



TOWN OF SOUTH BOSTON, VIRGINIA

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2024

TOWN OF SOUTH BOSTON, VIRGINIA

COUNCIL MEMBERS AND OFFICERS

MEMBERS OF COUNCIL

Edward Owens
Robert Hughes
Brian Burton
Joseph Chandler
Thomas Elliott
Sharon Harris
Barbara Speece

Mayor
Vice-Mayor
Council Member
Council Member
Council Member
Council Member
Council Member

TOWN OFFICIALS

Tom Raab
Dennis Barker
Danyell Duncan
Ronnie Edmonds
Justin Lackey
Steve Phillips
Sarah Lowe

Town Manager
Assistant Town Manager
Finance Director
Police Chief
Director of Public Works
Fire Chief
Clerk of Council

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Town Council
Town of South Boston, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of South Boston, Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of South Boston, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Town of South Boston, Virginia, 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 and 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* and the *Specifications for Audits of Authorities, Boards, and Commissions* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of South Boston, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns* 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*, and the *Specifications for Audits of Counties, Cities, and Towns* we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of South Boston, Virginia's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The computation of legal debt margin schedule of expenditures of federal awards, analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 and individual 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 statistical section but does not include the basic financial statements and our auditors' 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 December 10, 2024 on our consideration of the Town of South Boston, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of South Boston, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of South Boston, Virginia's internal control over financial reporting and compliance.

Harris Harvey Neal & Co. LLP

Danville, Virginia
December 10, 2024

TOWN OF SOUTH BOSTON, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2024

Our discussion and analysis of Town of South Boston, Virginia's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the Town's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. For governmental activities, fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as an agent for the benefit of those outside of the government.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. You can think of the Town's net position—the difference between assets and liabilities—as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, the Town consists of the following activity:

- **Governmental activities**—Most of the Town's basic services are reported here, including the police, fire, public works, parks departments, and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.

Fund Financial Statements

Our analysis of the Town's major funds provides detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town has two kinds of funds—governmental and fiduciary—which use the following accounting approaches:

- **Governmental funds**—Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation at the bottom of the fund financial statements.

**TOWN OF SOUTH BOSTON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

THE TOWN AS A WHOLE

The Town's net position increased by 25.0 percent from the prior year. Our analysis below focuses on the Net Position (Table 1) and changes in Net Position (Table 2) of the Town's governmental activities.

Table 1
Net Position

	Governmental Activities	
	2024	2023
Current and other assets	\$ 17,292,458	\$ 17,319,318
Capital assets	20,935,470	18,531,528
Total assets	\$ 38,227,928	\$ 35,850,846
Deferred outflows of resources	\$ 1,132,137	\$ 1,464,002
Long-term debt outstanding	\$ 6,075,853	\$ 6,186,076
Other liabilities	7,579,208	10,477,180
Total liabilities	\$ 13,655,061	\$ 16,663,256
Deferred inflows of resources	\$ 1,448,047	\$ 1,238,752
Net position:		
Invested in capital assets, net of debt	\$ 19,494,439	\$ 14,696,479
Restricted	3,332,582	3,071,011
Unrestricted	1,429,935	1,645,350
Total net position	\$ 24,256,956	\$ 19,412,840

**TOWN OF SOUTH BOSTON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

Table 2
Changes in Net Position

	Governmental Activities	
	2024	2023
Revenues		
Program revenues:		
Charges for services	\$ 470,040	\$ 406,916
Grants and contributions	6,683,200	6,760,484
General revenues:		
Property taxes	2,537,749	2,650,816
Other taxes	6,299,969	5,983,556
Sale of cemetery lots	69,500	45,375
Investment earnings	745,676	117,758
Total revenues	<u>16,806,134</u>	<u>15,964,905</u>
Program expenses:		
General government	1,332,709	1,345,200
Public safety	4,951,842	5,001,078
Public works	4,082,373	4,064,429
Parks, recreation, and cultural	565,133	500,801
Community development	613,890	634,468
Nondepartmental	110,949	(58,961)
Landfill closure	94,823	84,808
Interest on long-term debt	74,614	86,837
Total expenses	<u>11,826,333</u>	<u>11,658,660</u>
Adjustment of estimated accumulated post-closure costs	<u>(135,684)</u>	<u>(86,848)</u>
Increase in net position	<u>\$ 4,844,117</u>	<u>\$ 4,219,397</u>

Governmental Activities

Revenues for the Town's governmental activities increased 5.27 percent, while expenses increased 1.40 percent. Property tax revenue decreased slightly due to a decrease in assessed value of personal property. Other taxes increased due to an increase in occupancy and meals taxes and sales tax collected due to an increase in travel due various events in the area as well as the construction of a new casino in Danville, Virginia. The Town recognized \$1,460,742 of revenue in the current year relating to ARPA funding received. Expenses increased mostly due to an increase in salaries and related benefits as well as in increase in depreciation expense. Non-departmental expenses increased due to the change in the pension deferred inflows/outflows.

**TOWN OF SOUTH BOSTON, VIRGINIA
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

THE TOWN’S FUNDS

As the Town completed the year, its governmental funds reported a fund balance of \$12,464,022, which is 19.41percent higher than last year. The primary reason for the increase was due the increase in interest income due to rising interest rates and for debt that was issued.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town budgets conservatively. Revenues are budgeted based on historic trends. Expenditures are budgeted based on the previous adopted levy.

The Town Council receives monthly financial statements. The Council approves budget amendments. Budget amendments are made for encumbrances, new Council directives, or adjustments such as grants received after budget approval.

Actual disbursements were \$4,628,328 lower than budgeted amounts. A majority of the difference is due to the accounting for the ARPA funds received and paid out, which are shown as a special revenue fund. Actual revenues were \$6,605,811 less than budgeted amounts due to the same reason. In total, there was an excess mostly due to the increase in other local taxes exceeding budget and general government administration being below budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town’s investment in capital assets for its governmental activities as of June 30, 2024, amounts to \$20,935,470 (net of accumulated depreciation). This investment in capital assets includes police and fire equipment, buildings, park facilities, and improvements. This amount represents a net increase (including additions and deductions) of \$2,403,942, or 12.97 percent, above last year.

	<u>Governmental Activities</u>	
	<u>2024</u>	<u>2023</u>
Land, building, and improvements	\$ 18,076,339	\$ 15,551,140
Machinery, equipment and vehicles	<u>2,859,131</u>	<u>2,980,388</u>
Totals	<u>\$ 20,935,470</u>	<u>\$ 18,531,528</u>

This year’s major additions included:

Council chambers, paid for with ARPA funds	\$ 726,916
Seymour Drive stormwater project, paid for with ARPA funds	530,146
North Main housing improvement project, paid for with grant funds	344,119
Freightliner garbage truck, paid for with general revenues	164,500
Riverdale flood mitigation project, paid for with grant funds	764,766

**TOWN OF SOUTH BOSTON, VIRGINIA
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

Debt

At year-end, the Town had \$3,602,604 in bonds and notes outstanding compared to \$3,835,049 last year - a decrease of 6.06 percent as shown in the following table.

	<u>Governmental Activities</u>	
	<u>2024</u>	<u>2023</u>
General obligation bonds	<u>\$ 3,602,604</u>	<u>\$ 3,835,049</u>

The Town obtained a \$4,000,000 note payable for the South Boston Industrial Development Authority in the prior year. Amounts are drawn down as needed and payments of principal and interest are being reimbursed by the Authority. The amount drawn in the current year totaled \$547,858.

The Commonwealth limits the amount of general obligation debt that the Town can issue to 10.0 percent of the assessed value of all taxable property within the Town’s corporate limits.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town’s long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The Town received American Rescue Plan Act funds during the years ended June 30, 2023 and 2022 in the amount of \$3,936,338 which is being used to make strategic investments in long-lived assets, rebuild reserves to enhance financial stability, and cover temporary operating shortfalls.

The Town is working on various other projects including the North Main Housing Rehabilitation, Riverdale Flood Mitigation and working with the IDA in rehabbing the John Randolph Hotel.

General Fund tax rates will remain the same for the 2024 fiscal year except real estate tax rates will decrease \$.01.

All of these factors were considered in preparing the Town’s budget for the 2025 fiscal year.

CONTACTING THE TOWN ’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town’s finances and to show the Town’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Finance Office at 436 Ferry Street, South Boston, Virginia. The Town’s phone number is 434-575-4210.

