# TOWN OF BLACKSBURG, VIRGINIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended
June 30, 2016

TOWN OF
Blacksburg
*a special place*

# TOWN OF BLACKSBURG, VIRGINIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## FOR THE FISCAL YEAR ENDED
## June 30, 2016

## DEPARTMENT OF FINANCIAL SERVICES

**TOWN OF BLACKSBURG, VIRGINIA**

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

**Page**


Letter of Transmittal ..... i
Certificate of Achievement for Excellence in Financial Reporting ..... vii
Directory of Principal Officials ..... viii
Organizational Chart ..... viiii


**FINANCIAL SECTION**


Independent Auditor's Report ..... 1-3
Management's Discussion and Analysis ..... 4-12

Basic Financial Statements

Government-wide Financial Statements
Exhibit 1 Statement of Net Position ..... 14
Exhibit 2 Statement of Activities ..... 15

Fund Financial Statements
Exhibit 3 Balance Sheet – Governmental Funds ..... 16
Exhibit 4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds ..... 17-18
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund (Non-GAAP Budgetary Basis) ..... 19
Exhibit 6 Statement of Net Position – Proprietary Funds ..... 20
Exhibit 7 Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds ..... 21
Exhibit 8 Statement of Cash Flows – Proprietary Funds ..... 22-23
Exhibit 9 Statement of Fiduciary Net Position – Agency Funds ..... 24

Notes to Financial Statements ..... 25-63

Required Supplementary Information
Exhibit 10 Schedule of Changes in Net Pension Liability and Related Ratios ..... 65
Exhibit 11 Schedule of Pension Contributions ..... 66
Exhibit 12 Schedule of Funding Progress for Other Post Employment Benefits ..... 66

Notes to Required Supplementary Information ..... 67

Other Supplementary Information
Combining Statements
Exhibit A-1 Combining Balance Sheet – Non-Major Governmental Funds ..... 70
Exhibit A-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Non-Major Governmental Funds ..... 71
Exhibit B-1 Combining Statement of Fiduciary Net Position ..... 73
Exhibit B-2 Combining Statement of Changes in Fiduciary Assets and Liabilities ..... 74

**TOWN OF BLACKSBURG, VIRGINIA**

**TABLE OF CONTENTS**

Other Supplementary Information (Continued)
Supporting Schedules
Schedule 1 Schedule of Expenditures of Federal Awards ..... 76
Schedule 2 Computation of Legal Debt Margin ..... 77

**STATISTICAL SECTION**

Table 1 Net Position by Component ..... 79
Table 2 Changes in Net Position by Component ..... 80-81
Table 3 Fund Balances – Governmental Funds ..... 82
Table 4 Changes in Fund Balances – Governmental Funds ..... 83
Table 5 Assessed Value and Actual Value of Taxable Property ..... 84
Table 6 Principal Property Tax Payers ..... 85
Table 7 Property Tax Levies and Collections ..... 86
Table 8 Water and Sewer Revenues by Component ..... 87
Table 9 Water and Sewer Rates ..... 88
Table 10 Principal Water and Sewer Customers ..... 89
Table 11 Legal Debt Margin Information ..... 90
Table 12 Ratios of Outstanding Debt by Type ..... 91
Table 13 Pledged Revenue Coverage ..... 92
Table 14 Demographic and Economic Statistics ..... 93
Table 15 Principal Employers ..... 94
Table 16 Full-Time Equivalent Town Government Employees by Function/Program ..... 95
Table 17 Operating Indicators by Function/Program ..... 96
Table 18 Capital Asset and Infrastructure Statistics by Function/Program ..... 97
Table 19 Continuing Bond Disclosures ..... 98-103

**COMPLIANCE SECTION**

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* ..... 105-106
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance ..... 107-108
Summary of Compliance Matters ..... 109
Schedule of Findings and Questioned Costs ..... 110-111

# INTRODUCTORY SECTION

TOWN OF
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a special place

DEPARTMENT OF
FINANCIAL SERVICES

finance@blacksburg.gov

November 28, 2016

**The Honorable Mayor, Members of Town Council
and the Citizens of the Town of Blacksburg, Virginia:**

Section 15.1-167 of the *Code of Virginia*, requires an annual independent audit and report of financial activity of the Town of Blacksburg, Virginia (the "Town") presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accounts. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town for the fiscal year ended June 30, 2016.

This report consists of management's representations concerning the finances of the Town. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town's financial statements have been audited by the independent certified public accounting firm of Brown, Edwards & Company, L.L.P. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented at the front of the financial section of this report.

The independent audit of the financial statements of the Town was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the compliance section.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A) that immediately follows the independent auditors' report. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the report of the independent auditors.

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**Profile of the Government**

The Town was founded and organized in 1798 and incorporated in 1871. The Town is located in Montgomery County, Virginia approximately 40 miles southwest of Roanoke, Virginia. The Town has a land area of 19.6 square miles. Blacksburg is one of the largest towns in Virginia with a 2010 census population of 42,620. The Town is empowered to levy a property tax on real properties located within its boundaries. Town residents are also citizens of and are subject to taxation by Montgomery County.

The Town has been organized under the Council-Manager form of government since 1952. Town Council is the legislative body of the Town and is empowered by the Town Charter to make all Town policy. The Council, including the Mayor, is elected at large for four-year overlapping terms.

Town Council appoints a Town Manager to serve as the chief administrative officer of the Town. The primary duties and responsibilities of the Town Manager include preparation, submittal and administration of the capital and operating budgets, handling citizen concerns, enforcement of the Town Charter and laws of the Town, advising the Council on the affairs of the Town and direction and supervision of all departments.

For financial reporting purposes, the Town includes all funds, agencies, boards, commissions and authorities that are controlled by or are financially dependent upon the Town. Control by or financial dependence was determined on the basis of obligation of the Town to finance deficits, guarantee debt, select the governing authority, approve the budget, have authority to make a public levy, and to have ownership of assets. The Town has not identified any entities that should be reported as component units of the Town.

Jointly governed organizations of the Town that require only note disclosure presentation are the New River Valley Regional Water Authority, the Montgomery Regional Solid Waste Authority, the Blacksburg-VPI Sanitation Authority, the Virginia Tech-Montgomery Regional Airport Authority, the Blacksburg/Christiansburg/Montgomery Area Metropolitan Planning Organization, the Montgomery Regional Tourism Board, and the New River Valley Emergency Communications Regional Authority.

The Town provides an extensive range of services for its citizens including general administration, public safety, public works, planning**,** and recreational activities. The Town also provides and maintains water and sewer utilities, solid waste and recycling services, a stormwater program, and a transit system for the benefit of its citizens. Montgomery County provides social services and public school services and educational programs for the students of the Town. The Town plays no part in financing or operating public schools, although residents do assist in financing the operation of the schools through payment of property taxes to the County.

