



TOWN OF
Blacksburg
VIRGINIA

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2024

Town of Blacksburg, Virginia

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Introductory Section





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Blacksburg
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO

Town of Blacksburg, Virginia

Directory of Principal Officials

June 30, 2024

Members of Town Council

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

Mayor
Vice-Mayor

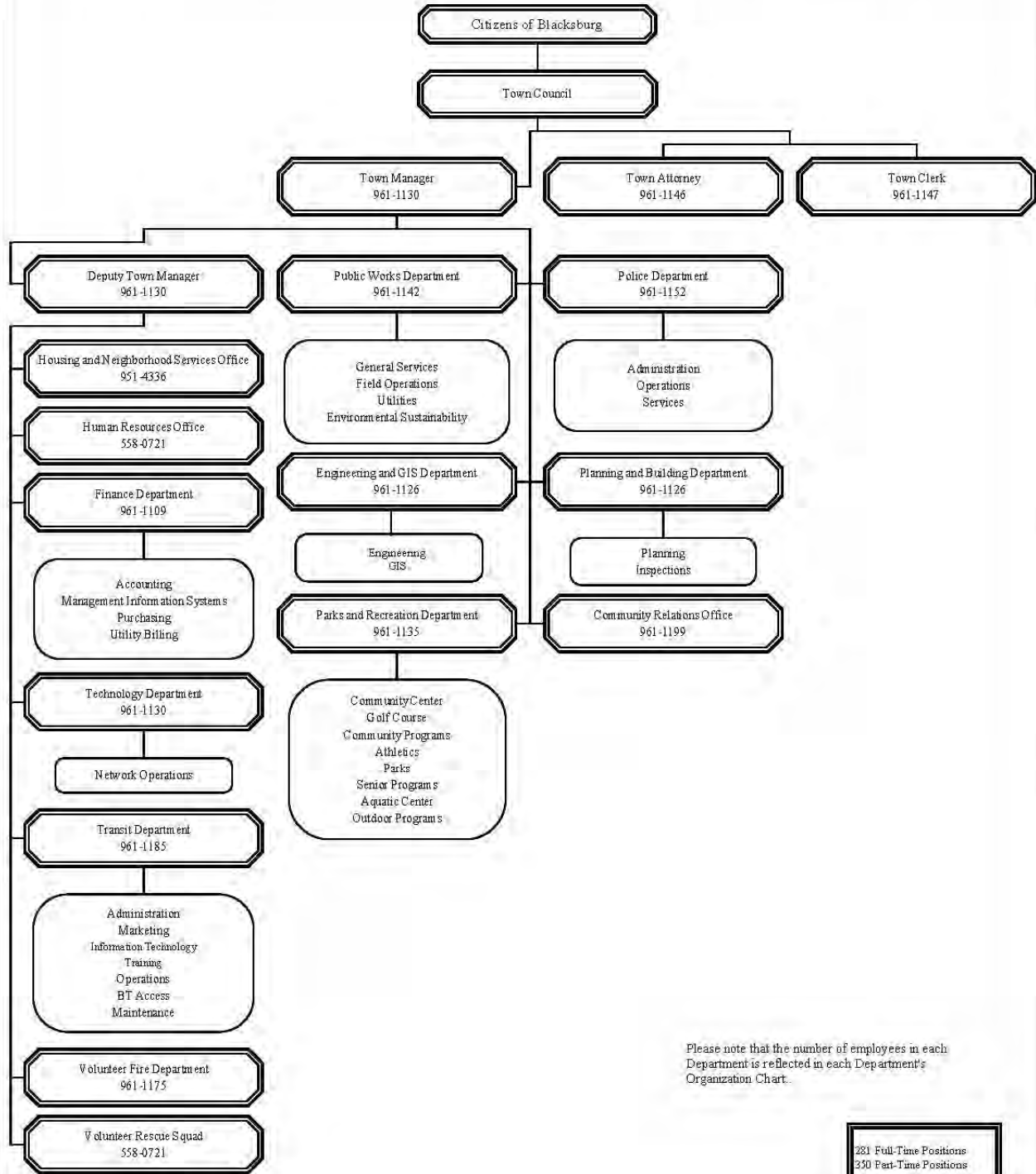
General Town Government

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

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

Independent Auditors

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



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

281 Full-Time Positions
 330 Part-Time Positions



Financial Section





Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

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


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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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



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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2025 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 23, 2025



