



TOWN OF SOUTH HILL, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

TOWN OF SOUTH HILL, VIRGINIA

TOWN COUNCIL

Lillie Feggins-Boone
Ashley C. Hardee
Gavin Honeycutt
Mike Moody

Dean Marion, Mayor

Delores Luster
Joseph Taylor, Jr.
Michael Smith
Dr. Lisa Jordan

OTHER OFFICIALS

Town Manager
Finance Director
Chief of Police
Deputy Police Chief
Fire Chief
Municipal Services Director
Code Compliance Official
Human Resources Manager
Town Attorney

Keli Reekes
Krystle Connell
Stuart Bowen
Greg Geist
Michael Vaughan
C. J. Dean
David Hash
Kristine Martin
F. Jesse Bausch

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, the discretely presented component unit and each major fund of Town of South Hill, Virginia, as of June 30, 2024, and the 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.

We did not audit the financial statement of the South Hill Industrial Development Authority, which represents 100 percent of the assets, net position, and revenues of the component unit as of June 30, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to amounts included for South Hill Industrial Development Authority, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of South Hill, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement 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.

Restatement of Beginning Balances for Error Corrections

As described in Note 16 to the financial statements, in 2024, the Town restated beginning balances to correct errors related to notes receivable and capital assets. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2024, it was determined that the Component Unit Industrial Development Authority should be included in the Town's financial statements. Accordingly, the financial statements have been restated to include the Component Unit Industrial Development Authority. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of South Hill, 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of South Hill, Virginia's basic financial statements. The accompanying individual fund financial statements and schedules, supporting schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors, the individual fund financial statements and schedules, supporting schedules, 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 information 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 August 1, 2025, on our consideration of Town of South Hill, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of South Hill, 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 Hill, Virginia's internal control over financial reporting and compliance.

Robinson, Fawcett, Cox Associates

Richmond, Virginia
August 1, 2025

Management's Discussion and Analysis

The management of the Town of South Hill, Virginia presents the following discussion and analysis as an overview of the Town of South Hill, Virginia's financial activities for the fiscal year ending June 30, 2024. We encourage readers to read this discussion and analysis in conjunction with the Town's basic financial statements.

Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the Town's governmental activities exceeded its liabilities and deferred inflows of resources by \$43,275,258. Of this amount, \$29,305,547 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$17,440,388 with an unrestricted balance of \$5,761,185.
- The Town's total net position before transfers increased by \$7,567,302 during the current fiscal year. Of this amount, an increase of \$6,073,746 is related to governmental activities and an increase of \$1,493,556 is attributed to business-type activities.
- As of June 30, 2024, the Town's Governmental Funds reported combined ending fund balances of \$32,931,108, an increase of \$3,808,390 in comparison with the prior year. Approximately 96% of this amount is available for spending at the Town's discretion (unassigned fund balance).
- At the end of fiscal year 2024, the general fund unassigned fund balance was \$32,911,337, or approximately 218% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The Town has two types of funds:

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

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

Notes to the Basic Financial Statements

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

Other

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Town of South Hill, Virginia's Net Position						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 33,703,863	\$ 31,115,362	\$ 6,819,575	\$ 8,606,588	\$ 40,523,438	\$ 39,721,950
Noncurrent assets	-	23,099	-	-	-	23,099
Capital assets	15,115,174	13,248,586	18,846,562	17,778,455	33,961,736	31,027,041
Total assets	\$ 48,819,037	\$ 44,387,047	\$ 25,666,137	\$ 26,385,043	\$ 74,485,174	\$ 70,772,090
Deferred outflows of resources	\$ 1,185,657	\$ 1,343,022	\$ 83,960	\$ 149,225	\$ 1,269,617	\$ 1,492,247
Current liabilities	\$ 491,586	\$ 1,943,142	\$ 589,491	\$ 1,915,650	\$ 1,081,077	\$ 3,858,792
Long-term liabilities outstanding	5,693,409	6,080,119	7,508,393	8,566,441	13,201,802	14,646,560
Total liabilities	\$ 6,184,995	\$ 8,023,261	\$ 8,097,884	\$ 10,482,091	\$ 14,282,879	\$ 18,505,352
Deferred inflows of resources	\$ 544,441	\$ 505,296	\$ 211,825	\$ 105,345	\$ 756,266	\$ 610,641
Net position:						
Net investment in capital assets	\$ 13,969,711	\$ 11,950,977	\$ 11,679,203	\$ 9,731,709	\$ 25,648,914	\$ 21,682,686
Restricted	-	7,535	-	-	-	7,535
Unrestricted	29,305,547	25,243,000	5,761,185	6,215,123	35,066,732	31,458,123
Total net position	\$ 43,275,258	\$ 37,201,512	\$ 17,440,388	\$ 15,946,832	\$ 60,715,646	\$ 53,148,344

Statement of Activities

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

Town of South Hill, Virginia's Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Charges for services	\$ 1,611,656	\$ 1,105,120	\$ 3,808,089	\$ 4,001,924	\$ 5,419,745	\$ 5,107,044
Operating grants and contributions	3,449,024	2,095,049	-	1,071,327	3,449,024	3,166,376
Capital grants and contributions	-	-	1,561,842	-	1,561,842	-
General property taxes	3,006,954	2,735,632	-	-	3,006,954	2,735,632
Other taxes	7,032,408	6,175,862	-	-	7,032,408	6,175,862
Grants and other contributions not restricted	291,345	299,657	-	-	291,345	299,657
Unrestricted revenues from use of property	-	57,018	-	-	-	57,018
Investment earnings (loss) on investments	1,201,181	450,917	239,445	147,277	1,440,626	598,194
Miscellaneous	375,943	190,132	127,538	8,921	503,481	199,053
Total revenues	\$ 16,968,511	\$ 13,109,387	\$ 5,736,914	\$ 5,229,449	\$ 22,705,425	\$ 18,338,836
General government administration	\$ 2,026,671	\$ 1,890,215	\$ -	\$ -	\$ 2,026,671	\$ 1,890,215
Public safety	3,971,384	3,898,055	-	-	3,971,384	3,898,055
Public works	3,783,537	4,620,032	-	-	3,783,537	4,620,032
Parks, recreation, and cultural	697,600	672,170	-	-	697,600	672,170
Community development	394,583	336,400	-	-	394,583	336,400
Interest on long-term debt	20,990	22,549	-	-	20,990	22,549
Water and sewer activities	-	-	4,243,358	5,085,866	4,243,358	5,085,866
Total expenses	\$ 10,894,765	\$ 11,439,421	\$ 4,243,358	\$ 5,085,866	\$ 15,138,123	\$ 16,525,287
Increase in net position before transfers	\$ 6,073,746	\$ 1,669,966	\$ 1,493,556	\$ 143,583	\$ 7,567,302	\$ 1,813,549
Transfers	-	145,810	-	(145,810)	-	-
Change in net position	\$ 6,073,746	\$ 1,815,776	\$ 1,493,556	\$ (2,227)	\$ 7,567,302	\$ 1,813,549
Net position, beginning of year	37,201,512	35,385,736	15,946,832	15,949,059	53,148,344	51,334,795
Net position, end of year	\$ 43,275,258	\$ 37,201,512	\$ 17,440,388	\$ 15,946,832	\$ 60,715,646	\$ 53,148,344

Governmental activities increased the Town's net position before transfers by \$6,073,746 for fiscal year 2024. Revenues from governmental activities totaled \$16,968,511. Other taxes comprise the largest source of these revenues, totaling \$7,032,408 or 41% of all governmental activities revenue. Business-type activities increased the Town's net position before transfers by \$1,493,556 with revenues reported of \$5,736,914.

The total cost of all governmental activities for this fiscal year was \$10,894,765. Public safety was the Town's largest program with expenses totaling \$3,971,384. Public works, which totals \$3,783,537, represents the second largest expense. Business-type activities reported expenses of \$5,736,914.

In the table above, the information for fiscal year 2023 has been restated to reflect the correction of an error. See Note 16 for additional information.

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

Town of South Hill, Virginia’s Net Cost of Governmental Activities

	2024		2023	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government administration	\$ 2,026,671	\$ (1,946,313)	\$ 1,890,215	\$ (1,890,215)
Public safety	3,971,384	(3,090,840)	3,898,055	(3,405,660)
Public works	3,783,537	248,941	4,620,032	(1,949,734)
Parks, recreation, and cultural	697,600	(680,300)	672,170	(667,670)
Community development	394,583	(344,583)	336,400	(303,424)
Interest in long-term debt	20,990	(20,990)	22,549	(22,549)
Total	\$ 10,894,765	\$ (5,834,085)	\$ 11,439,421	\$ (8,239,252)

FINANCIAL ANALYSIS OF THE TOWN’S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of a fiscal year. The Town’s governmental funds reported combined ending fund balances of \$32,931,108. The combined governmental fund balance increased \$3,808,930 from the prior year.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$31,503,542. The General Fund’s liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 236% of total fund expenditures.