The annual budget serves as the foundation for the Town's financial planning and control. All departments of the Town are required to submit requests for appropriation to the Town Manager by the end of January each year. The Town Manager uses these requests as a beginning for developing a recommended budget. The Town Manager then presents this recommended budget to the Town Council for review by the second Tuesday in March. The Town Council is required to hold a public hearing on the recommended budget and to adopt a final budget by no later than June 30, the close of the Town's fiscal year. The practice of the Town Council is to adopt the final budget by April 30 of each year. The general fund budget is appropriated annually. The appropriated budget is prepared by fund and department. Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require approval by resolution by the Town Council. The Town also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end. However, outstanding encumbrances generally are re-appropriated in the subsequent year. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented in Exhibit 5 as part of the basic financial statements for the governmental funds.

**Local Economy**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town operates.

The economic condition and outlook for the Town is stable but impacted by the national economy and its impacts on the state budget. Maintaining current services with increasing employee benefit costs in conjunction with slight revenue growth defines the character of the municipal corporation for both fiscal year 2016 and for the near future. The cost of health insurance, retirement benefits, snow removal, and fleet related expenses are four areas where costs continue to grow. Concurrently, Federal and State revenues continue to decline with no relief in sight. Reduced sales tax revenue in 2014 due to the changes adopted by the General Assembly again impacts the Town's budget because a replacement revenue source was not identified. Lodging tax is expected to increase in 2017 due to the rebuilding of a hotel that was previously demolished. Another hotel will be built in the same area. With the improving economy the Town expects a continued increase in business license tax and meals tax. Some of the growth in this year's projected revenue is being used for one-time expenses with the goal of using that growth in the future to increase fund balance, implement a capital reserve fund, or incentivize economic development. Funding is also included to develop a plan to guide future development related to the growth of Virginia Tech.

The Town's major employer, Virginia Tech, is the largest university in the Commonwealth and is located on over 2,600 acres with more than 135 buildings on its campus. One of Virginia Tech's goals as outlined by the University President is to increase enrollment by 5,000 students. This growth will have a financial impact to the Town as more people will demand Town services. Virginia Tech continues to position itself as a major research institution with a high level of effort being concentrated on Intelligent Vehicle Highway System (IVHS) technology and Biotechnology. Growth in technology-based research and the spawning of businesses from the Corporate Research Center ("CRC") reflect well on the area and the wealth of resources offered by a major academic institution makes the Town an attractive venue for business. The CRC is now home to over 180 technology-based companies that collectively employ over 3,000 knowledge-based workers. The emergence of the university as a major research institution has occurred during the past decade with a research portfolio of more than $504 million, and it is currently ranked 39$^{th}$ in university research in the U.S. The university routinely ranks among the top 15 universities in the number of patents issued to U.S. universities.

The presence of Virginia Tech as a corporate citizen brings many advantages to the economic condition of the Town. The combination of approximately 33,000 students and 8,000 faculty and administrators bring significant buying power to the merchants and tax base of the Town. Also the visitors generated by Virginia Tech for sports events as well as conferences and research endeavors bring significant buying power to the area. The presence of Virginia Tech offers the stability essential to a local government even during economic downturns as recently experienced in fiscal year 2009 thru fiscal year 2012. The State of Virginia, similar to many other state governments, is experiencing lower tax revenues and has lowered the state's funding of Virginia Tech. The condition of the state's budget and its impact on the state's commitment to higher education and therefore the local economy is being monitored by the Town's leaders.

Local industry serves as a strong complement to the presence of Virginia Tech. Manufacturers of automobile components and electronic/fiber-optic technology continue to provide an employment base that contributes significantly to the economy of the Town. The opening of the IMAX theatre in the First & Main shopping center has been met with great enthusiasm. Blacksburg is home to only the second IMAX theatre west of Richmond. The planned opening of new restaurants and retail space has increased the excitement about the center. The Town looks forward to working with First & Main to help them achieve the original vision for the project to make it the success it should be.

Along with the development of "niches" for targeted populations, the Town also actively pursues special events that bring visitors and associated revenue.

The Virginia Tech/Montgomery Executive Airport is currently in the design phase of expanding its runway. This $17 million expansion will build greater capacity for economic development in the region and will fulfill FAA regulations.

**Long-term Financial Planning**

The Town Council has adopted *Principles of Sound Financial Management* that is designed to ensure sound financial condition at all times. These principles include: a balanced budget is prepared annually; ongoing operating costs should be funded by ongoing revenue sources; fund balance and net position targets; and debt service targets. As demonstrated by the financial statements and supplemental schedules included in the financial section of this report, the Town continues to meet its responsibility for sound financial management.

The fiscal year 2016 budget demonstrates a commitment to outstanding service delivery and progressiveness of local government. Revenue projections in fiscal year 2016 reflected the improving economic environment with reliance upon annual revenue to finance operating expenditures and included some increases to user fees. Also the budget demonstrates the Town Council's Vision *"Blacksburg's vision is to be a dynamic, sustainable, livable community balancing environmental stewardship, economic opportunity, technological leadership, and the arts."*

During the coming year, the Town will be developing a plan to address how to fund the quality of life our citizens' desire including infrastructure needs, Town services and capital project needs. The plan will address the challenge of identifying funding sources for construction and supporting capital projects. The Town has been excellent at leveraging external funding sources but the debt incurred by the Town lessens the funding available for operations. Available funding for operations is also impacted by the on-going support required for a capital project. This is becoming a more difficult task to accomplish when anticipating future budgets and opportunities that lie ahead.

The future of the Town is both exciting and challenging. Major initiatives ranging from the impact of the continuing developments on Town services and infrastructure to the responsiveness of the Town to its customers will continue to position our community well.

**Relevant Financial Policies**

In accordance with State code and the Town's Investment Policy, the Town invests in Treasury securities, agency securities, certificates of deposit, the Commonwealth of Virginia's State Treasurer's Local Government Investment Pool (LGIP), and the Virginia State Non-Arbitrage Program (SNAP). To the extent possible, the Policy will match investments with anticipated cash flow requirements. The maturities of the investments range from overnight to eight years with an average maturity of five years. The average yield on investments for fiscal year 2016 was 1.997%.

**Major Initiatives**

Blacksburg Transit expanded service into nearby Christiansburg in 2011. Future initiatives include discussion of further expansion of the system in the New River Valley including construction of a multi-modal facility. This facility would encourage individuals to use alternative transportation by creating a central hub for transit transfers.

Despite the economic climate, there are various projects underway throughout Town including the airport runway extension project, the transit multi-modal facility, renovations to the golf course, development of the South Point Park, and various VDOT revenue sharing projects. All of these projects will contribute to the economic and sustainable future.