BASIC FINANCIAL STATEMENTS

TOWN OF SOUTH BOSTON, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2024

See Independent Auditors' Report

	Primary Government	Exhibit 1 Component Unit
	Governmental Activities	Industrial Development Authority
ASSETS		
Cash	\$ 13,832,487	\$ 539,886
Investments	1,833	-
Receivables (net of allowances for uncollectibles):		
Taxes, including penalties	384,266	-
Accounts	193,778	147,622
Notes	1,634,072	626,506
Due from other governmental units	929,889	-
Inventories, at cost	316,133	-
Fixed assets (net of accumulated depreciation)	20,935,470	4,683,582
Deferred outflows of resources-VRS	1,132,137	-
Total assets	\$ 39,360,065	\$ 5,997,596
LIABILITIES		
Excess of checks written over funds available	\$ 291,898	\$ -
Accrued interest payable	24,169	-
Accounts payable	38,197	20,213
Deferred revenue	3,901,813	-
Long-term obligations:		
Due within one year	846,187	155,940
Due beyond one year	5,229,666	986,794
Net pension liability	2,308,152	-
Net group life insurance liability	191,051	-
Net line of duty act liability	823,928	-
Deferred inflows of resources-VRS	1,448,047	-
Total liabilities	\$ 15,103,108	\$ 1,162,947
NET POSITION		
Net investment in capital assets	\$ 19,494,439	\$ 3,540,848
Restricted for:		
Perpetual care:		
Expendable	290,646	-
Nonexpendable	871,937	-
Other purposes	2,170,000	-
Unrestricted	1,429,935	1,293,800
Total net position	\$ 24,256,957	\$ 4,834,649

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

TOWN OF SOUTH BOSTON, VIRGINIA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2024
See Independent Auditors' Report

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Industrial Development Authority
Primary government:						
Governmental activities:						
General government	\$ 1,332,709	\$ 335,808	\$ 295,432	\$ -	\$ (701,469)	\$ -
Public safety	4,951,842	106,984	3,018,680	-	(1,826,178)	-
Public works	4,082,373	8,369	2,912,891	-	(1,161,113)	-
Parks, recreation, and cultural	565,133	18,879	-	-	(546,254)	-
Community development	613,890	-	-	311,086	(302,804)	-
Nondepartmental	110,949	-	-	-	(110,949)	-
Landfill closure	94,823	-	145,111	-	50,288	-
Interest on long-term debt	74,614	-	-	-	(74,614)	-
Total governmental activities	\$ 11,826,333	\$ 470,040	\$ 6,372,114	\$ 311,086	\$ (4,673,093)	\$ -
Component unit:						
Industrial Development Authority	\$ 130,535	\$ 509,829	\$ 138,924	\$ -	\$ -	\$ 518,218
General Revenues:						
Property taxes					\$ 2,537,749	\$ -
Other taxes and revenues					6,299,969	-
Sale of cemetery lots					69,500	-
Gain on sale of assets					-	12,000
Unrestricted investment earnings					745,676	24,780
Transfers					-	-
Total general revenues and transfers					9,652,894	36,780
Change in net position					4,979,801	554,998
Net position - beginning					19,412,840	4,279,651
Adjustment of estimated accumulated post-closure costs					(135,684)	-
Net position - ending					\$ 24,256,957	\$ 4,834,649

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

TOWN OF SOUTH BOSTON, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2024

See Independent Auditors' Report

Exhibit 3

ASSETS	General	ARPA	Other Governmental Funds	Total Governmental Funds
Cash	\$ 8,621,939	\$ 4,049,799	\$ 1,160,749	\$ 13,832,487
Investments	-	-	1,833	1,833
Receivables (net of allowances for uncollectibles):				
Taxes, including penalties	384,266	-	-	384,266
Accounts	193,778	-	-	193,778
Notes	1,634,072	-	-	1,634,072
Due from other funds	62,232	-	-	62,232
Due from other governmental units	624,125	-	-	624,125
Inventories, at cost	316,133	-	-	316,133
Total assets	<u>\$ 11,836,545</u>	<u>\$ 4,049,799</u>	<u>\$ 1,162,582</u>	<u>\$ 17,048,926</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Excess of checks written over funds available	\$ 291,898	\$ -	\$ -	\$ 291,898
Accounts payable	38,197	-	-	38,197
Unavailable revenue	352,996	3,901,811	-	4,254,807
Total liabilities	<u>683,091</u>	<u>3,901,811</u>	<u>-</u>	<u>4,584,902</u>
Fund balances:				
Nonspendable:				
Inventories	316,133	-	-	316,133
Restricted for:				
Perpetual care	-	-	1,162,582	1,162,582
Landfill closure	666,407	-	-	666,407
Assigned to:				
Construction of capital assets	2,170,000	-	-	2,170,000
Unassigned:				
Undesignated	8,000,914	147,988	-	8,148,902
Total fund balances	<u>11,153,454</u>	<u>147,988</u>	<u>1,162,582</u>	<u>12,464,024</u>
Total liabilities and fund balances	<u>\$ 11,836,545</u>	<u>\$ 4,049,799</u>	<u>\$ 1,162,582</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 funds.				20,935,470
Other long-term assets and liabilities are not available to pay for current-period amounts and, therefore are deferred in the governmental funds.				596,526
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.				(6,100,022)
Some liabilities, including net pension, group life insurance, and line of duty obligations, are not due and payable in the current period and, therefore, are not reported in the funds.				(3,323,131)
Deferred outflows and inflows or resources related to pensions, group life insurance, and line of duty act are applicable to future periods and, therefore, are not reported in the funds.				(315,910)
Net position of governmental activities				<u>\$ 24,256,957</u>

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

TOWN OF SOUTH BOSTON, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2024
See Independent Auditors' Report

	General Fund	ARPA	Other Governmental Funds	Exhibit 4 Total Governmental Funds
Revenues:				
General property taxes	\$ 2,812,132	\$ -	\$ -	\$ 2,812,132
Other local taxes	6,286,039	-	-	6,286,039
Permits, privilege fees, and regulatory licenses	6,090	-	-	6,090
Fines and forfeitures	106,984	-	-	106,984
Interest and investment revenue	568,473	116,315	60,888	745,676
Charges for service	27,248	-	-	27,248
Miscellaneous	281,344	-	620	281,964
Recovered costs	437,905	-	314,620	752,525
Sale of cemetery lots	-	-	69,500	69,500
Intergovernmental	4,355,845	1,460,742	-	5,816,587
Total revenues	14,882,060	1,577,057	445,628	16,904,745
Expenditures:				
Current:				
General government administration	1,130,626	36,407	184,917	1,351,950
Public safety	5,066,529	-	314,620	5,381,149
Public works	3,747,925	-	-	3,747,925
Parks, recreation, and cultural	740,696	-	-	740,696
Community development	1,507,121	13,218	-	1,520,339
Nondepartmental	240,121	-	-	240,121
Capital projects	66,935	1,411,118	-	1,478,053
Landfill closure	84,578	-	-	84,578
Debt service:				
Principal retirement	769,836	-	-	769,836
Interest and fiscal charges	111,580	-	-	111,580
Total expenditures	13,465,947	1,460,743	499,537	15,426,227
Excess (deficiency) of revenues over (under) expenditures	1,416,113	116,314	(53,909)	1,478,518
Other financing sources (uses):				
Long-term debt issued	547,858	-	-	547,858
Operating transfers in (out)	(75,475)	-	75,475	-
Total other financing sources	472,383	-	75,475	547,858
Net change in fund balances	1,888,496	116,314	21,566	2,026,376
Fund balance at beginning of year	9,264,958	31,674	1,141,016	10,437,648
Fund balance at end of year	\$ 11,153,454	\$ 147,988	\$ 1,162,582	\$ 12,464,024

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

TOWN OF SOUTH BOSTON, VIRGINIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2024

See Independent Auditors' Report

Exhibit 5

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

Net change in fund balances - total governmental funds	\$ 2,026,376
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 expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,403,942
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	21,048
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds.	237,282
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.	(84,533)
Governmental funds report pension, group life insurance, and line of duty act contributions as expenditures. However, in the statement of activities, the cost of pension, group life insurance, and line of duty act benefits earned, net of employee contributions, is reported as expense.	<u>375,686</u>
Change in net position of governmental activities	<u><u>\$ 4,979,801</u></u>

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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

Primary Government: The Town of South Boston, Virginia is a municipal corporation governed by a seven-member council. The Town's major operations include police and fire protection, parks, library and recreation, public works, and general administrative services.

Discretely Presented Component Unit: The Industrial Development Authority of South Boston (the "IDA") was created as a political subdivision of the Commonwealth of Virginia by ordinance of the Town Council pursuant to provisions of the Industrial Revenue Bond Act of the Code of Virginia (1950), as amended. Seven directors appointed by the Town Council of South Boston govern the IDA. The Town provides the majority of the IDA's funding. The IDA operates as a component unit solely for the purpose of economic development for the Town. It is authorized to acquire, own, lease, and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Virginia.

The Town's financial statements are prepared in conformity with accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The more significant accounting policies established in GAAP and used by the Town are discussed below.

B. Basic Financial Statements - Government-Wide Statements

The Town's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of the Governmental Activities for the Town. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Town are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated. In the Statement of Activities, internal service fund transactions have been eliminated.

The Town does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basic Financial Statements—Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund type is used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

- a. General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The American Rescue Plan Act fund is considered a special revenue fund for the current year.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. 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 department is not adjusted. The Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual (Non-GAAP Budgetary Basis) – General Fund reflects these revisions, if any. 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.

F. Financial Statement Amounts

1. Cash and Cash Equivalents:

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Additionally, each fund's equity in the Town's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Investments:

Investments, including deferred compensation funds, are stated at fair value (quoted market price or the best available estimate).

3. Receivables and Allowances for Uncollectible Accounts:

Receivables are presented net of an allowance for uncollectible accounts. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowances amounted to \$121,195 in the Governmental Activities at June 30, 2024.

4. Inventories:

Inventories in the general fund consist of expendable supplies held for the Town's use and are carried at cost using the first-in, first-out method.

5. Capital Assets:

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives for the Town and IDA:

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Buildings	20–50 years
Machinery and equipment	5–10 years
Improvements	10–20 years
Other infrastructure	10–50 years

GASB Statement No. 34 requires the Town to report and depreciate new infrastructure assets. No new infrastructure assets were constructed or purchased during the year. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements.

6. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

7. Expenditures:

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

8. Compensated Absences:

The Town accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

9. Bonds and Related Premiums, Discounts and Issuance Costs:

In the government-wide financial statements, 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 governmental fund financial statements, bond premiums, discounts and issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt issuance expenditures.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

10. 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 revenue, expenditures, and expenses. Actual results could differ from these estimates.

11. Pensions:

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

12. Net Position:

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

13. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has three items that qualifies for reporting in this category. It is comprised of contributions to the pension plan, group life insurance plan, and line of duty act made during the current year and subsequent to the net pension, group life insurance, and line of duty liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension, group life insurance, and line of duty act notes.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Certain items related to the measurement of the net pension, group life insurance, and line of duty act liabilities are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on plan investments and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension, group life insurance, and line of duty act notes.