BUDGETARY HIGHLIGHTS

General Fund

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

Town of South Hill, Virginia's Budgetary Comparison						
	2024			2023		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues						
Taxes, real and personal property	\$ 2,699,900	\$ 2,699,900	2,947,657	\$ 2,631,200	\$ 2,631,200	\$ 2,671,783
Other local taxes	5,755,100	5,755,100	7,032,408	4,928,600	4,928,600	6,175,862
Other revenues	1,321,350	1,321,350	3,467,084	1,034,350	1,038,350	1,797,587
Intergovernmental	2,189,725	2,404,725	3,690,369	1,950,287	3,313,784	2,361,730
Total revenues	\$ 11,966,075	\$ 12,181,075	17,137,518	\$ 10,544,437	\$ 11,911,934	\$ 13,006,962
Expenditures	\$ 17,072,234	\$ 17,357,714	\$ 13,349,814	\$ 15,037,937	\$ 17,200,633	\$ 11,956,780
Excess (deficiency) of revenues over expenditures	\$ (5,106,159)	\$ (5,176,639)	\$ 3,787,704	\$ (4,493,500)	\$ (5,288,699)	\$ 1,050,182
Other financing sources (uses)						
Transfers in	-	-	-	162,500	162,500	145,810
Lease liabilities assumed	-	-	-	-	-	8,281
Total	\$ -	\$ -	\$ -	\$ 162,500	\$ 162,500	\$ 154,091
Net change in fund balance before transfer from surplus funds	\$ (5,106,159)	\$ (5,176,639)	\$ 3,787,704	\$ (4,331,000)	\$ (5,126,199)	\$ 1,204,273
Transfer from surplus funds	5,106,159	5,176,639	-	4,331,000	5,126,199	-
Change in fund balance	\$ -	\$ -	\$ 3,787,704	\$ -	\$ -	\$ 1,204,273

Final amended budget revenues were more than the original budget by \$215,000.

The amended budget appropriations for expenditures exceeded the original appropriation by \$285,480.

Actual revenues were more than final budget amounts by \$4,956,443, or 41%, while actual expenditures were \$4,007,900, or 23% less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2024, the Town's governmental activities net capital assets total \$15,115,174, which represents a net increase of \$1,866,588 or 14% over the previous fiscal year-end balance. The business-type activities net capital assets total \$18,846,562, an increase of \$1,068,107 or 6% over the previous fiscal year.

Town of South Hill, Virginia's Summary of Change in Capital Assets

	Balance July 1, 2023	Net Additions and Deletions	Balance June 30, 2024
Governmental Activities			
Land	\$ 1,179,679	\$ -	\$ 1,179,679
Construction in progress	1,162,390	(1,162,390)	-
Buildings and improvements	21,633,002	3,531,975	25,164,977
Streets and related infrastructure	6,446	-	6,446
Machinery, equipment, and vehicles	8,644,851	(1,229,800)	7,415,051
Total capital assets	\$ 32,626,368	\$ 1,139,785	\$ 33,766,153
Less: accumulated depreciation	(19,397,897)	733,446	(18,664,451)
Total capital assets, net	\$ 13,228,471	\$ 1,873,231	\$ 15,101,702
Lease assets	\$ 34,015	\$ (6,770)	\$ 27,245
Less: accumulated amortization	(13,900)	127	(13,773)
Lease assets, net	\$ 20,115	\$ (6,643)	\$ 13,472
Total Governmental Activities	\$ 13,248,586	\$ 1,866,588	\$ 15,115,174
Business-Type Activities			
Land, land improvements and easements	\$ 164,906	\$ -	\$ 164,906
Water and sewer infrastructure	27,990,946	1,643,357	29,634,303
Machinery, equipment and vehicles	5,329,468	(576,899)	4,752,569
Total capital assets	\$ 33,485,320	\$ 1,066,458	\$ 34,551,778
Less: accumulated depreciation	(15,706,865)	1,649	(15,705,216)
Total capital assets, net	\$ 17,778,455	\$ 1,068,107	\$ 18,846,562

Long-Term Debt

As of June 30, 2024, the Town's long-term obligations total \$8,534,121.

Town of South Hill, Virginia's Change in Long-Term Debt

	Balance July 1, 2023	Net Additions and Deletions	Balance June 30, 2024	Due Within One Year
Governmental Activities				
General obligation bond	\$ 1,277,411	\$ (145,644)	\$ 1,131,767	\$ 147,045
Compensated absences	285,997	(79,072)	206,925	20,693
Total Governmental Activities	\$ 1,563,408	\$ (224,716)	\$ 1,338,692	\$ 167,738
Business-Type Activities				
General obligation bond	\$ 8,046,746	\$ (917,448)	\$ 7,129,298	\$ 926,275
Compensated absences	-	66,131	66,131	6,613
Total Business-Type Activities	\$ 8,046,746	\$ (917,448)	\$ 7,195,429	\$ 932,888
Total Reporting Entity	\$ 9,610,154	\$ (1,142,164)	\$ 8,534,121	\$ 1,100,626

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2025 budget.

The average unemployment rate for the Town of South Hill, Virginia in June 2024, which uses Mecklenburg County's rate, was 3.8%. This compares unfavorably to the state's rate of 3.0% and favorably to the national rate of 4.1%.

The estimate in June 2024 by the University of Virginia Weldon Cooper Center is a population of 4,920.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2025, which accounts for most of the Town's operational costs. The fiscal year 2025 adopted budget anticipates General Fund revenues and expenditures to be \$16,305,762, a 4.49% decrease over the fiscal year 2024 final budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Town Manager or the Director of Finance, Town of South Hill, Virginia, 211 South Mecklenburg Avenue, South Hill, Virginia 23970, telephone 434-447-3191, or visit the Town's website at www.southhillva.org.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of South Hill, Virginia
Statement of Net Position
June 30, 2024

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>IDA</u>
ASSETS				
Cash and cash equivalents	\$ 32,574,135	\$ 6,490,041	\$ 39,064,176	\$ 2,470,262
Taxes receivable	246,848	-	246,848	-
Accounts receivable	495,047	329,534	824,581	-
Note receivable	197,500	-	197,500	-
Lease receivable	23,099	-	23,099	-
Interest receivable	77	-	77	-
Due from other governmental units	167,157	-	167,157	-
Capital assets (net of accumulated depreciation):				
Land	1,179,679	164,906	1,344,585	-
Buildings and improvements	11,887,305	-	11,887,305	-
Water and sewer infrastructure		16,208,108	16,208,108	-
Machinery, equipment, and vehicles	2,034,718	2,473,548	4,508,266	-
Lease equipment	13,472	-	13,472	-
Total assets	<u>\$ 48,819,037</u>	<u>\$ 25,666,137</u>	<u>\$ 74,485,174</u>	<u>\$ 2,470,262</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 1,032,334	\$ 67,758	\$ 1,100,092	\$ -
OPEB related items	153,323	16,202	169,525	-
Total deferred outflows of resources	<u>\$ 1,185,657</u>	<u>\$ 83,960</u>	<u>\$ 1,269,617</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 490,218	\$ 390,158	\$ 880,376	\$ 975
Accrued interest payable	1,368	8,615	9,983	-
Customer deposits	-	190,718	190,718	-
Long-term liabilities:				
Due within one year	174,213	932,888	1,107,101	-
Due in more than one year	5,519,196	6,575,505	12,094,701	-
Total liabilities	<u>\$ 6,184,995</u>	<u>\$ 8,097,884</u>	<u>\$ 14,282,879</u>	<u>\$ 975</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 12,922	\$ -	\$ 12,922	\$ -
Pension related items	483,929	171,006	654,935	-
OPEB related items	24,823	2,758	27,581	-
Lease deferrals	22,767	-	22,767	-
Deferred gain on refunding	-	38,061	38,061	-
Total deferred inflows of resources	<u>\$ 544,441</u>	<u>\$ 211,825</u>	<u>\$ 756,266</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 13,969,711	\$ 11,679,203	\$ 25,648,914	\$ -
Unrestricted	29,305,547	5,761,185	35,066,732	2,469,287
Total net position	<u>\$ 43,275,258</u>	<u>\$ 17,440,388</u>	<u>\$ 60,715,646</u>	<u>\$ 2,469,287</u>

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

Town of South Hill, Virginia
Statement of Activities
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 2,026,671	\$ 80,358	\$ -	\$ -	\$ (1,946,313)		\$ (1,946,313)	
Public safety	3,971,384	671,423	209,121	-	(3,090,840)		(3,090,840)	
Public works	3,783,537	847,075	3,185,403	-	248,941		248,941	
Parks, recreation, and cultural	697,600	12,800	4,500	-	(680,300)		(680,300)	
Community development	394,583	-	50,000	-	(344,583)		(344,583)	
Interest on long-term debt	20,990	-	-	-	(20,990)		(20,990)	
Total governmental activities	\$ 10,894,765	\$ 1,611,656	\$ 3,449,024	\$ -	\$ (5,834,085)		\$ (5,834,085)	
Business-type activities:								
Water and Sewer Fund	\$ 4,243,358	\$ 3,808,089	\$ -	\$ 1,561,842	\$ -	\$ 1,126,573	\$ 1,126,573	
Total primary government	\$ 15,138,123	\$ 5,419,745	\$ 3,449,024	\$ 1,561,842	\$ (5,834,085)	\$ 1,126,573	\$ (4,707,512)	
COMPONENT UNIT:								
Industrial Development Authority	\$ 308,324	\$ -	\$ -	\$ -				\$ (308,324)
General revenues:								
General property taxes, real and personal					\$ 3,006,954	\$ -	\$ 3,006,954	\$ -
Local sales and use taxes					845,137	-	845,137	-
Restaurant food taxes					2,779,217	-	2,779,217	-
Business license taxes					1,615,219	-	1,615,219	-
Hotel and motel room taxes					991,980	-	991,980	-
Other local taxes					800,855	-	800,855	-
Grants and contributions not restricted to specific programs					291,345	-	291,345	-
Unrestricted revenues from use of money					1,201,181	239,445	1,440,626	109,762
Miscellaneous					375,943	127,538	503,481	311,775
Total general revenues					\$ 11,907,831	\$ 366,983	\$ 12,274,814	\$ 421,537
Change in net position					\$ 6,073,746	\$ 1,493,556	\$ 7,567,302	\$ 113,213
Net position - beginning - as previously stated					\$ 37,004,012	\$ 16,291,697	\$ 53,295,709	\$ 2,356,074
Error corrections					197,500	(344,865)	(147,365)	-
Net position - beginning - as restated					\$ 37,201,512	\$ 15,946,832	\$ 53,148,344	\$ 2,356,074
Net position - ending					\$ 43,275,258	\$ 17,440,388	\$ 60,715,646	\$ 2,469,287