The Town's upcoming Capital Improvement Program (CIP) includes 99 projects over the next five years. While the CIP includes projects that enhance the quality of life in Blacksburg and maintain existing infrastructure, there are significant projects not included that have been identified as potential future projects. These projects require further discussion because of financial or political impacts requiring resolution before inclusion in the CIP. These projects include a new police station, a new recreation facility, and a downtown parking garage. The magnitude of these projects would impact future revenue generation, debt capacity, and operating expenses.

While the redevelopment of the Old Blacksburg Middle School property is challenging today it offers far more opportunities tomorrow to enhance the economic vitality and the quality of life in the community. The process of developing and completing the Master Plan for the site illustrated that potential. The challenge now is to help others see the value in the vision portrayed in the Plan. Once redeveloped the Old Blacksburg Middle School property will be the anchor of the southern gateway to Downtown Blacksburg.

In February 2014, Town Council received recommendations from the Stormwater Stakeholders Advisory Group for the adoption of a Stormwater Enterprise Fund to provide a dedicated revenue source to fund stormwater infrastructure maintenance and improvements in compliance with environmental regulations. The Advisory Group recommended implementing a Stormwater Enterprise fee based on the amount of impervious surface controlled by a landowner. A monthly $6 fee for single residential structures was recommended. The fee for non-residential land uses would be based on an equivalency factor of impervious surface of a single residential property to a non-residential property. This fund was established in fiscal year 2015. The Town with the Advisory Group are evaluating the stormwater program and will recommend changes or improvements in the next year.

**Awards and Acknowledgements**

*Certificate of Achievement* The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Blacksburg for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the thirty-sixth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

*Distinguished Budget Presentation Award* GFOA has also awarded the Town of Blacksburg with the prestigious Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2016. This is the twenty-fifth consecutive year that the Town has achieved this honor. In order to be awarded, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

*Acknowledgements* The preparation of this report is a very intensive project, and could not have been accomplished without the assistance and dedication of the Financial Services Department staff, especially Matt Hornby, Assistant Finance Director, and other personnel from various departments, who assisted in the preparation. The Mayor and Town Council continue to be very supportive of our efforts to produce the best financial reports possible for our citizens. We appreciate your support in granting us the time and funding to generate this document, and allowing us to submit it to the GFOA for consideration. Lastly, we would like to express our appreciation to our independent auditing firm, Brown, Edwards & Company, L.L.P., for their cooperation and assistance in these efforts.

Respectfully submitted,

Susan H Kaiser

Director of Finance
Town of Blacksburg

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Town of Blacksburg
## Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

**TOWN OF BLACKSBURG, VIRGINIA**

**DIRECTORY OF PRINCIPAL OFFICIALS**

**June 30, 2016**

## MEMBERS OF TOWN COUNCIL

Ron Rordam. .....Mayor
Leslie Hager-Smith…….....Vice-Mayor
John Bush
Michael Sutphin
Krisha Chachra
Cecile Newcomb
Susan Anderson

## GENERAL TOWN GOVERNMENT

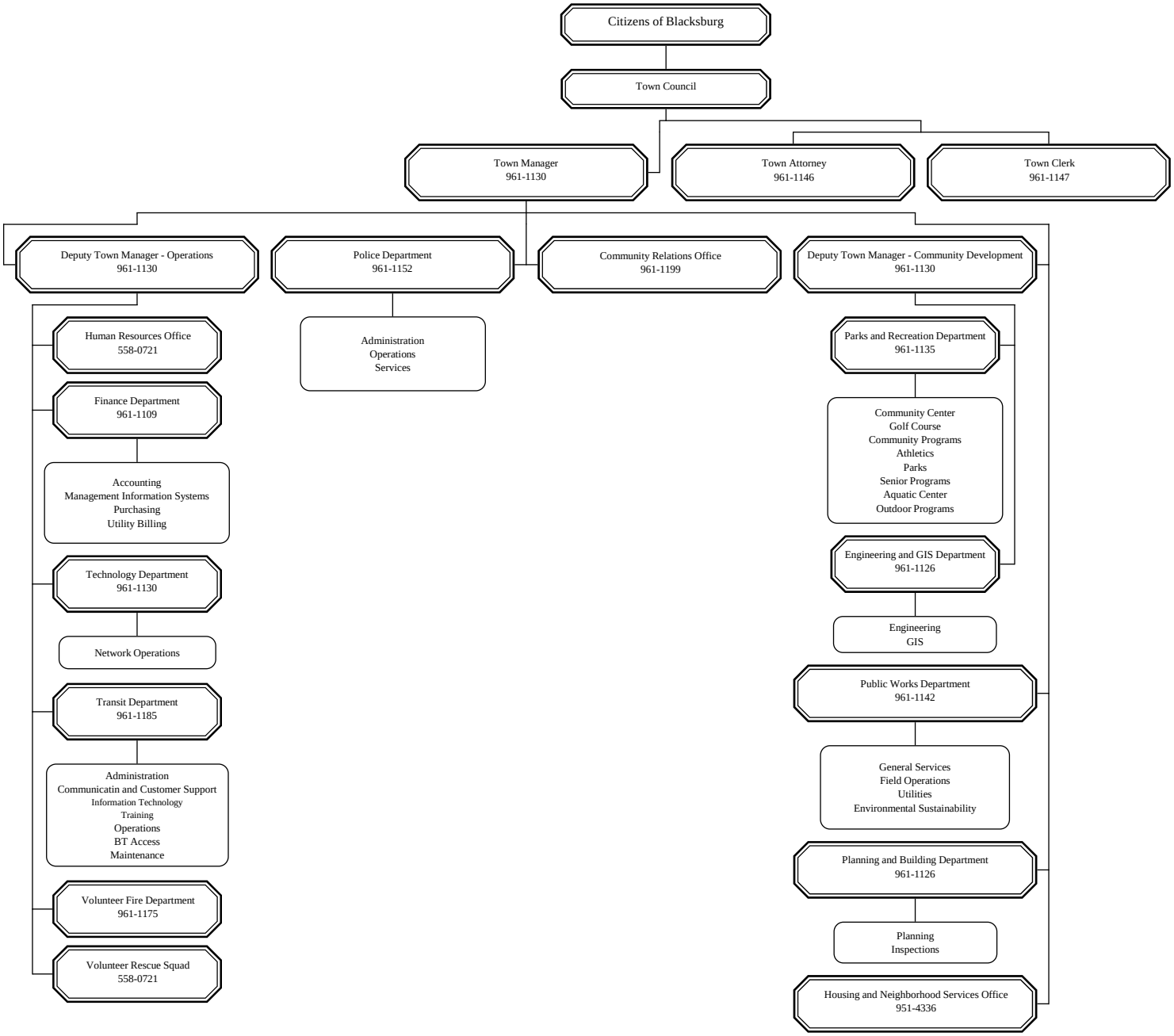
Marc A. Verniel..... Town Manager
Steven F. Ross……Deputy Town Manager for Operations
Christopher S. Lawrence……Deputy Town Manager for Economic Development
Lawrence S. Spencer. ..... Town Attorney
Donna Boone-Caldwell, C.M.C.....Town Clerk
Susan H. Kaiser, CPA .....Director of Financial Services
S. Randy Formica, P.E. .....Director of Engineering and GIS
Anne L. McClung.....Director of Planning and Building
Anthony S. Wilson .....Chief of Police
S. Kelly Mattingly .....Director of Public Works
Dean B. Crane .....Director of Parks and Recreation
Tom D. Fox .....Director of Transit
Steven B. Jones.....Director of Technology