14. Group Life Insurance:

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

15. Line of Duty Act Program:

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

16. Property Held for Sale:

Property held for sale by the Town and IDA is recorded at the lower of cost or market. Cost is determined by the acquisition price, if purchased, or at estimated fair value at the date of gift, if donated. Costs of property improvements are capitalized

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 percent to 130 percent of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town or its safekeeping agent in the Town's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the broker, or dealer bank's trust department, or safekeeping agent in the Town's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department, or safekeeping agent but not in the Town's name.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

At year-end, the Town's investment balances were as follows:

	<u>Category</u> <u>2</u>	<u>Carrying</u> <u>Amount</u>	<u>Market</u> <u>Value</u>
*45 Shares of Common Stock – U.S. Steel Corporation	<u>\$ 2,019</u>	<u>\$ 2,019</u>	<u>\$ 1,833</u>

Note: *These shares of stock were donated to the Town in a prior year.

Note 3. Property Taxes Receivable

Property is assessed at its value on January 1st. Property taxes attach as an enforceable lien on property as of January 1st. Taxes are payable in one (1) installment on December 5th. The Town bills and collects its own property taxes.

Note 4. Due From Other Governmental Units

Consisted of the following at June 30, 2024:

	<u>General</u> <u>Fund</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u>
County of Halifax:			
Halifax County Service Authority	\$ 789,074	\$ -	\$ 789,074
Local sales taxes	60,607	-	60,607
Commonwealth of Virginia:			
Communications tax	<u>80,208</u>	<u>-</u>	<u>80,208</u>
Total	<u>\$ 929,889</u>	<u>\$ -</u>	<u>\$ 929,889</u>

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2024, was as follows:

	<u>Balance</u> <u>7/1/23</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/24</u>
<u>Governmental activities:</u>				
Capital assets, being depreciated:				
Land, buildings, and improvements	\$ 22,234,755	\$ 3,186,951	\$ -	\$ 25,421,706
Equipment	<u>11,032,527</u>	<u>690,959</u>	<u>(79,609)</u>	<u>11,643,877</u>
Total capital assets being depreciated	<u>33,267,282</u>	<u>3,877,910</u>	<u>(79,609)</u>	<u>37,065,583</u>
Less accumulated depreciation for:				
Buildings and improvements	6,683,615	661,752	-	7,345,367
Equipment	<u>8,052,139</u>	<u>812,216</u>	<u>(79,609)</u>	<u>8,784,746</u>
Total accumulated depreciation	<u>14,735,754</u>	<u>1,473,968</u>	<u>(79,609)</u>	<u>16,130,113</u>
Governmental activities capital assets, net	<u>\$ 18,531,528</u>	<u>\$ 2,403,942</u>	<u>\$ -</u>	<u>\$ 20,935,470</u>

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Governmental activities:

General government	\$ 2,899
Public safety	534,226
Public works	825,834
Parks, recreation, and cultural	24,117
Community development	66,391
Landfill closure	10,244
Cemetery	10,257
	<hr/>
Total depreciation expense-governmental activities	<u><u>\$ 1,473,968</u></u>

Component unit - Industrial Development Authority

Capital assets, not being depreciated:

Land	\$ 1,737,336	\$ 100,140	\$ -	\$ 1,837,476
Construction in progress	<u>654,116</u>	<u>453,842</u>	<u>-</u>	<u>1,107,958</u>
Total capital assets not being depreciated	<u>2,391,452</u>	<u>553,982</u>	<u>-</u>	<u>2,945,434</u>

Capital assets, being depreciated:

Buildings, and improvements	2,346,591	-	-	2,346,591
Equipment	<u>141,228</u>	<u>-</u>	<u>-</u>	<u>141,228</u>
Total capital assets being depreciated	<u>2,487,819</u>	<u>-</u>	<u>-</u>	<u>2,487,819</u>

Less accumulated depreciation for:

Buildings and improvements	552,551	55,893	-	608,444
Equipment	<u>141,227</u>	<u>-</u>	<u>-</u>	<u>141,227</u>
Total accumulated depreciation	<u>693,778</u>	<u>55,893</u>	<u>-</u>	<u>749,671</u>

Governmental activities capital assets, net	<u><u>\$ 4,185,493</u></u>	<u><u>\$ 498,089</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,683,582</u></u>
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Note 6. Long-Term Debt

Governmental activities:

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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

General Obligation Public Improvement and Refunding Bond – Series 2013A

On June 5, 2013, the Town of South Boston entered into a refunding bond issue of \$2,246,663, for the purpose of refunding the Town's 2011 Bond Anticipation note and to reimburse the Town's costs already incurred and paid from the general fund to finance certain capital improvements of the Washington Coleman School Building. Interest is payable at 2.49 percent to 4.89 percent. Installments of principal are due annually on October 1, through October 1, 2037. Installments of interest are due on each October 1 and April 1, through October 1, 2037.

Year Ending June 30,	<u>General Obligation Public Improvement and Refunding Bond</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 80,467	\$ 58,206	\$ 138,673
2026	85,467	55,053	140,520
2027	90,467	51,669	142,136
2028	90,467	48,082	138,549
2029	95,467	46,232	141,699
2030-2034	547,335	157,655	704,990
2035-2039	511,861	41,605	553,466
	<u>\$ 1,501,531</u>	<u>\$ 458,502</u>	<u>\$ 1,960,033</u>

Advance Refunding

On March 13, 2015, the Town issued \$3,370,000 of General Obligation Refunding Bond, Series 2015A, with an interest rate of 2.20 percent.

The net proceeds (after issuance costs of \$67,156) were used to advance refund a portion of the Revenue Bond Series 2006B.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt services payments on the refunded bond. As a result, the refundable bonds are considered to be defeased, and the related liability for the bonds has been removed from the Town's liabilities.

Installments of principal are due annually on August 1, through August 1, 2026. Installments of interest are due on each August 1 and February 1, through August 1, 2026. 71.02 percent is allocable to the General Fund and 28.98 percent is allocable to the former Water and Sewer Fund, which will be reimbursed by the Halifax County Service Authority.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

Annual debt service requirements to maturity are as follows:

Year Ending June 30,			Governmental Activities General Fund 71.02 Percent		Governmental Activities HCSA 28.98 Percent	
	<u>Principal</u>	<u>Interest</u>	<u>Landfill Closure Fund</u>	<u>Water and Sewer Fund</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 453,000	\$ 10,065	\$ 353,000	\$ 3,881	\$ 100,000	\$ 6,184
2026	101,000	3,982	-	-	101,000	3,982
2027	105,000	1,155	-	-	105,000	1,155
	<u>\$ 659,000</u>	<u>\$ 15,202</u>	<u>\$ 353,000</u>	<u>\$ 3,881</u>	<u>\$ 306,000</u>	<u>\$ 11,321</u>

General Obligation Bond 2016 – Revenue Sharing

On October 1, 2015, the Town issued \$2,500,000 General Obligation Bond, issued to fund the revenue sharing program administered by the Virginia Department of Transportation. The bond principal and interest are due in varying annual installments through December 2025. Interest is at 2.10 percent.

Annual debt services requirements to maturity are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 250,000	\$ 10,500	\$ 260,500
2026	250,000	5,250	255,250
	<u>\$ 500,000</u>	<u>\$ 15,750</u>	<u>\$ 515,750</u>

Note Payable – Industrial Development Authority

On December 14, 2020, the Town obtained a \$300,000 Note Payable. The note was obtained to loan to the Industrial Development Authority of the Town of South Boston (IDA), who will, in turn, loan to a developer to assist with their hemp business. As funds were needed, the developer requested of the IDA, who, in turn, requested a draw down from the Town. The bond principal and interest are due in varying annual installments through December 2041. Interest is at 3.95 percent.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

Annual debt services requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 11,537	\$ 11,127	\$ 22,664
2026	12,001	10,663	22,664
2027	12,484	10,180	22,664
2028	12,986	9,678	22,664
2029	13,506	9,158	22,664
2030-2034	76,384	36,939	113,323
2035-2039	92,737	20,586	113,323
2040-2041	31,580	2,417	33,997
	<u>\$ 263,215</u>	<u>\$ 110,748</u>	<u>\$ 373,963</u>

Note Payable – Industrial Development Authority

On July 14, 2022, the Town obtained a \$4,000,000 Note Payable. The note was obtained to loan to the Industrial Development Authority of the Town of South Boston (IDA), who will, in turn, loan to a developer to renovate the John Randolph Hotel. As funds were needed, the developer requested of the IDA, who, in turn, requested a draw down from the Town. A repayment schedule will be determined when the project is complete. Interest is at 3.79 and the balance at June 30, 2024 is \$678,858.