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

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FUND FINANCIAL STATEMENTS

Town of South Hill, Virginia
Balance Sheet
Governmental Funds
June 30, 2024

	<u>General</u>	<u>Cemetery</u> <u>Fund</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 32,554,364	\$ 19,771	\$ 32,574,135
Receivables (net of allowance for uncollectibles):			
Property taxes receivable, net	246,848	-	246,848
Accounts receivable	495,047	-	495,047
Due from other governments	167,157	-	167,157
Leases receivable	23,099	-	23,099
Interest receivable	77	-	77
Note receivable	197,500	-	197,500
Total assets	<u>\$ 33,684,092</u>	<u>\$ 19,771</u>	<u>\$ 33,703,863</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 490,218	\$ -	\$ 490,218
Total liabilities	<u>\$ 490,218</u>	<u>\$ -</u>	<u>\$ 490,218</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 259,770	\$ -	\$ 259,770
Lease related items	22,767	-	22,767
Total deferred inflows of resources	<u>\$ 282,537</u>	<u>\$ -</u>	<u>\$ 282,537</u>
FUND BALANCES			
Nonspendable - note receivable	\$ 197,500	\$ -	\$ 197,500
Restricted	-	19,771	19,771
Committed	1,210,295	-	1,210,295
Unassigned	31,503,542	-	31,503,542
Total fund balances	<u>\$ 32,911,337</u>	<u>\$ 19,771</u>	<u>\$ 32,931,108</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 33,684,092</u>	<u>\$ 19,771</u>	<u>\$ 33,703,863</u>

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

Town of South Hill, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2024

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

Total fund balances (deficits) per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 32,931,108
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, cost	\$ 33,793,398	
Accumulated depreciation	<u>(18,678,224)</u>	15,115,174
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds statement.		
Unavailable revenue - property taxes		246,848
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 1,032,334	
OPEB related items	<u>153,323</u>	1,185,657
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	\$ (4,163,895)	
Accrued interest payable	(1,368)	
General obligation bond	(1,131,767)	
Lease liability	(13,696)	
Net OPEB liability	(177,126)	
Compensated absences	<u>(206,925)</u>	(5,694,777)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (483,929)	
OPEB related items	<u>(24,823)</u>	(508,752)
Net position of governmental activities		<u><u>\$ 43,275,258</u></u>

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

Town of South Hill, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2024

	<u>General</u>	<u>Cemetery Fund</u>	<u>Nick's Lane</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 2,947,657	\$ -	\$ -	\$ 2,947,657
Other local taxes	7,032,408	-	-	7,032,408
Permits, privilege fees, and regulatory licenses	671,423	-	-	671,423
Fines and forfeitures	80,358	-	-	80,358
Use of money and property	1,201,181	-	-	1,201,181
Charges for services	847,075	12,800	-	859,875
Miscellaneous	375,903	40	-	375,943
Recovered costs	291,144	-	-	291,144
Intergovernmental:				
Commonwealth	2,514,495	-	-	2,514,495
Federal	1,175,874	-	50,000	1,225,874
Total revenues	<u>\$ 17,137,518</u>	<u>\$ 12,840</u>	<u>\$ 50,000</u>	<u>\$ 17,200,358</u>
EXPENDITURES				
Current:				
General government administration	\$ 2,170,894	\$ -	\$ -	\$ 2,170,894
Public safety	4,160,492	-	-	4,160,492
Public works	5,912,387	-	-	5,912,387
Parks, recreation, and cultural	615,478	-	-	615,478
Community development	318,795	604	-	319,399
Capital Projects	-	-	41,550	41,550
Debt service:				
Principal retirement	152,146	-	-	152,146
Interest and other fiscal charges	19,622	-	-	19,622
Total expenditures	<u>\$ 13,349,814</u>	<u>\$ 604</u>	<u>\$ 41,550</u>	<u>\$ 13,391,968</u>
Net change in fund balances	<u>\$ 3,787,704</u>	<u>\$ 12,236</u>	<u>\$ 8,450</u>	<u>\$ 3,808,390</u>
Fund balance - beginning of year, as previously presented	\$ 28,926,133	\$ 7,535	\$ (8,450)	\$ 28,925,218
Error correction	197,500	-	-	197,500
Fund balance - beginning of year, as restated	<u>\$ 29,123,633</u>	<u>\$ 7,535</u>	<u>\$ (8,450)</u>	<u>\$ 29,122,718</u>
Fund balance - end of year	<u>\$ 32,911,337</u>	<u>\$ 19,771</u>	<u>\$ -</u>	<u>\$ 32,931,108</u>

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

Town of South Hill, 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

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

Net change in fund balances (deficits) - total governmental funds	\$	3,808,390
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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. The following is a summary of items supporting this adjustment:

Capital asset additions	\$ 2,706,125	
Depreciation expense	<u>(839,537)</u>	1,866,588

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

Increase (decrease) in property taxes		59,297
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The issuance of long-term obligations (e.g. bonds, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.

Principal retired on bonds	\$ 145,644	
Principal retired on lease liabilities	<u>6,502</u>	152,146

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.

Decrease (increase) in compensated absences	\$ 79,072	
Pension expense	131,970	
OPEB expense	(22,349)	
Decrease (increase) in accrued interest payable	<u>(1,368)</u>	187,325

Change in net position of governmental activities	\$	<u><u>6,073,746</u></u>
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The notes to financial statements are an integral part of this statement.

Town of South Hill, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2024

	<u>Water and Sewer</u>
ASSETS	
Current assets:	
Cash	\$ 6,490,041
Accounts receivable	329,534
Total current assets	<u>\$ 6,819,575</u>
Noncurrent assets:	
Capital assets	
Land	\$ 164,906
Water and sewer infrastructure	29,634,303
Machinery, equipment, and vehicles	4,752,569
Less: accumulated depreciation	(15,705,216)
Total capital assets	<u>\$ 18,846,562</u>
Total assets	<u>\$ 25,666,137</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 67,758
OPEB related items	16,202
Total deferred outflows of resources	<u>\$ 83,960</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 390,158
Customer deposits	190,718
Accrued interest	8,615
Compensated absences - current portion	6,613
Bonds payable - current portion	926,275
Total current liabilities	<u>\$ 1,522,379</u>
Noncurrent liabilities:	
Net pension liability	\$ 293,283
Net OPEB liability	19,681
Compensated absences - net of current portion	59,518
Bonds payable - net of current portion	6,203,023
Total noncurrent liabilities	<u>\$ 6,575,505</u>
Total liabilities	<u>\$ 8,097,884</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 171,006
OPEB related items	2,758
Deferred gain on refunding	38,061
Total deferred inflows of resources	<u>\$ 211,825</u>
NET POSITION	
Net investment in capital assets	\$ 11,679,203
Unrestricted	5,761,185
Total net position	<u><u>\$ 17,440,388</u></u>

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

Town of South Hill, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2024

	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for services	\$ 3,808,089
Miscellaneous	23,234
Connection and cut-on fees	104,304
Total operating revenues	<u>\$ 3,935,627</u>
OPERATING EXPENSES	
Salaries and wages	\$ 584,096
Fringe benefits	166,008
Contractual services	466,783
Water purchases	1,140,011
Other supplies and expenses	1,111,517
Depreciation	666,591
Total operating expenses	<u>\$ 4,135,006</u>
Operating income (loss)	<u>\$ (199,379)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment and interest income	\$ 239,445
Interest expense on bonds	(107,151)
Gain/(loss) on sale of capital assets	(1,201)
Total nonoperating revenues (expenses)	<u>\$ 131,093</u>
Income (loss) before capital contributions and transfers	<u>\$ (68,286)</u>
Capital contributions:	
Federal grants	<u>\$ 1,561,842</u>
Change in net position	\$ 1,493,556
Total net position - beginning - as previously stated	\$ 16,291,697
Error corrections	(344,865)
Total net position - beginning - as restated	<u>\$ 15,946,832</u>
Total net position - ending	<u><u>\$ 17,440,388</u></u>

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

Town of South Hill, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

	<u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 3,986,411
Payments to personnel and related costs	(766,640)
Payments to suppliers	(2,491,757)
Net cash provided by (used for) operating activities	<u>\$ 728,014</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	\$ (1,735,899)
Principal paid on long-term debt	(917,448)
Interest paid on long-term debt	(116,985)
Net cash provided by (used for) capital and related financing activities	<u>\$ (2,770,332)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment and interest income	<u>\$ 239,445</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,802,873)
Cash and cash equivalents - beginning	8,292,914
Cash and cash equivalents - ending	<u><u>\$ 6,490,041</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (199,379)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	666,591
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(15,860)
(Increase) decrease in deferred outflows - pension	61,062
(Increase) decrease in deferred outflows - OPEB	4,203
Increase (decrease) in accounts payable and accrued expenses	226,554
Increase (decrease) in customer deposits	513
Increase (decrease) in compensated absences	66,131
Increase (decrease) in net pension liability	(206,978)
Increase (decrease) in net OPEB liability	247
Increase (decrease) in deferred inflows - OPEB	(1,132)
Increase (decrease) in deferred inflows - pension	126,062
Total adjustments	<u>\$ 927,393</u>
Net cash provided by (used for) operating activities	<u><u>\$ 728,014</u></u>
Schedule of noncash capital and related financing activities	
Federal grants released from unearned revenue	<u><u>\$ 1,561,842</u></u>

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

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

Note 1—Summary of Significant Accounting Policies:

The Town of South Hill, Virginia (the “Town”), which was incorporated in 1901, has a population of approximately 4,752 living within an area of 9.3 square miles. The Town is located in eastern Mecklenburg County, Virginia at the intersection of Interstate Highway 85 and U. S. Highway 58. The Town is governed by a Mayor, Town Manager, and an eight-member Town Council with each serving administrative and legislative functions.