## INDEPENDENT AUDITORS

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

# Town of Blacksburg

Organization Chart




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

292 Full-Time Positions
247 Part-Time Positions

# FINANCIAL SECTION

BROWNEDWARDS
*certified public accountants*

# INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

***Management's Responsibility 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; this includes 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.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison statement for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other 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 introductory section, combining nonmajor fund financial statements, the computation of legal debt margin, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements*, *Cost Principles, and Audit Requirements for Federal Award*s, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the computation of legal debt margin, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, the computation of legal debt margin, 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 Matters (Continued)***

*Other Information (Continued)*

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016, 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 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 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
November 28, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Blacksburg, Virginia (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i through vi of this report.

### Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $94,378,410 (net position). Of this amount, $5,107,982 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by $8,837,014. This increase is primarily attributable to the return of capital from Blacksburg Motor Partners, and an increase in real estate taxes, meals taxes and business license taxes due to improved economic conditions.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $14,157,323 an decrease of $5,000,355 due to spending of bond proceeds primarily on the new rescue station. Of this total amount, $3,915,598 represents unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $4,118,814, or 17 percent of total general fund expenditures exclusive of debt service, capital projects, and transfers.

### Overview of the Financial Statements

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

**Government-wide Financial Statements –** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include legislative, executive, legal, financial services, technology, police, fire and rescue, public works, recreation, planning, engineering, and equipment operations. The business-type activities of the Town are Water and Sewer, Transit System, Stormwater, and Solid Waste and Recycling.

The government-wide financial statements can be found on pages 14 and 15 of this report.

**Overview of the Financial Statements (Continued)**

**Fund Financial Statements** – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The Town maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the urban construction fund, general capital projects fund, equipment replacement fund, and debt service fund, which are considered to be major funds. The two non-major governmental funds are the CDBG Entitlement fund and the HOME Consortium fund.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16 through 17 of this report.

**Proprietary Funds** – The Town maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its Water and Sewer, Transit System, Stormwater, and Solid Waste and Recycling. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for the Town's fleet function. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

*Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer, Transit System, Stormwater, and Solid Waste and Recycling departments. The Water and Sewer, Transit System, and Stormwater funds are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 20 through 23 of this report.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 73 and 74 of this report.

**Overview of the Financial Statements (Continued)**

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 63 of this report.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's defined benefit pension plan and funding progress for the liability for other post-employment benefits. Required supplementary information can be found on pages 65 through 67 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by $94,378,410 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (94 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

| | The Town's Net Position | | | | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | | Business-type Activities | | Totals | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Current and other assets | $ 19,384,212 | $ 24,308,827 | $ 13,253,409 | $ 11,090,300 | $ 32,637,621 | $ 35,399,127 |
| Capital assets | 82,124,061 | 71,103,854 | 32,043,281 | 33,087,353 | 114,167,342 | 104,191,207 |
| Total assets | 101,508,273 | 95,412,681 | 45,296,690 | 44,177,653 | 146,804,963 | 139,590,334 |
| Deferred outflows of resources | 1,910,304 | 1,592,416 | 579,275 | 459,510 | 2,489,579 | 2,051,926 |
| Long-term liabilities outstanding | 37,814,133 | 36,103,442 | 9,063,032 | 8,248,619 | 46,877,165 | 44,352,061 |
| Other liabilities | 3,706,368 | 5,450,978 | 2,872,857 | 3,109,279 | 6,579,225 | 8,560,257 |
| Total liabilities | 41,520,501 | 41,554,420 | 11,935,889 | 11,357,898 | 53,456,390 | 52,912,318 |
| Deferred inflows of resources | 1,083,801 | 2,479,645 | 375,941 | 708,901 | 1,459,742 | 3,188,546 |
| Net position | | | | | | |
| Net investment in capital assets | 61,556,627 | 55,065,864 | 27,111,499 | 27,565,755 | 88,668,126 | 82,631,619 |
| Restricted | 602,302 | 1,029,041 | - | 132,442 | 602,302 | 1,161,483 |
| Unrestricted | (1,344,654) | (3,123,873) | 6,452,636 | 4,872,167 | 5,107,982 | 1,748,294 |
| Total net position | $ 60,814,275 | $ 52,971,032 | $ 33,564,135 | $ 32,570,364 | $ 94,378,410 | $ 85,541,396 |

The balance of *unrestricted net position*, $5,107,982 may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate business-type activities. The governmental activities reported a negative unrestricted net position of $1,344,654. This was due to the significant impact of recording the net pension liability in accordance with GASB Statement No. 68.

## Government-wide Financial Analysis (Continued)

**Governmental activities** – Governmental activities increased net position by $7,843,243 thereby accounting for a majority of the increase in the net position of the Town. The key elements for this increase are the construction of the new rescue station, the return of capital from Blacksburg Motor Partners, and an increase in real estate, business license, and meals taxes revenue.

**Business-type activities** – Business-type activities increased the Town's net position by $993,771. This increase is mainly attributable to increases in net position to the water and sewer fund and the stormwater fund.