Changes in Long-Term Debt:

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2024:

	Payable at 7/1/23	Plus Additions	Less Retirements	Payable at 6/30/24	Due within One year
<u>Governmental activities:</u>					
Bonds and notes payable:					
General obligation bonds:					
06/05/13	\$ 1,581,998	\$ -	\$ 80,467	\$ 1,501,531	\$ 80,467
03/13/15	1,100,000	-	441,000	659,000	453,000
10/01/15	750,000	-	250,000	500,000	250,000
Notes payable:					
12/14/20	272,051	-	8,836	263,215	11,537
07/14/22	131,000	547,858	-	678,858	-
Total bonds and notes payable	<u>3,835,049</u>	<u>547,858</u>	<u>780,303</u>	<u>3,602,604</u>	<u>795,004</u>
Other liabilities:					
Compensated absences	439,983	62,240	75,702	426,521	51,183
Landfill post-closure care	<u>1,911,044</u>	<u>135,684</u>	<u>-</u>	<u>2,046,728</u>	<u>-</u>
Total other liabilities	<u>2,351,027</u>	<u>197,924</u>	<u>75,702</u>	<u>2,473,249</u>	<u>51,183</u>
Governmental activities long-term liabilities	<u>\$ 6,186,076</u>	<u>\$ 745,782</u>	<u>\$ 856,005</u>	<u>\$ 6,075,853</u>	<u>\$ 846,187</u>
<u>Component unit activities:</u>					
Notes payable:	<u>\$ 752,428</u>	<u>\$ 547,864</u>	<u>\$ 157,558</u>	<u>\$ 1,142,734</u>	<u>\$ 155,940</u>

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Fund Balances – Governmental Funds

The Town of South Boston, Virginia reports fund balance in accordance with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the Town Council, the Town's highest level of decision making authority. Commitments may be modified or rescinded only through ordinances approved by the Town's Council. The Town has not reported any amounts that are committed in the current year.
- Assigned – includes amounts that the Town intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the Governmental Funds Balance Sheet. Restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted by Council or the assignment has been changed by the Mayor. Decreases to fund balance first reduce unassigned fund balance; in the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

Note 8. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the Town of South Boston, Virginia are automatically covered by a VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia (1950)*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

VRS PLAN 1 (Continued)

About the Plan:

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

Eligible Members:

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

Hybrid Opt-In Election:

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

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

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

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

Retirement Contributions:

Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Service Credit:

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

Vesting:

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

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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

VRS PLAN 1 (Continued)

Calculating the Benefit:

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

Average Final Compensation:

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

Service Retirement Multiplier VRS:

The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for nonhazardous duty members is 1.70%.

Normal Retirement Age VRS:

Age 65.

Earliest Unreduced Retirement Eligibility VRS:

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

Earliest Reduced Retirement Eligibility VRS:

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

Cost-of-Living Adjustment (COLA) in Retirement:

The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.

Eligibility:

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

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

Exceptions to COLA Effective Dates:

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

- The member is within five years (60 months) of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the *Workforce Transition Act* or the Transitional Benefits Program.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

VRS PLAN 1 (Continued)

Cost-of-Living Adjustment (COLA) in Retirement (Continued):

Exceptions to COLA Effective Dates (Continued)

- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage:

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

Purchase of Prior Service:

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

VRS - PLAN 2

About the Plan:

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.

Eligible Members:

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

Hybrid Opt-In Election:

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

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

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

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

Retirement Contributions:

Same as Plan 1.

Service Credit:

Same as Plan 1.

Vesting:

Same as Plan 1.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

VRS PLAN 2 (Continued)

Calculating the Benefit:

See definition under Plan 1.

Average Final Compensation:

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

Service Retirement Multiplier VRS:

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

Normal Retirement Age:

Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility VRS:

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

Earliest Reduced Retirement Eligibility VRS:

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

Cost-of-Living Adjustment (COLA) in Retirement:

The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.

Eligibility:

Same as Plan 1.

Exceptions to COLA Effective Dates:

Same as Plan 1.

Disability Coverage:

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

Purchase of Prior Service:

Same as Plan 1.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan:

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

- The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

HYBRID RETIREMENT PLAN (Continued)

- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members:

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

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

*Non-Eligible Members:

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

- Agency employees who are covered by enhanced benefits for hazardous duty employees

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

Retirement Contributions:

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

Service Credit:

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

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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

HYBRID RETIREMENT PLAN (Continued)

Vesting:

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit.

Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

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

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

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

- After two years (24 months), a member is 50% vested and may withdraw 50% of employer contributions.
- After three years (36 months), a member is 75% vested and may withdraw 75% of employer contributions.
- After four (4) or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distributions not required, except as governed by law until age 73.

Calculating the Benefit:

Defined Benefit Component - See definition under Plan 1.

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

Average Final Compensation:

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

Service Retirement Multiplier:

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

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

Defined Contribution Component - Not applicable.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

HYBRID RETIREMENT PLAN (Continued)

Normal Retirement Age:

Defined Benefit Component VRS - Same as Plan 2.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility:

Defined Benefit Component VRS - Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and plus service credit equals 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility:

Defined Benefit Component VRS - Age 60 with at least five years (60 months) of service credit.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement:

Defined Benefit Component - Same as Plan 2.

Defined Contribution Component - Not applicable.

Eligibility - Same as Plan 1 and Plan 2.

Exceptions to COLA Effective Dates - Same as Plan 1 and Plan 2.

Disability Coverage:

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

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

Purchase of Prior Service:

Defined Benefit Component - Same as Plan 1 with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component - Not applicable

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms: As of the June 30, 2023 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	<u>104</u>
Inactive members:	
Vested inactive members	15
Non-vested inactive members	19
Active members active elsewhere in VRS	<u>26</u>
Total inactive members	<u>60</u>
Active members	<u>73</u>
Total covered employees	<u><u>237</u></u>

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

The Town's contractually required employer contribution rate for the year ended June 30, 2024 was 19.79% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$774,917 and \$742,475 for the years ended June 30, 2024 and 2023, respectively.

Net Pension Liability: The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, 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.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees: The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 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%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

Mortality rates: 15% of deaths are assumed to be service related.

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

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:

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

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement rates	Adjusted rates to better fit experience for Plan1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	No change
Salary scale	No change
Line of duty disability	No change
Discount Rate	No change

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Political Subdivision 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%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

Mortality rates

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

Pre-Retirement:

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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

Mortality rates (continued)

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

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

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 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 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 6.94 %, 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; political subdivisions were 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 FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2023 on,

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Increase (Decrease)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2022	\$ 27,585,436	\$ 24,297,118	\$ 3,288,318
Changes for the year:			
Service cost	570,718	-	570,718
Interest	1,835,725	-	1,835,725
Changes of assumptions	-	-	-
Difference between expected and actual experience	(953,787)	-	(953,787)
Contributions - employer	-	729,690	(729,690)
Contributions - employee	-	180,983	(180,983)
Net investment income	-	1,537,323	(1,537,323)
Benefit payments, including refunds of employee contributions	(1,920,453)	(1,920,453)	-
Refunds of contributions	-	-	-
Administrative expense	-	(15,788)	15,788
Other changes	-	614	(614)
Net changes	(467,797)	512,369	(980,166)
Balances at June 30, 2023	\$ 27,117,639	\$ 24,809,487	\$ 2,308,152

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension (asset) liability of the Town using the discount rate of 6.75%, as well as one that is 1% higher and lower than the current rate.

	(5.75%)	(6.75%)	(7.75%)
Political subdivision's			
Net Pension Liability	\$ 5,620,706	\$ 2,308,152	\$ (477,156)

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2024, the Town recognized pension expense of \$316,193. 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	\$ -	\$ 672,919
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	398,495
Employer contributions subsequent to the measurement date	774,917	-
Total	<u>\$ 774,917</u>	<u>\$ 1,071,414</u>

The \$774,917 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended 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 in future reporting periods as follows:

Year ended June 30

2025	\$ (649,186)
2026	(787,310)
2027	351,454
2028	13,628
Thereafter	-
	<u>\$ (1,071,414)</u>

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

Pension Plan Data: Information about the VRS Political Subdivision Retirement Plan is available in the separately issued VRS 2022 Annual Report. A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at 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.

Note 9. Other Postemployment Benefits-Group Life Insurance

General information about the group life insurance program

Plan Description

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

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

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

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Benefits-Group Life Insurance (Continued)

Benefit amounts

The benefits payable under the Group Life Insurance Program have several components.

- Natural death benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental death benefit – The accidental death benefit is double the natural death benefit.
- Other benefit provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Seatbelt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in benefits amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum benefit amount and cost-of-living adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,254 as of June 30, 2024.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2024 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$21,145 and \$20,260 for the years ended June 30, 2024 and 2023, respectively.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Postemployment Benefits Other Than Pension Benefits-Group Life Insurance (Continued)

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

At June 30, 2024, the entities reported a liability of \$191,051 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion was .01593% as compared to .01635% at June 30, 2022.

For the year ended June 30, 2024, the participating employer recognized GLI OPEB expense of \$7,429. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,081	\$ 5,799
Net difference between projected and actual earnings on GLI OPEB program invest- ments	-	7,677
Change in assumptions	4,084	13,237
Changes in proportion	2,315	11,190
Employer contributions subsequent to the measurement date	21,145	-
Total	<u>\$ 46,625</u>	<u>\$ 37,903</u>

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Postemployment Benefits Other Than Pension Benefits-Group Life Insurance (Continued)

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

\$21,145 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30

2025	\$ (3,101)
2026	(9,597)
2027	986
2028	(1,723)
2029	1,012
Thereafter	-

Actuarial assumptions

The total GLI OPEB liability 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 percent
Salary increases, including inflation –	
General state employees	3.50 percent – 5.35 percent
Teachers	3.50 percent – 5.95 percent
SPORS employees	3.50 percent – 4.75 percent
VaLORS employees	3.50 percent – 4.75 percent
JRS employees	4.00 percent
Locality – General employees	3.50 percent – 5.35 percent
Locality – Hazardous Duty employees	3.50 percent – 4.75 percent
Investment rate of return	6.75 percent, net of investment expenses, Including inflation*

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Postemployment Benefits Other Than Pension Benefits-Group Life Insurance (Continued)

Mortality rates – non-largest ten locality employers – general employees

Pre-retirement:

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

Post-retirement:

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

Post-disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 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, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Postemployment Benefits Other Than Pension Benefits-Group Life Insurance (Continued)

Mortality rates – hazardous duty employees

Pre-retirement:

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

Post-retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 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, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Postemployment Benefits Other Than Pension Benefits-Group Life Insurance (Continued)

Net GLI OPEB liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2023, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	\$ 3,907,052
Plan fiduciary net position	2,707,739
GLI Net OPEB Liability (Asset)	<u>\$ 1,199,313</u>
Plan fiduciary net position as a percentage of the total GLI OPEB liability	69.30%

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

Long-term expected rate of return

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

Asset Class (Strategy)	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	<u>100.00%</u>		<u>5.75%</u>
	Inflation		2.50%
	*Expected arithmetic nominal return		<u>8.25%</u>

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Postemployment Benefits Other Than Pension Benefits-Group Life Insurance (Continued)

* The above allocation provides 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 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 inflations 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 GLI OPEB Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2023 on, employees are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB Liability.