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

The financial statements of the Town have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government’s accounting policies are described below.

Financial Statement Presentation

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of “using up” capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 1—Summary of Significant Accounting Policies: (Continued)

Government-wide and Fund Financial Statements (Continued)

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

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

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present Town of South Hill (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize that it is both legally and substantively separate from the government.

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Individual Component Unit Disclosures

Blended Component Units. The Town has no blended component units at June 30, 2024.

Discretely Presented Component Units. The Industrial Development Authority of the Town of South Hill, Virginia is a separate and distinct entity from the Town of South Hill, Virginia and is, in accordance with the Act, a political subdivision of the Commonwealth of Virginia and not subject to income taxation.

The Authority is governed by a seven-member Board of Directors appointed by the Town Council of the Town of South Hill, Virginia to serve staggered terms of four years. The Industrial Development Authority of the Town of South Hill, Virginia is presented in the financial statements beginning with the year ending June 30, 2024.

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

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

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

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

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease and subscription liabilities, as well as expenditures related to compensated absences, claims and judgments, postemployment benefits, and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease and subscription assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases and subscriptions are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year end are reflected as deferred revenues.

Sales and utility taxes, which are collected by the state or utilities and, subsequently, remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the Town.

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

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

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

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The Town reports the following governmental funds.

a. General Fund

The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. The General Fund is considered a major fund for reporting purposes.

b. Special Revenue Funds

The Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The operations of the cemetery fund are reported in the Special Revenue Fund. The Special Revenue Fund is considered a major fund.

c. Capital Projects Fund

The Capital Projects Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects Fund is considered a major fund. The operations of Nick's Lane are reported in the Capital Projects Fund.

2. Proprietary Funds

Proprietary Funds account for operations that are financed in a manner similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

a. Enterprise Funds

Enterprise Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise Funds consist of the Water and Sewer Fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues consist of charges to customers for sales and services. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

3. Fiduciary Funds

Fiduciary Funds (Trust and Custodial Funds) account for assets held by the Town in a trustee capacity or as custodian for individuals, private organizations, other governmental units, or other funds. The Town does not have any fiduciary funds.

D. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government’s proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

E. Investments

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “due to/from other funds” (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (i.e. the noncurrent portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$173,704 at June 30, 2024 and is comprised of property taxes of \$109,071, garbage charges of \$17,582, and water and sewer charges of \$47,051.

Real and Personal Property Tax Data:

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

	Real Property	Personal Property
Levy	July 1	July 1
Due Date	January 5	January 5
Lien Date	July 1	July 1

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 1—Summary of Significant Accounting Policies: (Continued)

F. Receivables and Payables (Continued)

The Town bills and collects its own property taxes.

A 10% penalty or \$10 minimum is levied on all taxes not collected on or before their due date. An interest charge of ten percent per annum is also levied on such taxes beginning on January 6.

G. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

H. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, lease, subscription, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

As the Town constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease and subscription assets, the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset’s capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, subscription assets, and infrastructure of Town are depreciated/amortized using the straight-line method over the following estimated useful lives

Assets	Years
Buildings and Improvements	10-40
Machinery and Equipment	3-20
Lease equipment	3-5
Vehicles	5
Infrastructure	40

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 1—Summary of Significant Accounting Policies: (Continued)

I. Leases

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

Lessee

The Town recognizes lease liabilities and intangible right-to-use lease assets (leased equipment) with an initial value of \$5,000, individually or in the aggregate in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The leased equipment is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Lessor

The Town recognizes leases receivable and deferred inflows of resources in the government-wide fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

Key Estimates and Judgments

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

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

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

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 1—Summary of Significant Accounting Policies: (Continued)

J. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

K. Use of Estimates

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

L. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

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

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

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 1—Summary of Significant Accounting Policies: (Continued)

M. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bonds payable are reported net of the applicable bond premium or discount.

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

N. Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called “fund balance”. The Town’s governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- Nonspendable fund balance - amounts that are either not in spendable form (such as inventory and prepaids) or are legally or contractually required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Town Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Council adopts another ordinance to remove or revise the limitation;
- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 1—Summary of Significant Accounting Policies: (Continued)

N. Fund Balance (Continued)

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment, which does not lapse at year end, is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

	General	Cemetery	Total
Fund balances:			
Nonspendable:			
Note receivable	\$ 197,500	\$ -	\$ 197,500
Total nonspendable fund balance	\$ 197,500	\$ -	\$ 197,500
Restricted:			
Cemetery	\$ -	\$ 19,771	\$ 19,771
Total restricted fund balance	\$ -	\$ 19,771	\$ 19,771
Committed:			
Streets maintenance	\$ 514,969	\$ -	\$ 514,969
Solid waste	12,276	-	12,276
Fleet maintenance	50,533	-	50,533
Police department	18,387	-	18,387
Code compliance	14,130	-	14,130
Facilities maintenance	600,000	-	600,000
Total committed fund balance	\$ 1,210,295	\$ -	\$ 1,210,295
Unassigned	\$ 32,713,837	\$ -	\$ 32,713,837
Total fund balances	\$ 34,121,632	\$ 19,771	\$ 34,141,403

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has multiple items that qualify for reporting in this category. This item is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 1—Summary of Significant Accounting Policies: (Continued)

O. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding reported in this category. A deferred charge on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis amounts prepaid are reported as deferred inflows of resources. In addition, certain items related to pension, OPEB and leases are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

P. 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 fiduciary net 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.

Q. Other Postemployment Benefits

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

Note 2—Stewardship, Compliance, and Accounting:

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

1. Prior to June 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 2—Stewardship, Compliance, and Accounting: (Continued)

2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for fund can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Capital Projects, and Special Revenue Funds of the primary government.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 every year.
8. All budgetary data presented in the accompanying financial statements is from the revised budget as of June 30, 2024, as adopted, appropriated and legally amended.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2024.

Note 3—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

State statutes require that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following: Moody’s Investors Service, Standard & Poor’s and Fitch Investor’s

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 3—Deposits and Investments: (Continued)

Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s and “Aa” by Moody’s Investor Service. The Town’s rated debt investments as of June 30, 2024 were rated by Standard & Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor’s rating scale.

Town's Rated Debt Investments' Values			
Rated Debt Investments	Fair Quality Ratings		
	AAAm	AA+f	AA+
Virginia Investment Pool	\$ 9,078,349	\$ 10,241,927	\$ -
U.S. Treasury Securities Fixed Income Funds	-	-	2,762,448
U.S. Treasury Securities Money Market Fund	-	5,722,349	-
Total	\$ 9,078,349	\$ 15,964,276	\$ 2,762,448

Fair Value Measurements

The Town has the following recurring fair value measurements as of June 30, 2024:

Investment type	Balance June 30, 2024	Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)	
U.S. Treasury Securities Fixed Income Funds	\$ 2,762,448	\$	2,762,448
U.S. Treasury Securities Money Market Fund	5,722,349		5,722,349
	\$ 8,484,797	\$	8,484,797

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 3—Deposits and Investments: (Continued)

Investment Type	Investment Maturities (in years)		
	Fair Value	Less Than 1 Year	1-5 Years
U.S. Treasury Securities Fixed Income Funds	\$ 2,762,448	\$ 1,736,518	\$ 1,025,930
Virginia Investment Pool	19,320,276	9,078,349	10,241,927
Total	<u>\$22,082,724</u>	<u>\$10,814,867</u>	<u>\$11,267,857</u>

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County and IDA have measured fair value of the above Virginia Investment Pool Investment at the net asset value (NAV). The VaCO/VML Virginia Investment Pool allows the County and IDA to have the option to have access to withdraw funds twice a month, with a five-day period notice. Additionally, funds are available to meet unexpected needs such as fluctuations in revenue sources with one-time outlays (disasters, immediate capital needs, state budget cuts, etc.).

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TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 4—Receivables:

At June 30, 2024, the Town had receivables from other governments as follows:

	Primary Government
Commonwealth of Virginia:	
Local sales tax	\$ 83,305
Auto rental	10,522
Communications tax	18,197
Federal Government:	
CSLFRF	49,820
Transportation safety	5,313
Total due from other governments	<u>\$ 167,157</u>

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TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2024:

	Original Balance July 1, 2023	Beginning Balance Restatements	Restated Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
<i>Governmental activities:</i>						
Capital assets not subject to depreciation:						
Land	\$ 1,294,413	\$ (114,734)	\$ 1,179,679	\$ -	\$ -	\$ 1,179,679
Construction in progress	-	1,162,390	1,162,390	1,198,334	2,360,724	-
Total capital assets not subject to depreciation	\$ 1,294,413	\$ 1,047,656	\$ 2,342,069	\$1,198,334	\$2,360,724	\$ 1,179,679
Capital assets subject to depreciation:						
Buildings and improvements	\$ 10,736,464	\$ 10,896,538	\$ 21,633,002	\$3,531,975	\$ -	\$ 25,164,977
Land improvements	517,902	(517,902)	-	-	-	-
Street and related infrastructure	11,282,415	(11,275,969)	6,446	-	-	6,446
Machinery, equipment and vehicles	8,795,174	(150,323)	8,644,851	336,540	1,566,340	7,415,051
Lease equipment	34,015	-	34,015	-	6,770	27,245
Total capital assets subject to depreciation	\$ 31,365,970	\$ (1,047,656)	\$ 30,318,314	\$3,868,515	\$1,573,110	\$ 32,613,719
Accumulated depreciation:						
Buildings and improvements	\$ 4,320,093	\$ 8,556,103	\$ 12,876,196	\$ 401,476	\$ -	\$ 13,277,672
Land improvements	74,849	(74,849)	-	-	-	-
Streets and related infrastructure	8,295,962	(8,289,516)	6,446	-	-	6,446
Machinery, equipment and vehicles	6,706,993	(191,738)	6,515,255	431,418	1,566,340	5,380,333
Lease equipment	13,900	-	13,900	6,643	6,770	13,773
Total accumulated depreciation	\$ 19,411,797	\$ -	\$ 19,411,797	\$ 839,537	\$1,573,110	\$ 18,678,224
Total capital assets subject to depreciation, net	\$ 11,954,173	\$ (1,047,656)	\$ 10,906,517	\$3,028,978	\$ -	\$ 13,935,495
Governmental activities capital assets, net	\$ 13,248,586	\$ -	\$ 13,248,586	\$4,227,312	\$2,360,724	\$ 15,115,174