**The Town's Changes in Net Position**

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | $ 5,225,611 | $ 5,021,539 | $ 17,120,115 | $ 15,459,133 | $ 22,345,726 | $ 20,480,672 |
| Operating grants and contributions | 4,277,408 | 4,150,390 | 3,380,129 | 3,640,253 | 7,657,537 | 7,790,643 |
| Capital grants and contributions | 7,804,684 | 4,173,342 | 2,402,524 | 2,426,973 | 10,207,208 | 6,600,315 |
| General revenues | | | | | | |
| Property taxes | 7,140,994 | 6,303,580 | - | - | 7,140,994 | 6,303,580 |
| Other taxes | 13,381,712 | 12,878,232 | - | - | 13,381,712 | 12,878,232 |
| Other | 1,176,170 | 1,146,366 | 352,432 | 340,200 | 1,528,602 | 1,486,566 |
| Total revenues | 39,006,579 | 33,673,449 | 23,255,200 | 21,866,559 | 62,261,779 | 55,540,008 |
| Expenses | | | | | | |
| Legislative | 276,373 | 277,068 | - | - | 276,373 | 277,068 |
| Executive | 2,343,384 | 2,220,361 | - | - | 2,343,384 | 2,220,361 |
| Legal | 318,363 | 324,788 | - | - | 318,363 | 324,788 |
| Financial services | 1,623,761 | 1,606,641 | - | - | 1,623,761 | 1,606,641 |
| Technology | 767,541 | 632,548 | - | - | 767,541 | 632,548 |
| Police | 7,805,731 | 7,962,990 | - | - | 7,805,731 | 7,962,990 |
| Fire and rescue | 1,493,402 | 1,371,343 | - | - | 1,493,402 | 1,371,343 |
| Public works | 8,106,501 | 8,137,865 | - | - | 8,106,501 | 8,137,865 |
| Recreation | 2,404,483 | 2,337,016 | - | - | 2,404,483 | 2,337,016 |
| Engineering and GIS | 1,116,935 | 1,403,154 | - | - | 1,116,935 | 1,403,154 |
| Planning and building | 1,029,530 | 917,969 | - | - | 1,029,530 | 917,969 |
| CDBG entitlement | 707,711 | 514,028 | - | - | 707,711 | 514,028 |
| HOME consortium | 826,954 | 1,462,016 | - | - | 826,954 | 1,462,016 |
| Interest on long-term debt | 738,393 | 694,561 | - | - | 738,393 | 694,561 |
| Unallocated depreciation | 1,634,138 | 1,520,348 | - | - | 1,634,138 | 1,520,348 |
| Water and sewer | - | - | 9,816,136 | 9,661,045 | 9,816,136 | 9,661,045 |
| Transit system | - | - | 10,068,972 | 10,038,822 | 10,068,972 | 10,038,822 |
| Solid waste and recycling | - | - | 1,660,484 | 1,629,828 | 1,660,484 | 1,629,828 |
| Stormwater | - | - | 685,973 | 199,721 | 685,973 | 199,721 |
| Total expenses | 31,193,200 | 31,382,696 | 22,231,565 | 21,529,416 | 53,424,765 | 52,912,112 |
| Excess before transfers | 7,813,379 | 2,290,753 | 1,023,635 | 337,143 | 8,837,014 | 2,627,896 |
| Transfers | 29,864 | 321,301 | (29,864) | (321,301) | - | - |
| Change in net position | 7,843,243 | 2,612,054 | 993,771 | 15,842 | 8,837,014 | 2,627,896 |
| Net position at July 1 | 52,971,032 | 50,358,978 | 32,570,364 | 32,554,522 | 85,541,396 | 82,913,500 |
| Net position at June 30 | $ 60,814,275 | $ 52,971,032 | $ 33,564,135 | $ 32,570,364 | $ 94,378,410 | $ 85,541,396 |

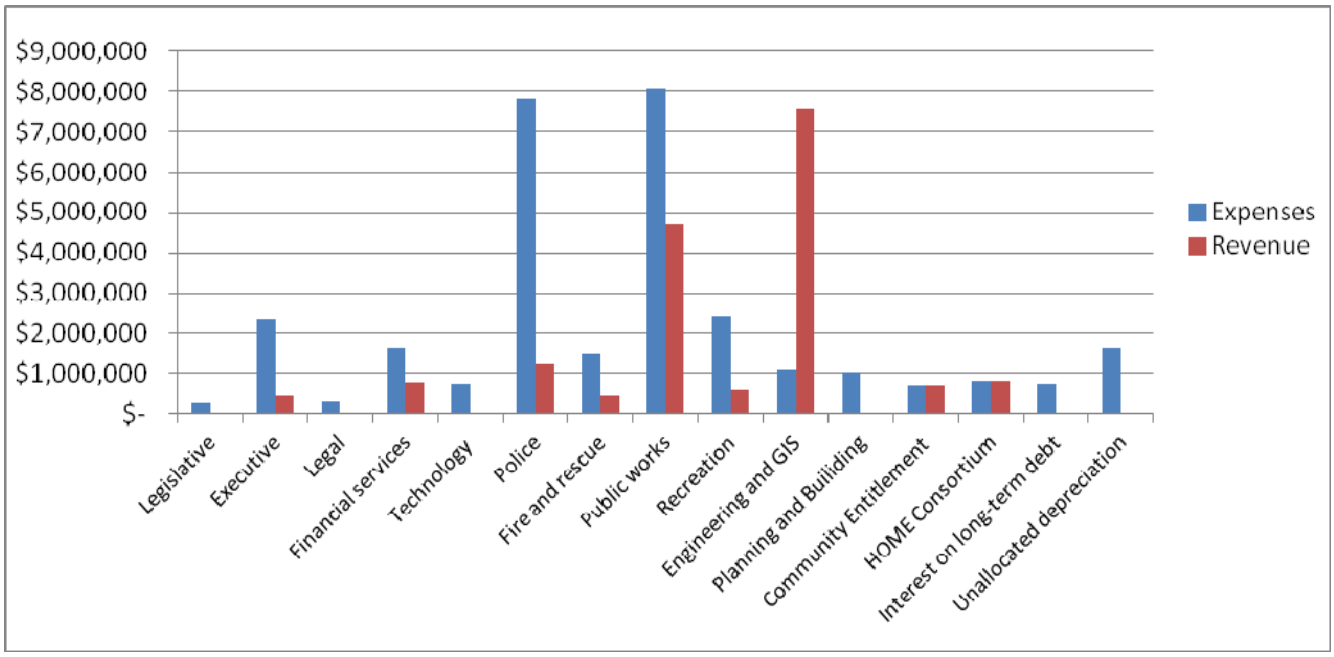
**Government-wide Financial Analysis (Continued)**

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. However, there were seven noteworthy exceptions:

