Schedule of Findings and Questioned Costs
June 30, 2024

View of Responsible Officials To address this finding, the Town has strengthened internal processes to ensure timely and Planned Corrective submission of all future financial reporting and audit certification materials through the Action following measures:

1. **Submission Tracking and Deadline Control** – A centralized federal reporting tracker has been created to monitor all post-audit submission requirements. The Housing and Community Connections Manager will receive automated deadline reminders beginning 30 days before each reporting due date.
2. **Defined Accountability Chain** – The Town Manager’s Office and the Finance Department are responsible for completing and certifying the data collection form promptly upon issuance of the audit. The Housing and Community Connections Division will verify completion and coordinate any supplemental financial information required for submission.
3. **Post-Audit Compliance Review** – A post-audit checklist has been developed to confirm all required submissions – including the Federal Audit Clearinghouse filing – are completed and documented. Completion status will be reviewed in the first Finance/Housing coordination meeting following each audit.

D – Findings – Commonwealth of Virginia

None noted.

Town of Blacksburg
Summary Schedule of Prior Audit Findings
June 30, 2024

A – Findings – Financial Statement Audit

2023-001: Segregation of Duties (Significant Deficiency)

Condition A fundamental concept of internal controls is the separation of duties. Due to the limited staff size, a proper segregation has not been established.

Criteria No one employee should have access to physical assets and the related accounting records, to all phases of a transaction, or have unlimited system administrator rights.

Cause Limited staff size.

Effect Access to both physical assets and the related accounting records may allow errors or irregularities to occur and either not be detected or concealed.

Recommendation Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

Current Status Condition still present. See finding 2024-001 in Schedule of Findings and Questioned Costs

B – Findings and Questioned Costs – Major Federal Award Program Audit

2023-002: CDBG- Community Development Block Grants/Entitlement Grants – ALN #14.218, Reporting

Condition Housing and Community Connections did not timely file Cash on Hand Quarterly Reports in two instances of testing.

Criteria Under the requirements in the Uniform Guidance, reports are to be filed within 30 days after the end of the reporting period.

Cause Housing and Community Connections typical files all reports timely however, two quarterly reports during the same quarter were filed late.

Effect Failure to file timely reports could result in improper reporting of the use of Federal funds.

Perspective Information Two Cash on Hand Quarterly Reports of four tested were not filed within 30 days after the end of the reporting period.

Recommendation Management should implement a procedure to ensure that reports are filed within reporting periods.

Current Status Condition still present. See finding 2024-002 in the Schedule of Findings and Questioned Costs.

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