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TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2024:

	Original Balance July 1, 2023	Beginning Balance Restatements	Restated Balance July 1, 2023	Additions	Deletions	Balance June 30, 2023
<i>Business-type Activities:</i>						
Capital assets not subject to depreciation:						
Land	\$ 633,606	\$ (468,700)	\$ 164,906	\$ -	\$ -	\$ 164,906
Total capital assets not subject to depreciation	\$ 633,606	\$ (468,700)	\$ 164,906	\$ -	\$ -	\$ 164,906
Capital assets subject to depreciation:						
Water and sewer infrastructure	\$ 28,405,804	\$ (414,858)	\$ 27,990,946	\$ 1,643,357	\$ -	\$ 29,634,303
Machinery and equipment	4,790,775	538,693	5,329,468	92,542	669,441	4,752,569
Total capital assets subject to depreciation	\$ 33,196,579	\$ 123,835	\$ 33,320,414	\$ 1,735,899	\$ 669,441	\$ 34,386,872
Accumulated depreciation:						
Water and sewer infrastructure	\$ 13,750,467	\$ (704,809)	\$ 13,045,658	\$ 380,537	\$ -	\$ 13,426,195
Machinery and equipment	1,956,398	704,809	2,661,207	286,054	668,240	2,279,021
Total accumulated depreciation	\$ 15,706,865	\$ -	\$ 15,706,865	\$ 666,591	\$ 668,240	\$ 15,705,216
Total capital assets subject to depreciation, net	\$ 17,489,714	\$ 123,835	\$ 17,613,549	\$ 1,069,308	\$ 1,201	\$ 18,681,656
Business-type activities capital assets, net	\$ 18,123,320	\$ (344,865)	\$ 17,778,455	\$ 1,069,308	\$ 1,201	\$ 18,846,562

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TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 9,571
Public safety	124,476
Public works	500,540
Parks, recreation and cultural	171,316
Community development	33,634
Total depreciation expense - governmental activities	\$ 839,537
Business-type activities:	
Water and Sewer fund	\$ 666,591
Total depreciation expense - business-type activities	\$ 666,591
Total depreciation expense - primary government	\$ 1,506,128

Note 6—Long-term Obligations:

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2024:

	Balance at July 1, 2023	Increases	Decreases	Balance at June 30, 2024	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	\$ 285,997	\$ 28,597	\$ 107,669	\$ 206,925	\$ 20,693
Net OPEB liability	174,907	212,180	209,961	177,126	-
Net pension liability	4,502,349	1,839,238	2,177,692	4,163,895	-
General obligation refunding bond	1,277,411	-	145,644	1,131,767	147,045
Lease liabilities	20,198	-	6,502	13,696	6,475
Total Governmental Activities	\$ 6,260,862	\$ 2,080,015	\$ 2,647,468	\$ 5,693,409	\$ 174,213
Business-type Activities:					
Compensated absences	\$ -	\$ 66,131	\$ -	\$ 66,131	\$ 6,613
Net OPEB liability	19,434	23,576	23,329	19,681	-
Net pension liability	500,261	117,495	324,473	293,283	-
General obligation bonds	8,046,746	-	917,448	7,129,298	926,275
Total Business-type Activities	\$ 8,566,441	\$ 207,202	\$ 1,265,250	\$ 7,508,393	\$ 932,888
Total Primary Government	\$ 14,827,303	\$ 2,287,217	\$ 3,912,718	\$ 13,201,802	\$ 1,107,101

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 6—Long-term Obligations: (Continued)

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

	Governmental Activities			
Year Ending June 30	Direct Borrowings		Lease Liability	
	General Obligation Bond			
	Principal	Interest	Principal	Interest
2025	\$ 147,045	\$ 16,437	\$ 6,475	\$ 443
2026	149,145	14,232	5,259	192
2027	151,921	11,996	1,962	30
2028	153,573	9,717	-	-
2029	156,598	7,412	-	-
2030	159,625	5,063	-	-
2031	142,057	2,669	-	-
2032	71,803	537	-	-
Total	\$ 1,131,767	\$ 68,063	\$ 13,696	\$ 665

Year Ending June 30	Business-type Activities	
	Direct Borrowings	
	General Obligation Bonds	
	Principal	Interest
2025	\$ 926,275	\$ 103,536
2026	939,508	89,651
2027	956,990	75,566
2028	967,399	61,209
2029	986,453	46,694
2030	1,005,518	31,894
2031	894,856	16,808
2032	452,299	3,381
Total	<u>\$ 7,129,298</u>	<u>\$ 428,739</u>

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 6—Long-term Obligations: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>
<u>Governmental Activities:</u>	
<u>General Obligation Bond:</u>	
\$1,500,000 general obligation bond, dated August 13, 2021, due in varying semi-annual installments through August 1, 2031, with 1.45% interest.	\$ 1,131,767
<u>Lease liabilities:</u>	
\$8,802 copier lease, due in monthly installments of \$245 through 12/25/2025, interest at 4%.	\$ 4,265
\$20,916 office equipment lease, due in quarterly installments of \$996 through 11/11/2026, interest at 4%.	9,431
Total Lease Liabilities	\$ 13,696
Compensated absences (payable from General Fund)	\$ 206,925
Net OPEB liability	\$ 177,126
Net pension liability	\$ 4,163,895
Total Long-term Obligations, Governmental Activities	\$ 5,693,409

Business-type Activities:

<u>General Obligation Bonds:</u>	
\$9,437,000 general obligation bond, dated August 13, 2021, due in varying semi-annual installments through August 1, 2031, with 1.45% interest.	\$ 7,129,298
Compensated absences (payable from Enterprise Funds)	\$ 66,131
Net OPEB liability	\$ 19,681
Net pension liability	\$ 293,283
Total Long-term Obligations, Business-type Activities	\$ 7,508,393
Total Long-term Obligations, Primary Government	\$ 13,201,802

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 7—Leases Receivable:

The Town leases tower space to tenants under the following lease contract. In fiscal year 2024, the Town recognized lease revenue and interest revenue in the amount of \$43,027 and \$1,631, respectively. A description of the leases is as follows:

Lease Description	Start Date	End Date	Installment	Payment Frequency	Discount Rate	Receivable Balance
Tower Lease - 820 Plank Road	7/1/2021	3/1/2025	\$ 2,610	Monthly	4.00%	\$ 23,099

Expected future payments at June 30, 2024 are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2025	\$ 23,099	\$ 387	\$ 23,486

Note 8—Deferred/Unavailable Revenue:

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. Deferred/unavailable revenue is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$246,848 at June 30, 2024.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2024 but paid in advance by the taxpayers totaled \$12,922 at June 30, 2024.

Note 9—Litigation:

At June 30, 2024, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

Note 10—Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates with other localities in a public entity risk pool for their coverage of worker's compensation and public officials' liability. The Town pays an annual premium to the pools for its general insurance through member premiums. The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 11—Pension Plan:

Plan Description

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

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 11—Pension Plan: (Continued)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

Employees Covered by Benefit Terms

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

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 11—Pension Plan: (Continued)

	<u>Primary Government</u>
Inactive members or their beneficiaries currently receiving benefits	33
Inactive members:	
Vested inactive members	9
Non-vested inactive members	29
Inactive members active elsewhere in VRS	<u>29</u>
Total inactive members	67
Active members	<u>64</u>
Total covered employees	<u><u>164</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 21.81% 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 \$860,237 and \$839,262 for the years ended June 30, 2024 and June 30, 2023, respectively.

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 11—Pension Plan: (Continued)

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. For the Town, the net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022, rolled forward to the measurement date of June 30, 2023.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

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

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TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 11—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except for 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 VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 11—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 11—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (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 for 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 VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 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

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TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 11—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)	Long-Term Target Asset 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 Strate	4.00%	4.50%	0.18%
PIP - Private Investment Partner	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 expected 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. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was 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%.

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 11—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022 actuarial valuations, whichever was greater. From July 1, 2023 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2022	\$ 18,194,265	\$ 13,191,655	\$ 5,002,610
Changes for the year:			
Service cost	\$ 538,466	\$ -	\$ 538,466
Interest	1,238,935	-	1,238,935
Differences between expected and actual experience	(456,548)	-	(456,548)
Contributions - employer		820,685	(820,685)
Contributions - employee		183,378	(183,378)
Net investment income		870,111	(870,111)
Benefit payments, including refunds	(756,277)	(756,277)	-
Administrative expenses	-	(8,243)	8,243
Other changes	-	354	(354)
Net changes	\$ 564,576	\$ 1,110,008	\$ (545,432)
Balances at June 30, 2023	\$ 18,758,841	\$ 14,301,663	\$ 4,457,178

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 11—Pension Plan: (Continued)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town's			
Net Pension Liability	\$ 6,964,472	\$ 4,457,178	\$ 2,369,474

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 \$689,836. At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 66,242	\$ 330,613
Change in assumptions	45,296	-
Net difference between projected and actual earnings on pension plan investments	-	196,005
Proportionate Share	128,317	128,317
Employer contributions subsequent to the measurement date	860,237	-
Total	\$ 1,100,092	\$ 654,935

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 11—Pension Plans: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$860,237 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 ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>
2025	\$ (202,427)
2026	(375,771)
2027	157,435
2028	5,683
2029	-
Thereafter	-

Pension Plan Data

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

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Plan Description (Continued)

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,254 as of June 30, 2024.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% 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 the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$21,928 and \$20,867 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance Plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. The entity's proportionate share is reflected in the grants and contributions not restricted to specific programs of the financial statements.