Basic Financial Statements



Town of Blacksburg, Virginia

Exhibit 1

Statement of Net Position

June 30, 2024

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

Town of Blacksburg, Virginia

Exhibit 2

Statement of Activities

Year Ended June 30, 2024

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

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

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

Exhibit 3

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

Town of Blacksburg, Virginia

Exhibit 4

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

	General	COVID Relief	Midtown Tax District	Capital Projects		Debt Service	Nonmajor Funds	Total Governmental Funds
				General Capital Projects	Equipment Replacement			
REVENUES								
General property taxes	\$ 12,940,601	\$ -	\$ 42,667	\$ -	\$ -	\$ -	\$ -	\$ 12,983,268
Other local taxes	14,888,364	-	-	-	-	-	-	14,888,364
Business license taxes	3,471,093	-	-	-	-	-	-	3,471,093
Permits and fees	318,018	-	-	-	-	-	-	318,018
Intergovernmental	6,168,005	1,498,934	-	1,295,847	-	-	619,907	9,582,693
Charges for services	4,784,351	-	-	356,332	-	-	-	5,140,683
Fines and forfeitures	187,166	-	-	-	-	-	-	187,166
Investment earnings	2,168,790	-	46,523	-	277,243	-	3,945	2,496,501
Other	1,160,892	-	-	-	-	-	902,694	2,063,586
Total revenues	46,087,280	1,498,934	89,190	1,652,179	277,243	-	1,526,546	51,131,372
EXPENDITURES								
Current:								
General administration	8,774,755	1,498,934	-	-	-	-	-	10,273,689
Public safety	12,370,706	-	-	-	-	-	-	12,370,706
Public works	6,646,322	-	-	-	-	-	-	6,646,322
Recreation	3,108,333	-	-	-	-	-	-	3,108,333
Planning and building	1,581,353	-	-	-	-	-	-	1,581,353
CDBG Entitlement	-	-	-	-	-	-	1,288,141	1,288,141
HOME Consortium	-	-	-	-	-	-	234,460	234,460
Capital outlays	-	-	-	7,723,804	2,927,577	-	-	10,651,381
Debt service:								
Principal retirement	-	-	360,000	-	-	2,126,517	-	2,486,517
Interest and fiscal charges	-	-	195,075	-	-	1,290,196	-	1,485,271
Total expenditures	32,481,469	1,498,934	555,075	7,723,804	2,927,577	3,416,713	1,522,601	50,126,173
Excess (deficiency) of revenues over expenditures	13,605,811	-	(465,885)	(6,071,625)	(2,650,334)	(3,416,713)	3,945	1,005,199
OTHER FINANCING SOURCES (USES)								
Bond proceeds	4,155,000	-	-	-	-	-	-	4,155,000
Premiums on bonds	417,953	-	-	-	-	-	-	417,953
Sale of general capital assets	206,828	-	-	-	-	-	-	206,828
Transfers in	601,387	-	534,200	3,387,230	2,003,646	3,416,713	-	9,943,176
Transfers out	(8,623,296)	-	-	(601,387)	-	-	-	(9,224,683)
Total other financing sources (uses)	(3,242,128)	-	534,200	2,785,843	2,003,646	3,416,713	-	5,498,274
Net change in fund balance	10,363,683	-	68,315	(3,285,782)	(646,688)	-	3,945	6,503,473
FUND BALANCES AT JULY 1	14,308,288	-	65,126	12,858,612	5,460,035	-	296,260	32,988,321
FUND BALANCES AT JUNE 30	\$ 24,671,971	\$ -	\$ 133,441	\$ 9,572,830	\$ 4,813,347	\$ -	\$ 300,205	\$ 39,491,794

Net changes in fund balances - total governmental funds \$ 6,503,473

Reconciliation of amounts for governmental activities in the Statement of Activities:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlay exceeded depreciation and amortization in the current period.

Capital outlay	6,961,246	
Book value of assets disposed	(978)	
Less depreciation and amortization expense	(5,295,580)	1,664,688

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred revenue		47,819
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The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayments of the principal of long-term debt consumes the current financial resources of governmental funds. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Debt issued or incurred:		
Issuance of debt		(4,155,000)
Bond premiums		(417,953)

Principal retired on:		2,486,517
General obligation debt, leases, and subscription liabilities		

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	11,259	
Change in arbitrage liability	(127,177)	
Change in compensated absences	(1,072,248)	
Amortization of premiums, discounts, and deferred charges on refundings	152,482	(1,035,684)

Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the Statement of Activities, the cost of these benefits, net of employee contributions, is reported as other postemployment benefit expense.