Sensitivity of the employer's proportionate share of the net GLI OPEB liability to changes in the discount rate

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 283,197	\$ 191,051	\$ 116,550

Group life insurance program fiduciary net position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2023 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at 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 SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Postemployment Benefits Other Than Pension Benefits-Line of Duty Act Program

General information about the Line of Duty Act Program

Plan description

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

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

Line of Duty Act Program (LODA) Plan Provisions

Eligible employees:

The eligible employees of the Line of Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).

Benefit amounts:

The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:

- **Death** - The Line of Duty Act Program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:
 - \$100,000 when a death occurs as a direct or proximate result of performing duty as of January 1, 2006, or after.
 - \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
 - An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.
- **Health insurance** - The Line of Duty Act Program provides health insurance benefits. The health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Postemployment Benefits Other Than Pension Benefits-Line of Duty Act Program (Continued)

Contributions

The contribution requirements for the Line of Duty Act Program (LODA) are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2024 was \$830.00 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the entity were \$29,085 and \$27,274 for the years ended June 30, 2024 and June 30, 2023, respectively.

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

At June 30, 2024, the entity reported a liability of \$823,928 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2023 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2023 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2023, the entity's proportion was .20552% as compared to .19936% at June 30, 2022.

For the year ended June 30, 2024, the entity recognized LODA OPEB expense of \$114,980. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, the agency reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 43,949	\$ 155,145
Net difference between projected and actual earnings on LODA OPEB program investments	-	2,410
Change in assumptions	183,004	169,898
Changes in proportion	54,557	11,277
Employer contributions subsequent to the measurement date	29,085	-
Total	\$ 310,595	\$ 338,730

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Postemployment Benefits Other Than Pension Benefits-Line of Duty Act Program (Continued)

\$29,085 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year ended June 30

2025	\$ 473
2026	548
2027	3,610
2028	1,210
2029	(9,094)
Thereafter	(53,968)

Actuarial assumptions

The total LODA OPEB liability 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 percent
Salary increases, including inflation –	
General state employees	N/A
SPORS employees	N/A
VaLORS employees	N/A
Locality employees	N/A
Medical cost trend rates assumption –	
Under age 65	7.00 percent – 4.75 percent
Ages 65 and older	5.25 percent – 4.75percent
Year of ultimate trend rate –	
Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	3.69 percent, including inflation*

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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Postemployment Benefits Other Than Pension Benefits-Line of Duty Act Program (Continued)

Mortality rates – non-largest ten locality employers with public safety employees

Pre-retirement:

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

Post-retirement:

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

Post-disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30,2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Postemployment Benefits Other Than Pension Benefits-Line of Duty Act Program (Continued)

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2023, NOL amounts for the Line of Duty Act Program (LODA) is as follows (amounts expressed in thousands):

	Line of Duty Act Program
Total LODA OPEB liability	\$ 406,211
Plan fiduciary net position	5,311
Employers' net OPEB liability (asset)	<u>\$ 400,900</u>
Plan fiduciary net position as a percentage of the total LODA OPEB liability	1.31%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.86% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.86% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2023.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.86%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Postemployment Benefits Other Than Pension Benefits-Line of Duty Act Program (Continued)

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.86%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.86%) or one percentage point higher (4.86%) than the current rate:

	1.00% Decrease (2.86%)	Current Discount Rate (3.86%)	1.00% Increase (4.86%)
Covered employer's proportionate share of the total LODA			
Net OPEB liability	\$ 923,819	\$ 823,928	\$ 739,422

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

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

	1.00% Decrease (6.00% decreasing to 3.75%)	Health Care Trend Rates (7.00% decreasing to 4.75%)	1.00% Increase (8.00% decreasing to 5.75%)
Covered employer's proportionate share of the total LODA			
Net OPEB liability	\$ 698,719	\$ 823,928	\$ 979,082

LODA OPEB Plan Fiduciary Net Position:

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2022 Comprehensive Annual Financial Report (CAFR). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at 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 SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Contingent Liabilities

The Town participates in federally-assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for and including the year ended June 30, 2024, and previous years have been conducted by the grantors or their representatives.

Note 12. Industrial Development Authority

The Industrial Development Authority of the Town of South Boston was created on July 15, 1977, as a political subdivision of the Commonwealth with such public and corporate powers as are set forth in the Industrial Development and Revenue Bond Act, Chapter 33, Title 15.1 Code of Virginia. The Authority was created for the specific purpose of promoting and developing commercial, industrial, and manufacturing enterprises and encouraging employment within the boundaries of the Town. The seven members of the Board of Directors are all appointed by Town Council.

The law authorizes the Authority to issue industrial development bonds to qualified applicants after approval by the Town Council. The bonds do not constitute indebtedness of either the Town or the Commonwealth and are secured solely by the assets of the commercial organizations on whose behalf the bonds are issued. The Town assumes no responsibility for the day-to-day operating expenses of the Authority; such expenses are financed by fees charged to the commercial enterprises. Beginning in the year ended June 30, 1991, the Town started acting in a fiduciary capacity for the Authority, which is now included as an Component Unit in these financial statements.

Note 13. Legal Compliance

Expenditures did not exceed appropriations in any of the Government Fund types.

Note 14. Surety Bonds

VML –	
Tom Raab – Town Manager	\$350,000
VML –	
Blanket Bond – All Town Employees	\$250,000
Forgery Bond – All Town Employees	\$250,000

Note 15. Government Services Provided by Authorities/Organizations

The Town also participates with Halifax County in the Regional Library. During the year, the Town contributed \$115,920 to the Library.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 16. Municipal Solid Waste Landfill

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town records a liability for a portion of these closure and post closure care costs in each period based on landfill capacity used as of each balance sheet date. Closure of the County's landfill site is complete. The \$2,046,728 reported as landfill post closure care liability at June 30, 2024, represents the cumulative amount reported based on the use of 100 percent of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all post closure care in 2024. Actual cost may be higher due to inflation, changes in technology, or changes in regulation. The Town intends to fund these costs from tipping fee revenues and from any fund accumulated for this purpose. The Town demonstrates financial assurance for potential corrective action costs of \$265,158. The Town also has demonstrated financial assurance requirements for closure and post closure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA-20-70 of the Virginia Administrative Code.

Note 17. Transfer of Water and Sewer Fund

On June 30, 2007 a comprehensive agreement was made between the Town of South Boston, Virginia, the Town of Halifax, Virginia, the County of Halifax, Virginia and the Halifax County Service Authority. These localities concluded that a full service water and wastewater authority would be the best vehicle for ensuring the citizens of the localities the most reliable means of providing water and wastewater treatment.

The localities agreed to sell, assign, transfer, convey, and deliver to the Authority all real property and equipment, together with any easements or any other interests in land owned by the localities, personal property, cash, securities, software, inventories, intangible assets, and accounts receivable, including amounts on deposit. The authority agreed to assume the liabilities and obligations of the localities. The authority also agreed to pay to the Town of South Boston the amount of negative cash position payments as of the date of the agreement.

The debt that was transferred to the Authority remains in the name of each locality and the Authority pays the localities five working days before the due date of the payment. A receivable has been recorded to offset the debt payments.

The effective date of the agreement was January 1, 2008.

Note 18. Contingencies

The Town is a defendant in lawsuits arising in the normal course of business. In the aggregate, these claims seek monetary damages in significant amounts. The outcome of these claims cannot be determined at this time so no loss has been accrued, nor can an estimate of any loss be estimated.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 19. ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

On June 25, 2021, the Town received \$3,936,338 of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government.

On July 25, 2022, the Town received \$3,936,338 of the second half of the CSLRF funds.

Unspent funds in the amount of \$3,901,813 from the allocations are reported as part of unearned revenue as of June 30, 2024.

Note 20. Account Receivable

Accounts receivable at year end includes \$147,275 due from Southside Outreach Group, Inc.. The Town obtained a \$700,000 grant for the Poplar Creek project for Southside Outreach Group, Inc. for the year ended June 30, 2021 year but actual expenses were \$1,047,275. The Town received \$0 and 200,000 for the years ended June 30, 2024 and 2023, respectively.

Accounts receivable also includes amounts due from federal grants for expenses paid in fiscal year ending June 30, 2024 for various projects.