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

At June 30, 2024, the entity reported a liability of \$196,807 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 performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan 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 0.01641% as compared to 0.01614% at June 30, 2022.

For the year ended June 30, 2024, the participating employer recognized GLI OPEB expense of \$49,259. 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	\$ 19,656	\$ 5,974
Net difference between projected and actual earnings on GLI OPEB plan investments	-	7,909
Change in assumptions	4,207	13,636
Changes in proportionate share	123,734	62
Employer contributions subsequent to the measurement date	21,928	-
Total	<u>\$ 169,525</u>	<u>\$ 27,581</u>

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

\$21,928 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:

<u>Year Ended June 30</u>	
2025	\$ 39,003
2026	32,261
2027	43,276
2028	2,973
2029	2,503
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. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 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 and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2023, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,907,052
Plan Fiduciary Net Position		2,707,739
GLI Net OPEB Liability	\$	1,199,313
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.

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TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.20%	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. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

** On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was 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%.

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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 ended 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, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town's proportionate share of the GLI Plan			
Net OPEB Liability	\$ 291,730	\$ 196,807	\$ 120,062

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan’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 <http://www.varetire.org/pdf/publications/2023-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13 - Line of Duty Act (LODA) (OPEB Benefits):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 13 - Line of Duty Act (LODA) (OPEB Benefits): (Continued)

The Town has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Town to VRSA. VRSA assumes all liability for the Town's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Town's LODA coverage is fully covered or "insured" through VRSA. This is built into the LODA coverage cost presented in the annual renewals. The Town's LODA premium for the year ended June 30, 2024 was \$28,785.

Note 14—Contingent Liabilities:

Federal programs in which the Town participates were audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of the Uniform Guidance all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

Note 15—Note Receivable:

On December 14, 2018, the Town entered into an agreement with an LLC to loan them funds in the amount of \$197,500. Funds are to be used on environmental clean-up activities on the former John Groom School site, which shall be redeveloped into affordable housing. The entire note is due in full to the Town on January 8, 2036, no interest.

Note 16—Restatement of Beginning Balances:

The Town had the following restatements to ending net position and fund balance at July 1, 2023:

	Net Position		Fund Balance
	Governmental Activities	Business-type Activities Water and Sewer	General Fund
Balance, July 1, 2023, as previously stated	\$ 37,004,012	16,291,697	\$ 28,926,133
Correct capital asset balances (Note 5)	-	(344,865)	-
Record note receivable	197,500	-	197,500
Balance, July 1, 2023, as restated	<u>\$ 37,201,512</u>	<u>\$ 15,946,832</u>	<u>\$ 29,123,633</u>

TOWN OF SOUTH HILL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 16—Restatement of Beginning Balances: (Continued)

The Town had previously recorded leachate disposal costs in the amount of \$344,865 as construction in progress. Instead, these costs should have been reported as operating expenditures.

On December 14, 2018, the Town entered into an agreement with an LLC that resulted in a note receivable in the amount of \$197,500 that was not previously recorded in the Town's financial statements.

In addition to the restatements shown in the table above, Town of South Hill, Virginia reclassified assets and the accompanying accumulated depreciation for both Governmental Activities and Business-type Activities due to assets previously being presented in improper categories. Net position was not required to be restated due to the reclassifications. See Note 5 for additional information.

Note 17—Upcoming Pronouncements:

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

Statement No. 102, *Certain Risk Disclosures*, provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

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

Note 18—Subsequent Events:

On October 18, 2024, Town of South Hill, Virginia had to close the Town Office due to environmental issues. The Town Office was subsequently relocated to a new building and many of the Town's documents were sent offsite to be cleaned and sanitized. Both the relocation and document unavailability contributed to the delay in completing the audit and issuing the financial statements.

On March 10, 2025, the Town awarded contracts to vendors for asphalt milling in the amount of \$854,777 and street stormwater repairs in the amount of \$141,365.

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REQUIRED SUPPLEMENTARY INFORMATION

Town of South Hill, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 2,699,900	\$ 2,699,900	\$ 2,947,657	\$ 247,757
Other local taxes	5,755,100	5,755,100	7,032,408	1,277,308
Permits, Privilege Fees, and Regulatory Licenses	45,500	45,500	671,423	625,923
Fines and forfeitures	45,150	45,150	80,358	35,208
Revenue from the use of money and property	210,900	210,900	1,201,181	990,281
Charges for services	779,000	779,000	847,075	68,075
Miscellaneous	46,300	46,300	375,903	329,603
Recovered costs	194,500	194,500	291,144	96,644
Intergovernmental:				
Commonwealth	2,184,725	2,399,725	2,514,495	114,770
Federal	5,000	5,000	1,175,874	1,170,874
Total revenues	\$ 11,966,075	\$ 12,181,075	\$ 17,137,518	\$ 4,956,443
EXPENDITURES				
General Government Administration	\$ 2,675,046	\$ 2,725,046	\$ 2,170,894	\$ 554,152
Public safety	4,299,435	4,534,435	4,160,492	373,943
Public works	8,931,672	8,931,672	5,912,387	3,019,285
Parks, recreation, and cultural	649,780	650,260	615,478	34,782
Community development	351,732	351,732	318,795	32,937
Debt service:				
Principal	145,645	145,645	152,146	(6,501)
Interest and other fiscal charges	18,924	18,924	19,622	(698)
Total expenditures	\$ 17,072,234	\$ 17,357,714	\$ 13,349,814	\$ 4,007,900
Net change in fund balance	\$ (5,106,159)	\$ (5,176,639)	\$ 3,787,704	\$ 8,964,343
Fund balance - beginning of year, as previously presented	\$ 5,106,159	\$ 5,176,639	\$ 28,926,133	\$ 23,749,494
Error correction	-	-	197,500	197,500
Fund balance - beginning of year, as restated	\$ 5,106,159	\$ 5,176,639	\$ 29,123,633	\$ 23,946,994
Fund balance - end of year	\$ -	\$ -	\$ 32,911,337	\$ 32,911,337

Town of South Hill, Virginia
Cemetery Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Charges for services	\$ 4,000	\$ 4,000	\$ 12,800	\$ 8,800
Miscellaneous	-	-	40	40
Total Revenues	\$ 4,000	\$ 4,000	\$ 12,840	\$ 8,840
EXPENDITURES				
Community development	\$ 4,000	\$ 4,000	\$ 604	\$ 3,396
Total expenditures	\$ 4,000	\$ 4,000	\$ 604	\$ 3,396
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 12,236	\$ 12,236
Net change in fund balance	\$ -	\$ -	\$ 12,236	\$ 12,236
Fund balance - beginning of year	-	-	7,535	7,535
Fund balance - end of year	\$ -	\$ -	\$ 19,771	\$ 19,771

Town of South Hill, Virginia

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

For the Measurement Dates of June 30, 2014 through June 30, 2023

	2023	2022	2021
Total pension liability			
Service cost	\$ 538,466	\$ 485,540	\$ 401,021
Interest	1,238,935	1,161,837	1,053,894
Changes in benefit terms		-	-
Changes of assumptions		-	611,507
Differences between expected and actual experience	(456,548)	179,474	(219,941)
Benefit payments	(756,277)	(718,900)	(746,823)
Net change in total pension liability	\$ 564,576	\$ 1,107,951	\$ 1,099,658
Total pension liability - beginning	18,194,265	17,086,314	15,986,656
Total pension liability - ending (a)	<u>\$ 18,758,841</u>	<u>\$ 18,194,265</u>	<u>\$ 17,086,314</u>
Plan fiduciary net position			
Contributions - employer	\$ 820,685	\$ 652,021	\$ 591,291
Contributions - employee	183,378	166,972	151,903
Net investment income	870,111	(19,474)	2,846,287
Benefit payments	(756,277)	(718,900)	(746,823)
Administrator charges	(8,243)	(8,062)	(6,906)
Other	354	1,133	(7,041)
Net change in plan fiduciary net position	\$ 1,110,008	\$ 73,690	\$ 2,828,711
Plan fiduciary net position - beginning	13,191,655	13,117,965	10,289,254
Plan fiduciary net position - ending (b)	<u>\$ 14,301,663</u>	<u>\$ 13,191,655</u>	<u>\$ 13,117,965</u>
Town's net pension liability (asset) - ending (a) - (b)	\$ 4,457,178	\$ 5,002,610	\$ 3,968,349
Plan fiduciary net position as a percentage of the total pension liability	76.24%	72.50%	76.77%
Covered payroll	\$ 3,848,060	\$ 3,510,062	\$ 3,552,543
Town's net pension liability (asset) as a percentage of covered payroll	115.83%	142.52%	111.70%