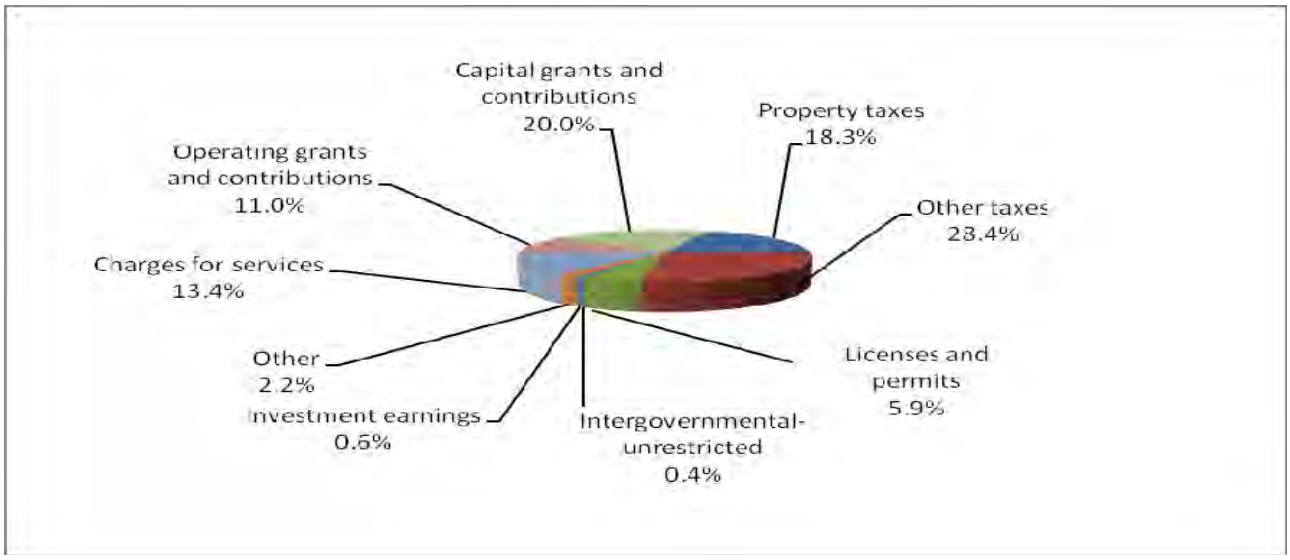
- Police expense decreased due to retirements over the past few years.
- Executive expense increased due to the hiring of an additional Deputy Town Manager for community development.
- Technology expense increased due to the purchase of computers and the related peripheral equipment.
- Fire and rescue expense increased due to increased depreciation for large rescue vehicles placed in service.
- Engineering and GIS expense decreased due to various nonrecurring maintenance projects in the prior year.
- CDBG and HOME expenses fluctuated due to timing of various projects and grant funding.
- Unallocated depreciation increased due to infrastructure projects placed in service during the current year.

For business-type activities, the operating expenses for the transit fund are higher than the revenues that fund can generate. The operating revenues of the water and sewer fund were more than expenses for the current year mainly due to new developments in Town. The operating revenue of the stormwater and solid waste and recycling funds were higher than the expenses of those funds. The stormwater fund, in its infancy, is currently building net position to assist in future stormwater projects while the solid waste and recycling fund showed only a slight increase in net position.

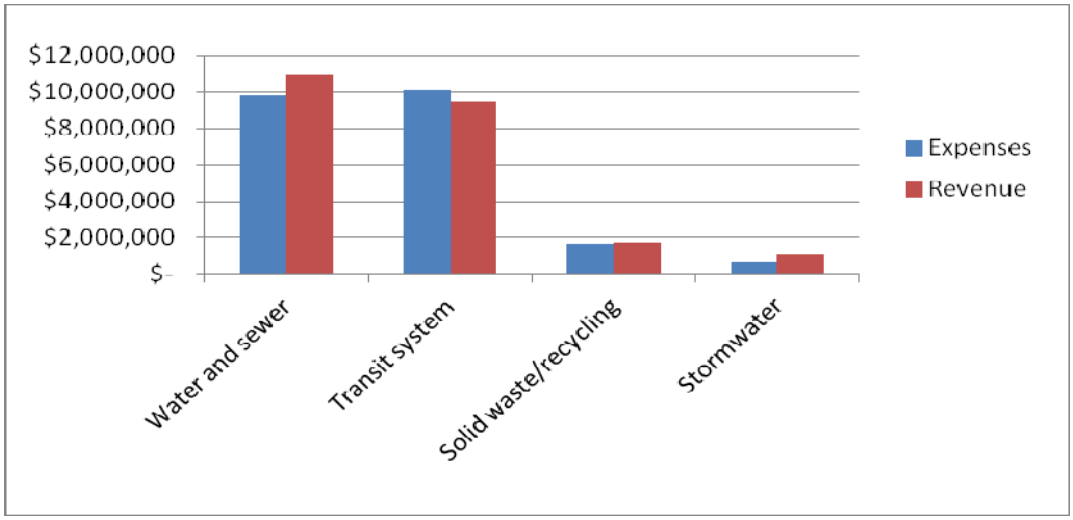
**Expenses and Program Revenues – Governmental Activities**



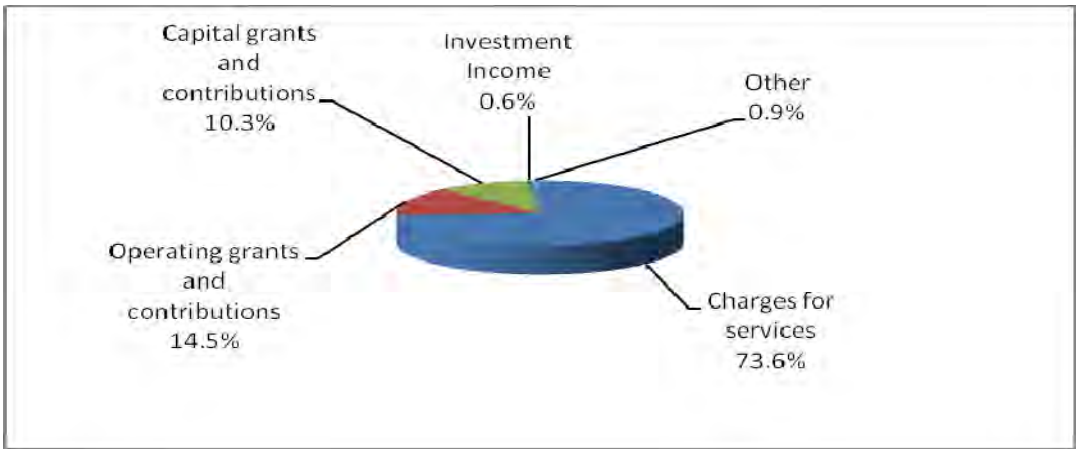
**Revenues by Source – Governmental Activities**




**Expenses and Program Revenues – Business-type Activities**




**Revenues by Source – Business-type Activities**



**Financial Analysis of the Government's Funds**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** – The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. Fund balances are the differences between assets and liabilities in a governmental fund. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Fund balance categories are as follows:

- Nonspendable fund balance includes amounts that are not in spendable form, or amounts that are required to be maintained intact.
- Restricted fund balance includes amounts that can be spent only for specific purposes stipulated by external providers, such as grantors or bondholders, as well as amounts that are restricted through enabling legislation.
- Committed fund balance includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision making authority.
- Assigned fund balance applies to amounts that are intended for specific purposes as expressed by the governing body or authorized official and applies to remaining resources in any governmental funds other than the general fund.
- Unassigned fund balance includes all amounts not contained in other classifications for the general fund and deficit fund balances in any other governmental funds.