Note 21. Subsequent Events

Management has evaluated subsequent events through December 10, 2024, the date which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SOUTH BOSTON, VIRGINIA
BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS
GENERAL FUND
For the Year ended June 30, 2024
See Independent Auditors' Report

Exhibit 6

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Revenues:				
General property taxes	\$ 2,778,412	\$ 2,778,412	\$ 2,812,132	\$ 33,720
Other local taxes	5,563,000	5,563,000	6,286,039	723,039
Permits, privilege fees, and regulatory licenses	2,700	2,700	6,090	3,390
Fines and forfeitures	51,100	51,100	106,984	55,884
Interest and investment revenue	281,900	281,900	568,473	286,573
Charges for service	21,000	21,000	27,248	6,248
Miscellaneous	191,925	191,925	281,344	89,419
Recovered costs	422,507	422,507	437,905	15,398
Intergovernmental	<u>10,197,844</u>	<u>10,197,844</u>	<u>4,355,845</u>	<u>(5,841,999)</u>
Total revenues	<u>19,510,388</u>	<u>19,510,388</u>	<u>14,882,060</u>	<u>(4,628,328)</u>
Expenditures:				
Current:				
General government administration	1,870,670	1,870,670	1,130,626	740,044
Public safety	5,268,678	5,268,678	5,066,529	202,149
Public works	3,640,495	3,640,495	3,747,925	(107,430)
Parks, recreation, and cultural	604,505	604,505	740,696	(136,191)
Community development	3,517,893	3,517,893	1,507,121	2,010,772
Nondepartmental	284,233	284,233	240,121	44,112
Capital projects	3,903,990	3,903,990	66,935	3,837,055
Landfill closure	85,118	85,118	84,578	540
Debt service:				
Principal retirement	772,996	772,996	769,836	3,160
Interest and fiscal charges	<u>123,180</u>	<u>123,180</u>	<u>111,580</u>	<u>11,600</u>
Total expenditures	<u>20,071,758</u>	<u>20,071,758</u>	<u>13,465,947</u>	<u>6,605,811</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(561,370)</u>	<u>(561,370)</u>	<u>1,416,113</u>	<u>1,977,483</u>
Other financing sources (uses):				
Note payable issued	-	-	547,858	547,858
Operating transfers in (out)	561,370	561,370	(75,475)	(636,845)
Prior year re-appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>\$ 561,370</u>	<u>\$ 561,370</u>	<u>472,383</u>	<u>\$ (88,987)</u>
Net change in fund balances			1,888,496	
Fund balance at beginning of year			<u>9,264,958</u>	
Fund balance at end of year			<u><u>\$ 11,153,454</u></u>	

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

TOWN OF SOUTH BOSTON, VIRGINIA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
For the Plan Years Ended June 30, 2014 - 2023

	See Independent Auditors' Report							Exhibit 7		
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service costs	\$ 570,718	\$ 537,617	\$ 445,491	\$ 452,049	\$ 406,674	\$ 396,485	\$ 391,298	\$ 383,666	\$ 380,507	\$ 406,713
Interest	1,835,725	1,804,597	1,653,369	1,588,835	1,582,687	1,499,042	1,465,904	1,437,223	1,368,308	1,320,647
Differences between expected and actual experience	(953,787)	(144,738)	(43,364)	263,145	(520,675)	305,199	(320,146)	(389,726)	293,119	-
Changes in assumptions	-	-	1,132,729	-	643,628	-	(32,983)	-	-	-
Benefit payments, including refunds of employee contributions	(1,920,453)	(1,618,379)	(1,352,485)	(1,343,444)	(1,024,234)	(987,343)	(1,074,023)	(968,845)	(1,146,011)	(946,978)
Net change in total pension liability	(467,797)	579,097	1,835,740	960,585	1,088,080	1,213,383	430,050	462,318	895,923	780,382
Total pension liability - beginning	27,585,436	27,006,339	25,170,599	24,210,014	23,121,934	21,908,551	21,478,501	21,016,183	20,120,260	19,339,878
Total pension liability - ending	<u>\$ 27,117,639</u>	<u>\$ 27,585,436</u>	<u>\$ 27,006,339</u>	<u>\$ 25,170,599</u>	<u>\$ 24,210,014</u>	<u>\$ 23,121,934</u>	<u>\$ 21,908,551</u>	<u>\$ 21,478,501</u>	<u>\$ 21,016,183</u>	<u>\$ 20,120,260</u>
Plan fiduciary net position										
Contributions - employer	\$ 729,690	\$ 574,226	\$ 562,485	\$ 529,117	\$ 493,177	\$ 476,099	\$ 453,409	\$ 503,073	\$ 509,712	\$ 505,682
Contributions - employee	180,983	176,675	169,142	171,994	162,312	155,480	156,096	149,590	151,932	153,057
Net investment income	1,537,323	(18,064)	5,508,513	384,358	1,306,976	1,375,350	2,060,599	294,852	760,783	2,323,304
Benefit payments, including refunds of employee contributions	(1,920,453)	(1,618,379)	(1,352,485)	(1,343,444)	(1,024,234)	(987,343)	(1,074,023)	(968,845)	(1,146,011)	(946,978)
Administrative expenses	(15,788)	(15,909)	(13,942)	(13,668)	(13,012)	(11,939)	(12,121)	(10,705)	(10,718)	(12,352)
Other expenses	614	571	517	(458)	(822)	(1,221)	(1,824)	(125)	(159)	123
Net change in plan fiduciary net position	512,369	(900,880)	4,874,230	(272,101)	924,397	1,006,426	1,582,136	(32,160)	265,539	2,022,836
Plan fiduciary net position - beginning	24,297,118	25,197,998	20,323,768	20,595,869	19,671,472	18,665,046	17,082,910	17,115,070	16,849,531	14,826,995
Plan fiduciary net position - ending	<u>\$ 24,809,487</u>	<u>\$ 24,297,118</u>	<u>\$ 25,197,998</u>	<u>\$ 20,323,768</u>	<u>\$ 20,595,869</u>	<u>\$ 19,671,472</u>	<u>\$ 18,665,046</u>	<u>\$ 17,082,910</u>	<u>\$ 17,115,070</u>	<u>\$ 16,849,831</u>
Political subdivision's net pension liability - ending	<u>\$ 2,308,152</u>	<u>\$ 3,288,318</u>	<u>\$ 1,808,341</u>	<u>\$ 4,846,831</u>	<u>\$ 3,614,145</u>	<u>\$ 3,450,462</u>	<u>\$ 3,243,505</u>	<u>\$ 4,395,591</u>	<u>\$ 3,901,113</u>	<u>\$ 3,270,429</u>
Plan fiduciary net position as a percentage of the total pension liability	91.49%	88.08%	93.30%	80.74%	85.07%	85.08%	85.20%	79.53%	81.44%	83.75%
Covered-employee payroll	\$ 3,751,771	\$ 3,555,958	\$ 3,483,358	\$ 3,496,459	\$ 3,250,927	\$ 3,197,314	\$ 3,044,855	\$ 2,980,538	\$ 2,982,516	\$ 2,958,935
Political subdivision's net pension liability as a percentage covered-employee payroll	61.52%	92.47%	51.91%	138.62%	111.17%	107.92%	106.52%	147.48%	130.80%	110.53%

See the related notes.

TOWN OF SOUTH BOSTON, VIRGINIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Years Ended June 30, 2015 through 2024
See Independent Auditors' Report

Exhibit 7

SCHEDULE OF EMPLOYER CONTRIBUTIONS						
Date	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Employees Payroll	Contribution as a % of Covered Employees Payroll	
2015	\$ 509,712	\$ 509,712	\$ -	\$ 2,982,516	17.09%	
2016	\$ 509,374	\$ 509,374	\$ -	\$ 2,980,538	17.09%	
2017	\$ 462,209	\$ 462,209	\$ -	\$ 3,044,855	15.18%	
2018	\$ 485,352	\$ 485,352	\$ -	\$ 3,197,314	15.18%	
2019	\$ 501,823	\$ 501,823	\$ -	\$ 3,252,257	15.43%	
2020	\$ 501,618	\$ 501,618	\$ -	\$ 3,250,927	15.43%	
2021	\$ 573,351	\$ 573,351	\$ -	\$ 3,483,358	16.46%	
2022	\$ 585,311	\$ 585,311	\$ -	\$ 3,555,958	16.46%	
2023	\$ 742,475	\$ 742,475	\$ -	\$ 3,751,771	19.79%	
2024	\$ 774,917	\$ 774,917	\$ -	\$ 3,915,700	19.79%	

See the related notes.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 2024

See Independent Auditors' Report

Exhibit 7

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2022, valuations 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 and the VRS Board action are as follows:

Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)-Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020

Retirement Rates -Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for plan 2/Hybrid; changed final retirement age.

Withdrawal Rates – Adjusted rates to better fit experience at each year age and service through 9 years of service.

Disability Rates – No change

Salary Scale - No change

Line of Duty Disability – No change

Discount Rate – No change

Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)-Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020

Retirement Rates -Adjusted rates to better fit experience and changed final retirement age from 65 to 70.

Withdrawal Rates – Decreased rates and changed rates based on age and service to rates based on service to rates based on service only to better fit experience and to be more consistent with Locals Larges 10 hazardous Duty.

Disability Rates – No change

Salary Scale - No change

Line of Duty Disability – No change

Discount Rate – No change

TOWN OF SOUTH BOSTON, VIRGINIA

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
GROUP LIFE INSURANCE PROGRAM

For the Years Ended June 30, 2017 through 2023*

See Independent Auditors' Report

Exhibit 8

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's proportion of the net							
GLI OPEB liability (asset)	0.01593%	0.01635%	0.01687%	0.01699%	0.01663%	0.01687%	0.01652%
Employer's proportionate share of the net							
GLI OPEB liability (asset)	\$ 191,051	\$ 196,870	\$ 196,412	\$ 283,535	\$ 270,615	\$ 256,000	\$ 249,000
Employer's covered payroll	\$ 3,751,771	\$ 3,555,958	\$ 3,483,358	\$ 3,496,237	\$ 3,267,860	\$ 3,260,577	\$ 3,212,892
Employer's proportionate share of the net							
GLI OPEB liability (asset) as a percentage							
of its covered payroll	5.09229%	5.53634%	5.63858%	8.10972%	8.28110%	7.85137%	7.75003%
Plan fiduciary net position as a percentage	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%
of the total GLI OPEB liability							

Schedule is intended to show information for 10 years. Since 2023 is the seventh year for this presentation, only seven years of data is available. However, additional years will be included as they become available.

*The amounts presented have a measurement date of the previous fiscal year end.

See the related notes.