(305,111)

Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits, net of employee contributions, is reported as pension expense.

628,094

The internal service fund is used by management to charge the costs of the central garage. The change in net position reported with governmental activities.

76,137

Change in net position of governmental activities **\$ 5,492,980**

Town of Blacksburg, Virginia

Exhibit 5

Statement of Net Position – Proprietary Funds

June 30, 2024

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

Town of Blacksburg, Virginia

Exhibit 6

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

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

Town of Blacksburg, Virginia

Exhibit 7

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

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

Town of Blacksburg, Virginia

Exhibit 7

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

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

Town of Blacksburg, Virginia

Exhibit 8

Statement of Fiduciary Net Position – Fiduciary Funds

June 30, 2024

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

Town of Blacksburg, Virginia

Exhibit 9

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

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

Note 1 – Summary of Significant Accounting Policies

A – The Financial Reporting Entity

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

The following entities are excluded from the accompanying financial statements:

Jointly Governed Organizations

New River Valley Regional Water Authority

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

Montgomery Regional Solid Waste Authority

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

Blacksburg-VPI Sanitation Authority

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

Virginia Tech-Montgomery Regional Airport Authority

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

Blacksburg/Christiansburg/Montgomery Area Metropolitan Planning Organization

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

Montgomery Regional Tourism Board

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

New River Valley Emergency Communications Regional Authority

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

B – Government-Wide and Fund Financial Statements

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

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

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

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

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

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

The Town reports the following major governmental funds:

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

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

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

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

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

Town of Blacksburg, Virginia

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

The Town reports the following major proprietary funds:

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

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

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

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

Additionally, the Town reports the following fund types:

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

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

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

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

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

D – Budgets and Budgetary Accounting

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

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

E – Cash and Cash Equivalents

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

F – Investments

Investments are stated at fair value.

G – Allowance for Uncollectible Accounts

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

H – Inventories

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

I – Capital Assets

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

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

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

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

J – Deferred Outflows/Inflows of Resources

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

Town of Blacksburg, Virginia

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

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

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

K – Leases

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

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

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

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

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

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

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

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

L – Subscription-Based Information Technology Arrangements

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

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

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

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

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

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

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

M – Compensated Absences

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

N – Other Postemployment Benefit Trust Fund

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

O – Long-Term Obligations

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

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

P – Pension and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the Town's Plans and the additions to/deductions from the Town's Plans' net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS) and the Town's plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q – Fund Balances/Net Position

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

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

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

Restricted Amounts

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

Minimum Fund Balance Policy

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

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

Town of Blacksburg, Virginia

Notes to Financial Statements

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Encumbrances

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

R – Estimates

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

Note 2 – Deposits and Investments

Deposits

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

Investments

Investment Policy

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

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

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Credit Risk

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

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

Interest Rate Risk

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

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

The above items are shown in the statements as follows:

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

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

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

Note 3 – Receivables, Net

Receivables are as follows:

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

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

Town of Blacksburg, Virginia

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

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

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

Note 4 – Transfers, Interfund Receivables and Payables

Interfund transfers are as follows:

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

The primary purposes of the transfers are as follows:

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

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

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

Town of Blacksburg, Virginia

Notes to Financial Statements

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

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

Note 5 – Due from Other Governmental Units

Amounts due from other governmental units are as follows:

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

Town of Blacksburg, Virginia

Notes to Financial Statements

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Note 6 – Capital Assets

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

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

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

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

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

Construction Commitments

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

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

Note 7 – Lease Receivables

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

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

*Maturity date includes option years, if applicable.

Note 8 – Long-Term Liabilities

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

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

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

Town of Blacksburg, Virginia

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

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

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

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

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

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

Town of Blacksburg, Virginia

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Details of long-term indebtedness are as follows:

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

Arbitrage Liability

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

Lease Liability

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

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

*Maturity date includes option years, if applicable.

Subscription-based Information Technology (SBITA) Arrangements

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

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

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

*Maturity date includes option years, if applicable.