	2020		2019		2018		2017		2016		2015		2014
\$	390,884	\$	350,124	\$	306,319	\$	218,018	\$	219,206	\$	221,445	\$	219,741
	973,907		882,588		709,193		736,579		717,940		683,450		639,859
	-		-		1,600,914		-		-		-		-
	-		441,738		-		(313,046)		-		-		-
	480,993		728,192		514,952		(427,735)		(280,545)		(141,590)		-
	(574,772)		(590,784)		(717,842)		(492,253)		(288,387)		(252,810)		(220,917)
\$	1,271,012	\$	1,811,858	\$	2,413,536	\$	(278,437)	\$	368,214	\$	510,495	\$	638,683
	14,715,644		12,903,786		10,490,250		10,768,687		10,400,473		9,889,978		9,251,295
\$	15,986,656	\$	14,715,644	\$	12,903,786	\$	10,490,250	\$	10,768,687	\$	10,400,473	\$	9,889,978
\$	467,249	\$	456,672	\$	418,464	\$	233,865	\$	293,643	\$	284,506	\$	284,688
	148,299		144,968		139,669		131,362		133,865		130,070		127,161
	193,551		634,807		664,863		979,037		143,332		341,779		985,156
	(574,772)		(590,784)		(717,842)		(492,253)		(288,387)		(252,810)		(220,917)
	(6,424)		(6,123)		(5,780)		(5,657)		(4,754)		(4,445)		(5,106)
	(232)		(402)		(585)		(872)		(59)		(72)		52
\$	227,671	\$	639,138	\$	498,789	\$	845,482	\$	277,640	\$	499,028	\$	1,171,034
	10,061,583		9,422,445		8,923,656		8,078,174		7,800,534		7,301,506		6,130,472
\$	10,289,254	\$	10,061,583	\$	9,422,445	\$	8,923,656	\$	8,078,174	\$	7,800,534	\$	7,301,506
\$	5,697,402	\$	4,654,061	\$	3,481,341	\$	1,566,594	\$	2,690,513	\$	2,599,939	\$	2,588,472
	64.36%		68.37%		73.02%		85.07%		75.02%		75.00%		73.83%
\$	3,058,943	\$	3,244,564	\$	3,123,768	\$	2,966,627	\$	3,079,442	\$	2,862,798	\$	2,469,837
	186.25%		143.44%		111.45%		52.81%		87.37%		90.82%		104.80%

Town of South Hill, Virginia
Schedule of Employer Contributions - Pension Plan
For the Years Ended June 30, 2015 through June 30, 2024

Date	Contributions in		Contribution	Employer's	Contributions
	Contractually	Relation to			
	Required	Contractually	Deficiency	Covered	as a % of
	Contribution*	Required	(Excess)	Payroll	Covered
	(1)	(2)	(3)	(4)	(5)
Primary Government					
2024	\$ 860,237	\$ 860,237	\$ -	\$ 4,060,788	21.18%
2023	839,262	839,262	-	3,848,060	21.81%
2022	665,067	665,067	-	3,510,062	18.95%
2021	602,495	602,495	-	3,552,543	16.96%
2020	475,054	475,054	-	3,058,943	15.53%
2019	458,212	458,212	-	3,244,564	14.12%
2018	398,255	398,255	-	3,123,768	12.75%
2017	235,820	235,820	-	2,966,627	7.95%
2016	291,352	291,352	-	3,079,442	9.46%
2015	287,012	287,012	-	2,862,798	10.03%

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

Town of South Hill, Virginia
Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2024

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 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 and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 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 Hill, Virginia
Schedule of Town's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2021 through June 30, 2023

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2023	0.01641%	\$ 196,807	\$ 3,864,191	5.09%	67.21%
2022	0.01614%	194,341	3,510,062	5.54%	67.21%
2021	0.01529%	178,017	3,157,797	5.64%	67.45%

The Town began participation in the Group Life Insurance Plan in fiscal year 2021.

Town of South Hill, Virginia
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2021 through June 30, 2024

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)		
	(1)	(2)	(3)	(4)	(5)
2024	\$ 21,928	\$ 21,928	\$ -	\$ 4,060,788	0.54%
2023	20,867	20,867	-	3,864,191	0.54%
2022	18,954	18,954	-	3,510,062	0.54%
2021	17,062	17,062	-	3,157,797	0.54%

The Town began participation in the Group Life Insurance Plan in fiscal year 2021.

Town of South Hill, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2024

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 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 and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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OTHER SUPPLEMENTARY INFORMATION

Town of South Hill, Virginia
 Nick's Lane Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Intergovernmental:				
Federal	\$ -	\$ 51,550	\$ 50,000	\$ (1,550)
EXPENDITURES				
Capital Projects	\$ -	\$ 51,550	\$ 41,550	\$ 10,000
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 8,450	\$ 8,450
Net change in fund balance	\$ -	\$ -	\$ 8,450	\$ 8,450
Fund balance - beginning of year	-	-	(8,450)	(8,450)
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

Town of South Hill, Virginia
Statement of Net Position
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2024

ASSETS

Cash and cash equivalents	<u>\$ 2,470,262</u>
Total assets	<u>\$ 2,470,262</u>

LIABILITIES

Accounts payable	<u>\$ 975</u>
Total liabilities	<u>\$ 975</u>

NET POSITION

Unrestricted	<u>\$ 2,469,287</u>
Total net position	<u><u>\$ 2,469,287</u></u>

Town of South Hill, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2024

OPERATING EXPENSES

Contractual services	\$ 6,029
Other supplies and expenses	4,020
Total operating expenses	<u>\$ 10,049</u>
Operating income (loss)	<u>\$ (10,049)</u>

NONOPERATING REVENUES (EXPENSES)

Interest income	\$ 109,762
Share of property taxes on real estate sale	298,275
Payout to town for property taxes on real estate sale	(298,275)
Gain/(loss) on sale of easement	13,500
Total nonoperating revenues (expenses)	<u>\$ 123,262</u>

Change in net position \$ 113,213

Total net position - beginning	2,356,074
Total net position - ending	<u><u>\$ 2,469,287</u></u>

Town of South Hill, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Payments to suppliers	\$ (9,374)
-----------------------	------------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from the sale of easement	\$ 13,500
------------------------------------	-----------

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$ 109,762
Share of property taxes on real estate sale	298,275
Payout to town for property taxes on real estate sale	(298,275)
Net cash provided by (used for) investing activities	\$ 109,762

Net increase (decrease) in cash and cash equivalents	\$ 113,888
--	------------

Cash and cash equivalents - beginning	2,356,374
---------------------------------------	-----------

Cash and cash equivalents - ending	\$ 2,470,262
------------------------------------	--------------

**Reconciliation of operating income (loss) to net cash
provided by (used for) operating activities:**

Operating income (loss)	\$ (10,049)
-------------------------	-------------

Adjustments to reconcile operating income (loss) to net cash
provided by (used for) operating activities:

Changes in assets and liabilities:

Increase (decrease) in accounts payable and accrued expenses	675
--	-----

Total adjustments	\$ 675
-------------------	--------

Net cash provided by (used for) operating activities	\$ (9,374)
--	------------

Town of South Hill, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2024

Schedule 1
Page 1 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 1,725,000	\$ 1,725,000	\$ 2,028,798	\$ 303,798
Real and personal public service corporation taxes	64,900	64,900	65,104	204
Personal property taxes	875,000	875,000	809,949	(65,051)
Penalties	15,000	15,000	14,663	(337)
Interest	20,000	20,000	29,143	9,143
Total general property taxes	<u>\$ 2,699,900</u>	<u>\$ 2,699,900</u>	<u>\$ 2,947,657</u>	<u>\$ 247,757</u>
Other local taxes:				
Local sales and use taxes	\$ 700,000	\$ 700,000	\$ 845,137	\$ 145,137
Consumption tax	193,000	193,000	209,997	16,997
Business license taxes	1,010,600	1,010,600	1,615,219	604,619
Motor vehicle licenses	45,000	45,000	44,328	(672)
Bank stock taxes	240,000	240,000	348,357	108,357
Cigarette taxes	200,000	200,000	180,900	(19,100)
Hotel and motel room taxes	860,000	860,000	991,980	131,980
Restaurant food taxes	2,500,000	2,500,000	2,779,217	279,217
Penalties and Interest other local taxes	6,500	6,500	17,273	10,773
Total other local taxes	<u>\$ 5,755,100</u>	<u>\$ 5,755,100</u>	<u>\$ 7,032,408</u>	<u>\$ 1,277,308</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	<u>\$ 45,500</u>	<u>\$ 45,500</u>	<u>\$ 671,423</u>	<u>\$ 625,923</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 45,000	\$ 45,000	\$ 79,748	\$ 34,748
Parking fines	150	150	610	460
Total fines and forfeitures	<u>\$ 45,150</u>	<u>\$ 45,150</u>	<u>\$ 80,358</u>	<u>\$ 35,208</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 150,000	\$ 150,000	\$ 1,148,295	\$ 998,295
Revenue from use of property	60,900	60,900	52,886	(8,014)
Total revenue from use of money and property	<u>\$ 210,900</u>	<u>\$ 210,900</u>	<u>\$ 1,201,181</u>	<u>\$ 990,281</u>
Charges for services:				
Charges for sanitation and waste removal	\$ 549,000	\$ 549,000	\$ 611,525	\$ 62,525
Charges for landfill tipping fees	230,000	230,000	235,550	5,550
Total charges for services	<u>\$ 779,000</u>	<u>\$ 779,000</u>	<u>\$ 847,075</u>	<u>\$ 68,075</u>
Miscellaneous:				
Miscellaneous	<u>\$ 46,300</u>	<u>\$ 46,300</u>	<u>\$ 375,903</u>	<u>\$ 329,603</u>

Town of South Hill, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2024

Schedule 1
Page 2 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Recovered costs	\$ 18,000	\$ 18,000	\$ 18,684	\$ 684
Water and sewer administration	162,500	162,500	160,275	(2,225)
Insurance refunds	14,000	14,000	112,185	98,185
Total recovered costs	<u>\$ 194,500</u>	<u>\$ 194,500</u>	<u>\$ 291,144</u>	<u>\$ 96,644</u>
Total revenue from local sources	<u>\$ 9,776,350</u>	<u>\$ 9,776,350</u>	<u>\$ 13,447,149</u>	<u>\$ 3,670,799</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 150	\$ 150	\$ 232	\$ 82
Auto rental tax	55,000	55,000	62,359	7,359
Communications tax	122,000	122,000	115,686	(6,314)
Personal property tax relief funds	113,068	113,068	113,068	-
Total noncategorical aid	<u>\$ 290,218</u>	<u>\$ 290,218</u>	<u>\$ 291,345</u>	<u>\$ 1,127</u>
Categorical aid:				
Other categorical aid:				
Streets and highway maintenance	\$ 1,724,598	\$ 1,724,598	\$ 2,033,989	\$ 309,391
DJCP grants for law enforcement	133,404	348,404	140,312	(208,092)
Fire programs and grants	19,005	19,005	21,117	2,112
HEAT grant	10,000	10,000	17,356	7,356
E-summons	3,000	3,000	5,876	2,876
Arts grant	4,500	4,500	4,500	-
Total other categorical aid	<u>\$ 1,894,507</u>	<u>\$ 2,109,507</u>	<u>\$ 2,223,150</u>	<u>\$ 113,643</u>
Total categorical aid	<u>\$ 1,894,507</u>	<u>\$ 2,109,507</u>	<u>\$ 2,223,150</u>	<u>\$ 113,643</u>
Total revenue from the Commonwealth	<u>\$ 2,184,725</u>	<u>\$ 2,399,725</u>	<u>\$ 2,514,495</u>	<u>\$ 114,770</u>