TOWN OF SOUTH BOSTON, VIRGINIA

SCHEDULE OF EMPLOYER CONTRIBUTIONS
GROUP LIFE INSURANCE PROGRAM
For the Years Ended June 30, 2015 through 2024

Exhibit 8

Date	Contributions in Relation to				Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	
2024	\$ 21,145	\$ 21,145	\$ -	\$ 3,915,700	0.54%
2023	\$ 20,260	\$ 20,260	\$ -	\$ 3,751,771	0.54%
2022	\$ 19,188	\$ 19,188	\$ -	\$ 3,553,326	0.54%
2021	\$ 18,810	\$ 18,810	\$ -	\$ 3,483,358	0.54%
2020	\$ 18,180	\$ 18,180	\$ -	\$ 3,496,237	0.52%
2019	\$ 16,993	\$ 16,993	\$ -	\$ 3,267,860	0.52%
2018	\$ 16,955	\$ 16,955	\$ -	\$ 3,260,577	0.52%
2017	\$ 16,707	\$ 16,707	\$ -	\$ 3,212,892	0.52%
2016	\$ 15,849	\$ 15,849	\$ -	\$ 3,047,850	0.52%
2015	\$ 15,802	\$ 14,311	\$ 1,491	\$ 2,981,571	0.48%

See the related notes.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
AND SCHEDULE OF EMPLOYER CONTRIBUTIONS
GROUP LIFE INSURANCE PROGRAM

For the Year Ended June 30, 2024

See Independent Auditors' Report

Exhibit 8

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

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

Non-largest ten locality employers – hazardous duty employees

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP2020
Retirement rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability rates	No change
Salary scale	No change
Line of duty disability	No change
Discount rate	No change

TOWN OF SOUTH BOSTON, VIRGINIA

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
LINE OF DUTY ACT PROGRAM

For the Years Ended June 30, 2017 through 2023*

See Independent Auditors' Report

Exhibit 9

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's proportion of the net LODA OPEB	0.20552%	0.19936%	0.19798%	19.21500%	0.19457%	0.18644%	0.19464%
Employer's proportionate share of the net LODA OPEB liability (asset)	\$ 823,928	\$ 754,789	\$ 873,375	\$ 804,754	\$ 698,090	\$ 584,000	\$ 511,000
Covered-employee payroll	*	*	*	*	*	*	*
Employer's proportionate share of the net LODA OPEB liability (asset) as a percentage of its covered-employee payroll	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total LODA OPEB liability	1.31%	1.87%	1.68%	1.02%	0.79%	0.60%	1.30%

Schedule is intended to show information for 10 years. Since 2023 is the seventh year for this presentation, only seven years of data is available. However, additional years will be included as they become available.

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

See the related notes.

TOWN OF SOUTH BOSTON, VIRGINIA

SCHEDULE OF EMPLOYER CONTRIBUTIONS
LINE OF DUTY ACT PROGRAM
For the Years Ended June 30, 2015 through 2024*
See Independent Auditors' Report

Exhibit 9

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll (4)	Contributions as a % of Covered- Employee Payroll (5)
2024	\$ 29,050	\$ 29,085	\$ (35)	\$ -	-
2023	\$ 27,274	\$ 27,274	\$ -	\$ -	-
2022	\$ 27,457	\$ 27,457	\$ -	\$ -	-
2021	\$ 27,258	\$ 27,258	\$ -	\$ -	-
2020	\$ 26,113	\$ 26,113	\$ -	\$ -	-
2019	\$ 19,858	\$ 19,858	\$ -	\$ -	-
2018	\$ 18,106	\$ 18,106	\$ -	\$ -	-
2017	\$ 18,603	\$ 18,603	\$ -	\$ -	-
2016	\$ 18,669	\$ 18,669	\$ -	\$ -	-
2015	\$ 19,313	\$ 19,313	\$ -	\$ -	-

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

See the related notes.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY AND SCHEDULE
OF EMPLOYER CONTRIBUTIONS

LINE OF DUTY ACT PROGRAM
For the Year Ended June 30, 2024

Exhibit 9

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

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

Employees in the non-largest ten locality employers with public safety employees

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

OTHER SUPPLEMENTARY INFORMATION

TOWN OF SOUTH BOSTON, VIRGINIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2024

See Independent Auditors' Report

Exhibit 10

		<u>Permanent Fund</u>	
	Virginia Alcohol Safety Action <u>Program Fund</u>	Perpetual <u>Care</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS			
Cash	\$ -	\$ 1,160,749	\$ 1,160,749
Investments	<u>-</u>	<u>1,833</u>	<u>1,833</u>
Total assets	<u>\$ -</u>	<u>\$ 1,162,582</u>	<u>\$ 1,162,582</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted for:			
Perpetual care	<u>-</u>	<u>1,162,582</u>	<u>1,162,582</u>
Total fund balances	<u>-</u>	<u>1,162,582</u>	<u>1,162,582</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 1,162,582</u>	<u>\$ 1,162,582</u>

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

TOWN OF SOUTH BOSTON, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2024

See Independent Auditors' Report

Exhibit 11

	<u>Special Revenue</u>	<u>Permanent Fund</u>	
	Virginia Alcohol Safety Action Program Fund	Perpetual Care	Total Nonmajor Governmental Funds
Revenues:			
Interest and investment revenue	\$ -	\$ 60,888	\$ 60,888
Miscellaneous	-	620	620
Sale of cemetery lots	-	69,500	69,500
Recovered costs	<u>314,620</u>	<u>-</u>	<u>314,620</u>
 Total revenues	 <u>314,620</u>	 <u>131,008</u>	 <u>445,628</u>
Expenditures:			
Current:			
Capital projects	-	-	-
General government administration	-	184,917	184,917
Public safety	<u>314,620</u>	<u>-</u>	<u>314,620</u>
 Total expenditures	 <u>314,620</u>	 <u>184,917</u>	 <u>499,537</u>
 (Deficiency) of revenues (under) expenditures	 <u>-</u>	 <u>(53,909)</u>	 <u>(53,909)</u>
Other financing sources:			
Operating transfers in	<u>-</u>	<u>75,475</u>	<u>75,475</u>
 Total other financing sources	 <u>-</u>	 <u>75,475</u>	 <u>75,475</u>
 Net change in fund balances	 -	 21,566	 21,566
 Fund balance at beginning of year	 <u>-</u>	 <u>1,141,016</u>	 <u>1,141,016</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 1,162,582</u>	 <u>\$ 1,162,582</u>

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

STATISTICAL SECTION

TOWN OF SOUTH BOSTON, VIRGINIA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS
See Independent Auditors' Report

Schedule 1

Fiscal <u>Year</u>	General Government <u>Administration</u>	Public <u>Safety</u>	Public <u>Works</u>	Parks, Recreation, <u>and Cultural</u>	Community <u>Development</u>	Non- <u>Departmental</u>	Capital <u>Projects</u>	Landfill <u>Closure</u>	Debt <u>Service</u>	<u>Total</u>
2014-15	\$ 715,156	\$ 3,347,745	\$ 2,766,141	\$ 395,227	\$ 648,036	\$ 340,682	\$ -	\$ 36,406	\$ 1,408,461	\$ 9,657,854
2015-16	652,599	3,161,509	4,592,895	412,593	608,855	247,961	-	78,713	1,432,181	11,187,306
2016-17	621,729	3,646,347	4,621,954	392,449	305,330	184,741	60,219	87,118	1,758,569	11,678,456
2017-18	751,454	3,534,955	4,187,742	523,188	334,685	177,514	16,227	60,955	1,496,221	11,082,941
2018-19	658,777	3,657,599	3,620,613	434,473	342,524	206,563	2,825	71,726	3,062,089	12,057,189
2019-20	669,519	4,823,447	3,500,852	464,960	342,514	145,514	2	74,461	1,771,447	11,792,716
2020-21	737,405	4,667,414	4,350,205	1,451,193	1,604,989	236,704	126,117	191,083	6,116,370	19,481,480
2021-22	880,129	4,385,777	3,381,569	506,761	557,795	172,168	47,242	68,666	877,894	10,878,001
2022-23	1,051,741	4,598,445	4,834,694	1,383,275	408,031	198,196	48,273	74,565	871,852	13,469,072
2023-24	1,130,626	5,066,529	3,747,925	740,696	1,507,121	240,121	66,935	84,578	881,416	13,465,947

TOWN OF SOUTH BOSTON, VIRGINIA

GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
See Independent Auditors' Report

Schedule 2

Fiscal <u>Year</u>	General Property <u>Taxes</u>	Other Local <u>Taxes</u>	Permits, Privilege Fees, and Regulatory <u>Licenses</u>	Fines and <u>Forfeitures</u>	Revenues From Use of Money and <u>Property</u>	Charges for <u>Service</u>	<u>Miscellaneous</u>	Recovered <u>Costs</u>	Inter- <u>Governmental</u>	<u>Total</u>
2014-15	\$ 1,887,029	\$ 4,187,449	\$ 2,753	\$ 52,745	\$ 74,504	\$ 34,197	\$ 233,051	\$ 669,109	\$ 2,632,025	\$ 9,772,862
2015-16	2,021,113	4,620,938	3,053	43,383	57,328	28,233	232,899	648,142	2,861,097	10,516,186
2016-17	2,095,014	4,625,288	4,595	44,258	82,871	23,297	358,787	658,536	3,769,280	11,661,926
2017-18	2,030,043	4,830,451	4,155	42,106	85,758	19,301	289,497	659,267	3,119,258	11,079,836
2018-19	1,996,895	5,049,433	4,355	40,832	106,960	22,077	281,844	652,496	2,940,993	11,095,885
2019-20	2,082,868	4,972,613	2,610	38,987	100,365	26,855	217,803	950,087	2,764,569	11,156,757
2020-21	2,118,825	5,138,977	5,445	31,045	64,430	9,756	211,262	305,157	6,359,484	14,244,381
2021-22	2,234,587	5,507,105	2,565	35,562	66,257	18,712	559,465	318,597	3,165,359	11,908,209
2022-23	2,843,656	5,904,429	7,518	77,973	84,777	22,670	269,958	375,164	5,188,044	14,774,189
2023-24	2,812,132	6,286,039	6,090	106,984	568,473	27,248	281,344	437,905	4,355,845	14,882,060