Note 9 – Fund Balance

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

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

Note 10 – Defined Benefit Pension Plan

Plan Description

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

Town of Blacksburg, Virginia

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("VRS" or the "System") along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

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

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

Employees Covered by Benefit Terms

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

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

Contributions

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

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

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

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

Town of Blacksburg, Virginia

Notes to Financial Statements

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

Net Pension Liability

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

Actuarial Assumptions

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

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

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

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System

Town of Blacksburg, Virginia

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investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

Discount Rate

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

Town of Blacksburg, Virginia

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June 30, 2024

Changes in Net Pension Liability

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

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

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Town's net pension liability	<u><u>\$ 34,672,268</u></u>	<u><u>\$ 20,393,791</u></u>	<u><u>\$ 8,663,756</u></u>

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

For the year ended June 30, 2024, the Town (excluding the cost-sharing participants) recognized pension expense of \$3,512,306. At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,557,270	\$ 323,168
Change in assumptions	498,817	-
Net difference between projected and actual earnings on pension plan investments	-	1,302,653
Employer contributions subsequent to the measurement date	2,969,639	-
Total	<u>\$ 6,025,726</u>	<u>\$ 1,625,821</u>

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

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

Pension Plan Data

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

Payables to the Pension Plan

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

Note 11 – Other Postemployment Benefits – Local Plan

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

Town of Blacksburg, Virginia

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

Trust Fund Investments

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

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

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

Concentrations

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

Rate of Return

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

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

Plan Description and Benefits Provided

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

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

Membership

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

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

Contributions

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

Net OPEB Liability

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

Actuarial Assumptions and Other Inputs

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

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

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

Long-Term Expected Rate of Return

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

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

Discount Rate

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

Changes in Net OPEB Liability

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

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

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

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

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

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

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

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

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

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

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

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

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

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

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

Plan Descriptions

Group Life Insurance Program

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

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

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

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

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

Contributions

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

Group Life Insurance Program

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

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

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

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

Group Life Insurance Program

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

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

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

Group Life Insurance Program

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

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

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

Group Life Insurance Program

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

Actuarial Assumptions and Other Inputs

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

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

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

Net OPEB Liabilities

The net OPEB liabilities represent each program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2023, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

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

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

Long-Term Expected Rate of Return

Group Life Insurance Program

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in Note 10.

Discount Rate

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

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

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

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

OPEB Plan Fiduciary Net Position

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

Note 13 – Summary of Pension and Other Postemployment Benefits Elements

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

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

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

Note 14 – Property Taxes

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

Note 15 – Risk Management

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

Note 16 – Commitments and Contingencies

Special Purpose Grants

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

Landfill

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

VDOT Land Contribution

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

414 North Main Street Building

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

Litigation

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

Note 17 – Cemetery Trust Disclosure

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

Note 18 – Prior Period Adjustments

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

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

Town of Blacksburg, Virginia

Notes to Financial Statements

June 30, 2024

Note 19 – New Accounting Standards

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

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

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

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



Supplementary Information



Non-Major Governmental Funds

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

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

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

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

Town of Blacksburg, Virginia

Exhibit A-1

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

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

Town of Blacksburg, Virginia

Exhibit A-2

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

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



Fiduciary Funds

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

New River Valley Alcohol Safety Action Program

Virginia Tech/Montgomery Regional Airport Authority



Town of Blacksburg, Virginia

Exhibit B-1

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

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

Town of Blacksburg, Virginia

Exhibit B-2

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

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



Compliance Section



Town of Blacksburg, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

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

Notes to Schedule of Expenditures of Federal Awards

Basis of Accounting

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

Subrecipients

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

De Minimus Indirect Cost Rate

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

Outstanding Loan Balances

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



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

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

Report on Internal Control over Financial Reporting

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

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

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



Report on Compliance and Other Matters

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

Town's Response to Findings

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

Purpose of this Report

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



CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 23, 2025



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

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

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

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

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


Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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



Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

Other Matters

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

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

Report on Internal Control over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 23, 2025

Town of Blacksburg
Summary of Compliance Matters
June 30, 2024

As more fully described in the Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Town’s compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

State Compliance Matters

Code of Virginia

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

State Agency Requirements

- Highway Maintenance Funds

Federal Compliance Matters

Compliance Supplement for Single Audits of State and Local Governments

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

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

A – Summary of Auditor’s Results

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

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

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

B – Findings – Financial Statement Audit

2024-001: Segregation of Duties (Significant Deficiency)

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

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

Cause Limited staff size.

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

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

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

Action

Town of Blacksburg

Schedule of Findings and Questioned Costs

June 30, 2024

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Town of Blacksburg

Schedule of Findings and Questioned Costs

June 30, 2024

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

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

D – Findings – Commonwealth of Virginia

None noted.

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

A – Findings – Financial Statement Audit

2023-001: Segregation of Duties (Significant Deficiency)

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

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

Cause Limited staff size.

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

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

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

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

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

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

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

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

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

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

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

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

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