Town of South Hill, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2024

Schedule 1
Page 3 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Other categorical aid:				
Transportation safety	\$ 5,000	\$ 5,000	\$ 24,460	\$ 19,460
ARPA grant	-	-	1,151,414	1,151,414
Total other categorical aid	\$ 5,000	\$ 5,000	\$ 1,175,874	\$ 1,170,874
Total revenue from the federal government	\$ 5,000	\$ 5,000	\$ 1,175,874	\$ 1,170,874
Total General Fund	\$ 11,966,075	\$ 12,181,075	\$ 17,137,518	\$ 4,956,443
Special Revenue Funds:				
Cemetery Fund:				
Revenue from local sources:				
Charges for services:				
Cemetery lot sales	\$ 4,000	\$ 4,000	\$ 12,800	\$ 8,800
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 40	\$ 40
Total revenue from local sources	\$ 4,000	\$ 4,000	\$ 12,840	\$ 8,840
Total Special Revenue Fund	\$ 4,000	\$ 4,000	\$ 12,840	\$ 8,840
Capital Projects Fund:				
Nick's Lane Fund:				
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ -	\$ 51,550	\$ 50,000	\$ (1,550)
Total Capital Projects Fund	\$ -	\$ 51,550	\$ 50,000	\$ (1,550)
Total Revenues -- Primary Government	\$ 11,970,075	\$ 12,236,625	\$ 17,200,358	\$ 4,963,733

Town of South Hill, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2024

Schedule 2
Page 1 of 2

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 74,570	\$ 74,570	\$ 66,994	\$ 7,576
General and financial administration:				
Town manager	\$ 335,200	\$ 327,200	\$ 322,387	\$ 4,813
Financial administration	770,210	778,210	706,309	71,901
Director of municipal services	183,500	183,500	181,893	1,607
Business development	334,900	384,900	274,435	110,465
Other general and financial administration	976,666	976,666	618,876	357,790
Total general and financial administration	\$ 2,600,476	\$ 2,650,476	\$ 2,103,900	\$ 546,576
Total general government administration	\$ 2,675,046	\$ 2,725,046	\$ 2,170,894	\$ 554,152
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 3,280,160	\$ 3,515,160	\$ 3,153,173	\$ 361,987
Fire and rescue services:				
Fire department	\$ 702,115	\$ 702,115	\$ 701,696	\$ 419
Inspections:				
Building inspector	\$ 317,160	\$ 317,160	\$ 305,623	\$ 11,537
Total public safety	\$ 4,299,435	\$ 4,534,435	\$ 4,160,492	\$ 373,943
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Street maintenance	\$ 2,553,040	\$ 2,553,040	\$ 1,950,190	\$ 602,850
Sanitation and waste removal:				
Refuse collection	\$ 915,230	\$ 915,230	\$ 887,769	\$ 27,461
Maintenance of general buildings and grounds:				
General properties	\$ 5,042,829	\$ 5,042,829	\$ 2,729,727	\$ 2,313,102
Garage department	420,573	420,573	344,701	75,872
Total maintenance of general buildings and grounds	\$ 5,463,402	\$ 5,463,402	\$ 3,074,428	\$ 2,388,974
Total public works	\$ 8,931,672	\$ 8,931,672	\$ 5,912,387	\$ 3,019,285
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 628,780	\$ 629,260	\$ 598,505	\$ 30,755
Library:				
Library	\$ 21,000	\$ 21,000	\$ 16,973	\$ 4,027
Total parks, recreation, and cultural	\$ 649,780	\$ 650,260	\$ 615,478	\$ 34,782

Town of South Hill, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2024

Schedule 2
Page 2 of 2

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development:				
Planning and community development:				
Community Development	\$ 351,732	\$ 351,732	\$ 318,795	\$ 32,937
Debt service:				
Principal retirement	\$ 145,645	\$ 145,645	\$ 152,146	\$ (6,501)
Interest and other fiscal charges	18,924	18,924	19,622	(698)
Total debt service	\$ 164,569	\$ 164,569	\$ 171,768	\$ (7,199)
Total General Fund	\$ 17,072,234	\$ 17,357,714	\$ 13,349,814	\$ 4,007,900
Special Revenue Funds:				
Cemetery Fund:				
Community Development:				
Planning and community development:				
Cemetery	\$ 4,000	\$ 4,000	\$ 604	\$ 3,396
Total Special Revenue Fund	\$ 4,000	\$ 4,000	\$ 604	\$ 3,396
Capital Projects Fund:				
Nick's Lane				
Capital projects:				
CDBG projects	\$ -	\$ 51,550	\$ 41,550	\$ 10,000
Total Capital Projects Fund	\$ -	\$ 51,550	\$ 41,550	\$ 10,000
Total Expenditures -- Primary Government	\$ 17,076,234	\$ 17,413,264	\$ 13,391,968	\$ 4,021,296

OTHER STATISTICAL INFORMATION

Table 1

Town of South Hill, Virginia
Water and Sewer Revenue Bond Debt Service Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenues*	Direct		Net Available	Principal***	Interest	Total Debt	Coverage
		Operating Expenses**						
2015	\$ 4,420,184	\$ 2,339,342	\$	2,080,842	\$ 490,483	\$ 77,687	\$ 568,170	3.66
2016	3,555,622	2,418,711		1,136,911	103,372	55,161	158,533	7.17
2017	3,524,318	2,447,761		1,076,557	103,372	59,270	162,642	6.62
2018	3,713,406	2,495,502		1,217,904	389,091	67,463	456,554	2.67
2019	3,860,972	2,139,496		1,721,476	616,145	76,006	692,151	2.49
2020	3,965,706	2,228,192		1,737,514	597,145	40,768	637,913	2.72
2021	4,146,172	2,204,964		1,941,208	578,424	120,463	698,887	2.78
2022	3,629,120	2,193,236		1,435,884	571,145	123,249	694,394	2.07
2023	3,410,646	1,975,392		1,435,254	473,796	168,375	642,171	2.24
2024	5,736,914	3,468,415		2,268,499	917,448	117,291	1,034,739	2.19

*Excludes gain on sale of capital assets.

**Excludes depreciation, interest, and amortization.

***Excludes debt refinancing payoffs.

COMPLIANCE



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

**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 Hill
South Hill, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of South Hill, Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Town of South Hill, Virginia's basic financial statements and have issued our report thereon dated August 1, 2025.

Our report includes a reference to other auditors who audited the Financial Statements of the South Hill Industrial Development Authority, as described in our report on the Town of South Hill, Virginia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of South Hill, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of South Hill, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of South Hill, 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 Town of South Hill, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Robinson, Fournier, Cox Associates

Richmond, Virginia
August 1, 2025



**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 Hill
South Hill, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of South Hill, 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 Hill, Virginia's major federal programs for the year ended June 30, 2024. The Town of South Hill, 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 Hill, Virginia complied, in all material respects, with the 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 Hill, 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 Hill, 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 Hill, 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 Hill, 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 Hill, 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 Hill, 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 Hill, 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 Hill, 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.

Report on Internal Control over Compliance (Continued)

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.

Robinson, Fennell, Cox Associates

Richmond, Virginia
August 1, 2025

Town of South Hill, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass-through Payments:			
Virginia Department of Motor Vehicles:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	605007-53000	\$ 24,460
Department of the Treasury:			
Pass Through Payments:			
Virginia Department of Accounts:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027	Not Available	\$ 2,561,842
Virginia Department of Criminal Justice Services:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027	Not Available	151,414
Total ALN 21.027			\$ 2,713,256
Total Department of the Treasury			\$ 2,713,256
Department of Housing and Urban Development:			
Pass-through Payments:			
Virginia Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	533005-35000	\$ 50,000
Total Expenditures of Federal Awards			\$ 2,787,716

See accompanying notes to schedule of expenditures of federal awards.

Town of South Hill, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

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 Hill, 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 of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of South Hill, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the Town of South Hill, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) 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.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the Town's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 1,175,874
Capital Projects Fund	50,000
Water and Sewer Fund	1,561,842
Total primary government	\$ <u>2,787,716</u>

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 2,787,716

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - De Minimis Cost Rate

The Town did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Town of South Hill, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

Section I-Summary of Auditors' Results

Financial Statements

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	_____ ☒ no
Significant deficiency(ies) identified?	_____ yes	_____ ☒ none reported

Noncompliance material to financial statements noted?	_____ yes	_____ ☒ no
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ yes	_____ ☒ no
Significant deficiency(ies) identified?	_____ yes	_____ ☒ none reported

Type of auditors' report issued on compliance
for major programs:

unmodified

Any findings disclosed that are required to be
reported in accordance with 2 CFR section
200.516(a)?

_____ yes	_____ ☒ no
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Identification of major programs:

Assistance Listing Number(s)
21.027

Name of Federal Program or Cluster
COVID-19 - 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?

_____ ☒ yes	_____ no
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Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

Section IV-Schedule of Prior Year Findings

None