TOWN OF SOUTH BOSTON, VIRGINIA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

See Independent Auditors' Report

Schedule 3

Fiscal <u>Year</u>	Total Tax (1) <u>Levy</u>	Current Tax (1) <u>Collections</u>	Percent of Levy <u>Collected</u>	Delinquent (1) Tax (2) <u>Collections (3)</u>	Total Tax <u>Collections</u>	Percent of Total Tax Collections To Tax <u>Levy</u>	Outstanding Delinquent <u>Taxes</u>	Percent of Delinquent Taxes to Tax Levy
2014-15	\$ 1,541,738	\$ 1,436,962	93.20%	\$ 74,637	\$ 1,511,599	98.05%	\$ 244,978	15.89%
2015-16	1,595,643	1,506,206	94.39%	69,911	1,576,117	98.78%	242,420	15.19%
2016-17	1,638,798	1,549,271	94.54%	94,037	1,643,308	100.28%	149,526	9.12%
2017-18	1,633,979	1,533,691	93.86%	48,543	1,582,234	96.83%	160,943	9.85%
2018-19	1,612,211	1,538,720	95.44%	48,745	1,587,465	98.47%	184,758	11.46%
2019-20	1,679,390	1,578,461	93.99%	61,081	1,639,542	97.63%	173,527	10.33%
2020-21	1,754,494	1,635,953	93.24%	59,465	1,695,418	96.63%	193,142	11.01%
2021-22	1,869,695	1,719,800	91.98%	73,287	1,793,087	95.90%	210,840	11.28%
2022-23	2,579,893	2,300,903	89.19%	66,803	2,367,706	91.78%	360,924	13.99%
2023-24	2,593,209	2,349,677	90.61%	133,567	2,483,244	95.76%	499,133	19.25%

TOWN OF SOUTH BOSTON, VIRGINIA

ASSESSED VALUE OF TAXABLE PROPERTY AND PROPERTY TAX RATES
LAST TEN FISCAL YEARS
See Independent Auditors' Report

Schedule 4

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Utility		Total
					Real Estate	Personal Property	
2014-15	\$472,887,360	\$43,642,900	\$ 592,700	\$ 1,924,000	\$22,812,967	\$ 765,306	\$ 542,625,233
2015-16	477,851,516	43,981,900	669,200	1,964,700	24,837,772	591,098	549,896,186
2016-17	479,858,289	45,934,900	643,800	1,966,100	29,209,395	466,852	558,079,336
2017-18	480,241,434	45,757,200	617,200	1,681,600	30,414,019	347,269	559,058,722
2018-19	474,631,982	44,603,800	533,900	1,667,900	30,574,693	318,291	552,330,566
2019-20	481,248,389	47,885,600	591,400	1,615,000	31,879,468	264,859	563,484,716
2020-21	485,955,614	50,869,000	596,700	1,614,800	33,077,581	243,235	572,356,930
2021-22	498,489,687	54,308,200	617,500	803,400	33,765,436	235,615	588,219,838
2022-23	533,750,173	70,325,400	627,500	761,800	34,436,726	303,551	640,205,150
2023-24	543,453,010	64,545,000	582,100	743,100	31,142,297	248,000	640,713,507

PROPERTY TAX RATES
LAST TEN FISCAL YEARS

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Utility	
					Real Estate	Personal Property
2014-15	0.19	2.00	0.19	0.31	0.19	2.00
2015-16	0.21	2.00	0.21	0.31	0.21	2.00
2016-17	0.21	2.00	0.21	0.31	0.21	2.00
2017-18	0.21	2.00	0.21	0.31	0.21	2.00
2018-19	0.21	2.00	0.21	0.31	0.21	2.00
2019-20	0.21	2.00	0.21	0.31	0.21	2.00
2020-21	0.21	2.00	0.21	0.31	0.21	2.00
2021-22	0.21	2.00	0.21	0.31	0.21	2.00
2022-23	0.27	2.00	0.21	0.31	0.21	2.00
2023-24	0.27	2.00	0.21	0.31	0.21	2.00

NOTE: Public service corporation assessments and tax rates are regulated by the State Corporation Commission.

TOWN OF SOUTH BOSTON, VIRGINIA

RATIO OF NET GENERAL OBLIGATION DEBT
TO ASSESSED VALUE AND NET DEBT PER CAPITA
LAST TEN FISCAL YEARS
See Independent Auditors' Report

Schedule 5

Fiscal Year	Population (1)	Assessed Value of All Taxable Property (In Thousands)	Gross Bonded Debt (2)	Less: Debt Payable From Enterprise Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2014-15	8,142	\$ 542,625	\$ 9,393,759	\$ -	\$ 9,393,759	.017:1	1,153
2015-16	8,142	549,896	10,695,281	-	10,695,281	.019:1	1,313
2016-17	7,950	558,079	9,182,966	-	9,182,966	.016:1	1,155
2017-18	7,773	559,059	11,840,512	-	11,840,512	.021:1	1,523
2018-19	7,659	552,331	10,188,864	-	10,188,864	.018:1	1,330
2019-20	7,588	563,485	10,910,818	-	10,910,818	.019:1	1,438
2020-21	7,966	572,357	5,229,988	-	5,229,988	.009:1	657
2021-22	7,936	588,220	4,472,282	-	4,472,282	.008:1	564
2022-23	7,863	640,205	3,835,049	-	3,835,049	.006:1	488
2023-24	7,756	574,595	3,602,604	-	3,602,604	.006:1	464

NOTE: (1) United States Census Bureau
(2) Includes all long-term general obligation debt

TOWN OF SOUTH BOSTON, VIRGINIA

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2024

See Independent Auditors' Report

Schedule 6

The Constitution of the Commonwealth of Virginia authorizes a town in Virginia to issue bonds secured by a pledge of its full faith and credit, subject to a limitation. Certain classes of indebtedness may be excluded, such as: revenue anticipation notes maturing in one year or less and referendum-approved general obligation bonds payable from a specified revenue producing undertaking for as long as the undertaking is self-supporting.

Assessed value of taxable real property (as of January 1, 2023)		<u>\$ 574,595,307</u>
Legal debt limit (10% of assessed value)		\$ 57,459,531
Gross debt issued and outstanding	3,602,604	
Less deduction for self-supporting revenue bonds	<u>-</u>	
Total net debt chargeable to current debt limit		<u>3,602,604</u>
Current debt-incurring capacity		<u>\$ 53,856,927</u>

TOWN OF SOUTH BOSTON, VIRGINIA

STATEMENT OF THE TREASURER'S ACCOUNTABILITY

June 30, 2024

See Independent Auditors' Report

Schedule 7

Assets held by the Treasurer:

Cash in banks:

Checking:

Benchmark Community Bank	\$ 13,832,487
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Investments:

Common stock – 45 shares of U. S. Steel Corporation	<u>1,833</u>
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Total assets	<u>\$ 13,834,320</u>
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Liabilities of the Treasurer:

Balance of Town Funds	<u>\$ 13,834,320</u>
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Total liabilities	<u>\$ 13,834,320</u>
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COMPLIANCE SECTION

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

To the Honorable Members of the Town Council
Town of South Boston, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits for Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of South Boston, Virginia, as of and for the year ended, June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of South Boston, Virginia's basic financial statements, and have issued our report thereon dated December 10, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of South Boston, Virginia'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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Harris Harvey Neal & Co. LLP

Danville, Virginia
December 10, 2024

INDEPENDENT AUDITORS' 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 South Boston, Virginia
South Boston, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Town of South Boston, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Harris Harvey Neal & Co. LLP

Danville, Virginia
December 10, 2024

TOWN OF SOUTH BOSTON, VIRGINIA

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

For the Year Ended June 30, 2024
See Independent Auditors' Report

Federal Grantor/Program Title	Assistance Listing Number	Expenditures of Federal Awards
U.S. Department of Housing and Urban Development:		
Pass Through Payments:		
Department of Housing and Community Development:		
Community Development Block Grant	14.228	\$ 336,350
U.S. Department of Transportation:		
Pass Through Payments:		
Virginia Department of Motor Vehicles		
State and Community Highway Safety	20.600	16,680
Alcohol Open Container Requirements	20.607	8,084
Total Department of Transportation		<u>24,764</u>
U.S. Department of Justice:		
Pass Through Payments:		
Virginia Department of Emergency Management		
Edward Byrne Memorial Justice Assistance Grant	16.738	<u>5,294</u>
U.S. Department of Treasury:		
Pass Through Payments:		
Virginia Department of Accounts		
Coronavirus State and Local Fiscal Recovery Funds	21.027	<u>1,625,499</u>
U.S. Department of Justice:		
Pass Through Payments:		
Virginia Commission for the Arts		
Promotion of the Arts Partnership Agreements	45.025	<u>4,500</u>
U.S. Department of Homeland Security:		
Pass Through Payments:		
Virginia Department of Emergency Management		
Hazard Mitigation Grant	97.039	<u>451,910</u>
Total Expenditures of Federal Awards		<u>\$ 2,448,317</u>

See the related notes.

TOWN OF SOUTH BOSTON, VIRGINIA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Town of South Boston, Virginia under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Town of South Boston, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of South Boston, Virginia.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rates

The Town of South Boston, Virginia did elect to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance on noted grants.

TOWN OF SOUTH BOSTON, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2024

Section I - Summary of Audit Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	None reported
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)	No

Identification of major programs:

<u>Assistance Listing #</u>	<u>Name of Federal Program of Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None