As of the end of the current fiscal year, the Town's total governmental funds reported an ending fund balance of $14,157,323, a decrease of $5,000,355 in comparison with the prior year. Of that amount, $365,234 was nonspendable, $602,302 was restricted, $1,319,746 was committed, $7,954,443 was assigned, and $3,915,598 was unassigned.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. As part of the Town's financial management practices, general fund unassigned fund balance is targeted at no less than 10% of operating expenditures exclusive of capital improvements and will strive to increase the level to a target of 15%. Unassigned fund balance represents 17.31% of total general fund expenditures exclusive of debt service, capital projects, and transfers, while total fund balance represents 19.42% of that same amount.

The fund balance of the Town's general fund increased by $2,094,644 during the current fiscal year. Key factors in this change were due to increases in real estate, meals tax, and business license tax revenues.

The general capital projects fund decreased $6,821,232 due to the spending of bond proceeds in the current year for various capital projects, most notably the new rescue station.

The urban construction fund decreased $426,739 which reflects expenditures for various intersection, road, and sidewalk projects with state funds that were received in a prior year.

The equipment replacement capital projects fund increased by $152,972 which reflects annual transfers into the fund from user funds in excess of equipment related expenditures.

The debt service fund did not change as transfers from the general fund equal debt service expenditures.

The nonmajor governmental funds which track CDBG and HOME grant activity did not change since grant proceeds matched grant expenditures.

**Proprietary funds** – The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water and sewer, transit system, solid waste and recycling, and stormwater funds at the end of the year amounted to $1,396,972, $3,872,578, $641,257, and $541,829 respectively. The total increase in net position was $993,771. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget totaled $295,832. Increases in appropriations can be briefly summarized as follows:

- $295,832 in various departments for the reappropriation of prior year encumbrances, for the purchase of a new fire vehicle, and for an increase in inspection and parking fees.

There were multiple significant variances between the final budget and the actual final results for the year. They can be briefly summarized as follows:

- Police was under budget due to controlled spending and unfilled positions in the Police Services Division.
- Financial Services, Executive, Recreation, and Engineering and GIS were under budget due to controlled spending.
- Other local taxes, most notably meals taxes, and business license taxes were over budget due to better economic conditions.
- Intergovernmental revenue was over budget due to timing of grant funding.
- Permits and fees was over budget due to an increase in building permits.
- Fines and forfeitures were under budget due to decreases in parking violations.
- Other revenue was over budget due to the receipt of the return of capital from the Blacksburg Motor Partners.

**Capital Asset and Debt Administration**

**Capital assets** – The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to $114,167,342 (net of accumulated depreciation). This includes land, buildings and system improvements, machinery and equipment, roads, highways, and bridges. The total increase in the Town's investment in capital assets for the current fiscal year was approximately 9.57 percent.

Major capital asset events during the current fiscal year include the following:

- Construction completed on the new rescue station with additions totaling $4.6 million.
- Engineering and design services for the new Transit Multi-Modal facility totaling $703,000.
- Infrastructure improvements in the amount of $2.8 million relating to the University City Boulevard improvements and various traffic signal projects.
- Construction activity relating to the fire house #3 totaling $667,000.
- The leasing of the new town-wide parking meters and pay stations totaling $335,000.
- The capital contribution totaling $3.5 million relating to the Blacksburg Motor Company improvements.

**The Town's Capital Assets**
(Net of Depreciation)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Land | $ 10,773,477 | $ 8,888,161 | $ 213,314 | $ 213,314 | $ 10,986,791 | $ 9,101,475 |
| Buildings and improvements | 23,504,995 | 13,285,952 | 3,493,096 | 3,715,421 | 26,998,091 | 17,001,373 |
| Water system – plant | - | - | 4,143,366 | 4,402,809 | 4,143,366 | 4,402,809 |
| Sewer system – plant | - | - | 8,212,539 | 7,708,810 | 8,212,539 | 7,708,810 |
| Infrastructure | 40,351,615 | 37,863,530 | - | - | 40,351,615 | 37,863,530 |
| Machinery and equipment | 6,922,200 | 5,546,024 | 13,813,003 | 15,065,250 | 20,735,203 | 20,611,274 |
| Construction in progress | 571,774 | 5,520,187 | 2,167,963 | 1,981,749 | 2,739,737 | 7,501,936 |
| Total | $ 82,124,061 | $ 71,103,854 | $ 32,043,281 | $ 33,087,353 | $ 114,167,342 | $ 104,191,207 |

Additional information on the Town's capital assets can be found in Note 6 of this report.

**Long-term debt** – At the end of the current fiscal year, the Town had total bonded debt outstanding of $28,016,334, all of which is backed by the full faith and credit of the government.

**The Town's Outstanding Debt**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| General obligation bonds | $ 22,791,663 | $ 24,475,328 | $ 4,955,335 | $ 5,557,670 | $ 27,746,998 | $ 30,032,998 |
| Capital lease obligations | 269,336 | 82,456 | - | - | 269,336 | 82,456 |
| | $ 23,060,999 | $ 24,557,784 | $ 4,955,335 | $ 5,557,670 | $ 28,016,334 | $ 30,115,454 |

The Town's total debt decreased by $2,099,120 (6.97 percent) during the current fiscal year due to the scheduled debt principal payments.

The Town is currently rated AA by Standard and Poor's and Aa2 by Moody's for general obligation debt.

Additional information on the Town's long-term debt can be found in Note 7 of this report.

## Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County (it is unavailable for the Town) is currently 4.1 percent, which has decreased slightly from a year ago. This compares to the state's average unemployment rate of 4.8 percent and the national average rate of 4.9 percent.
- Inflationary trends in the region compare favorably to national indices.
- A 2% cost-of-living adjustment was given to employees which also increases most benefit costs.
- Water and Sewer rates are expected to increase to cover operational costs.
- No future increase in tax rates is planned.

All of these factors were considered in preparing the Town's budget for the 2017 fiscal year.

## Requests for Information

This financial report is designed to provide a general overview of the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Financial Services, Town of Blacksburg, P.O. Box 90003, Blacksburg, Virginia 24062-9003.

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# BASIC FINANCIAL STATEMENTS

EXHIBIT 1

**TOWN OF BLACKSBURG, VIRGINIA**

**STATEMENT OF NET POSITION**
**June 30, 2016**

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents (Note 2) | $ 8,665,559 | $ 6,612,102 | $ 15,277,661 |
| Investments (Note 2) | 3,072,504 | 2,479,212 | 5,551,716 |
| Receivables, net (Note 3) | 1,253,484 | 1,556,097 | 2,809,581 |
| Due from other governmental units (Note 5) | 1,812,378 | 1,158,847 | 2,971,225 |
| Inventories | 431,198 | 1,447,151 | 1,878,349 |
| Building and land held for resale | 912,472 | - | 912,472 |
| Prepaids | 71,567 | - | 71,567 |
| Restricted assets: | | | |
| Cash and cash equivalents (Note 2) | 3,165,050 | - | 3,165,050 |
| Capital assets: (Note 6) | | | |
| Land and construction in progress | 11,345,251 | 2,381,277 | 13,726,528 |
| Other capital assets, net | 70,778,810 | 29,662,004 | 100,440,814 |
| Total assets | 101,508,273 | 45,296,690 | 146,804,963 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Deferred outflows related to pensions (Note 9) | 1,792,810 | 510,988 | 2,303,798 |
| Deferred charge on refunding | 117,494 | 68,287 | 185,781 |
| Total deferred outflows of resources | 1,910,304 | 579,275 | 2,489,579 |
| **LIABILITIES** | | | |
| Accounts payable and accrued liabilities | 2,126,202 | 2,396,890 | 4,523,092 |
| Accrued payroll and related liabilities | 1,072,702 | 151,982 | 1,224,684 |
| Accrued interest payable | 232,669 | 49,123 | 281,792 |
| Public improvement and other deposits | 274,795 | 274,862 | 549,657 |
| Long-term liabilities: | | | |
| Net pension liability (Note 9) | 12,067,615 | 3,439,528 | 15,507,143 |
| Due within one year (Note 7) | 1,862,781 | 784,350 | 2,647,131 |
| Due in more than one year (Note 7) | 23,883,737 | 4,839,154 | 28,722,891 |
| Total liabilities | 41,520,501 | 11,935,889 | 53,456,390 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Property taxes and grants (Note 3) | 27,363 | 74,833 | 102,196 |
| Net difference between projected and actual investment earnings on pension plan investments (Note 9) | 1,056,438 | 301,108 | 1,357,546 |
| Total deferred inflows of resources | 1,083,801 | 375,941 | 1,459,742 |
| **NET POSITION** | | | |
| Net investment in capital assets | 61,556,627 | 27,111,499 | 88,668,126 |
| Restricted for: | | | |
| Capital outlay | 602,302 | - | 602,302 |
| Unrestricted | (1,344,654) | 6,452,636 | 5,107,982 |
| Total net position | $ 60,814,275 | $ 33,564,135 | $ 94,378,410 |

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

EXHIBIT 2

**TOWN OF BLACKSBURG, VIRGINIA**

**STATEMENT OF ACTIVITIES**
**Year Ended June 30, 2016**

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|---|---|---|---|---|---|---|
| | | | | | Primary Government | | |
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** | **Governmental Activities** | **Business-type Activities** | **Total** |
| Governmental activities: | | | | | | | |
| Legislative | $ 276,373 | $ - | $ - | $ - | $ (276,373) | $ - | $ (276,373) |
| Executive | 2,343,384 | 396,529 | - | 43,000 | (1,903,855) | - | (1,903,855) |
| Legal | 318,363 | 32,735 | - | - | (285,628) | - | (285,628) |
| Financial services | 1,623,761 | 789,254 | - | - | (834,507) | - | (834,507) |
| Technology | 767,541 | - | - | - | (767,541) | - | (767,541) |
| Police | 7,805,731 | 216,122 | 1,019,886 | - | (6,569,723) | - | (6,569,723) |
| Fire and rescue | 1,493,402 | 299,569 | - | 135,079 | (1,058,754) | - | (1,058,754) |
| Public works | 8,106,501 | 1,425,330 | 3,257,522 | - | (3,423,649) | - | (3,423,649) |
| Recreation | 2,404,483 | 597,968 | - | - | (1,806,515) | - | (1,806,515) |
| Engineering and GIS | 1,116,935 | 1,468,104 | - | 6,091,940 | 6,443,109 | - | 6,443,109 |
| Planning and building | 1,029,530 | - | - | - | (1,029,530) | - | (1,029,530) |
| CDBG entitlement | 707,711 | - | - | 707,711 | - | - | - |
| HOME consortium | 826,954 | - | - | 826,954 | - | - | - |
| Interest on long-term debt | 738,393 | - | - | - | (738,393) | - | (738,393) |
| Unallocated depreciation | 1,634,138 | - | - | - | (1,634,138) | - | (1,634,138) |
| Total governmental activities | 31,193,200 | 5,225,611 | 4,277,408 | 7,804,684 | (13,885,497) | - | (13,885,497) |
| Business-type activities: | | | | | | | |
| Water and sewer | 9,816,136 | 10,696,762 | - | 43,997 | - | 924,623 | 924,623 |
| Transit system | 10,068,972 | 3,671,868 | 3,370,636 | 2,358,527 | - | (667,941) | (667,941) |
| Solid waste and recycling | 1,660,484 | 1,737,437 | 9,493 | - | - | 86,446 | 86,446 |
| Stormwater | 685,973 | 1,014,048 | - | - | - | 328,075 | 328,075 |
| Total business-type activities | 22,231,565 | 17,120,115 | 3,380,129 | 2,402,524 | - | 671,203 | 671,203 |
| Total | $ 53,424,765 | $ 22,345,726 | $ 7,657,537 | $ 10,207,208 | (13,885,497) | 671,203 | (13,214,294) |
| | | **General revenues:** | | | | | |
| | | Property taxes | | | 7,140,994 | - | 7,140,994 |
| | | Sales and use taxes | | | 1,382,393 | - | 1,382,393 |
| | | Meals taxes | | | 5,396,462 | - | 5,396,462 |
| | | Utility taxes | | | 101,860 | - | 101,860 |
| | | Franchise taxes | | | 585,449 | - | 585,449 |
| | | Other local taxes | | | 3,610,836 | - | 3,610,836 |
| | | Business license taxes | | | 2,304,712 | - | 2,304,712 |
| | | Intergovernmental revenue-unrestricted | | | 81,781 | - | 81,781 |
| | | Gain on sale of assets | | | - | 45,868 | 45,868 |
| | | Unrestricted investment earnings | | | 179,249 | 109,330 | 288,579 |
| | | Unrealized gain on investments | | | 64,431 | 41,114 | 105,545 |
| | | Other | | | 850,709 | 156,120 | 1,006,829 |
| | | **Transfers (Note 4)** | | | 29,864 | (29,864) | - |
| | | Total general revenues and transfers | | | 21,728,740 | 322,568 | 22,051,308 |
| | | Change in net position | | | 7,843,243 | 993,771 | 8,837,014 |
| | | **Net position at July 1** | | | 52,971,032 | 32,570,364 | 85,541,396 |
| | | **Net position at June 30** | | | $ 60,814,275 | $ 33,564,135 | $ 94,378,410 |

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

EXHIBIT 3

**TOWN OF BLACKSBURG, VIRGINIA**

**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**June 30, 2016**

| | General | Urban Construction | Capital Projects: General Capital Projects | Capital Projects: Equipment Replacement | Debt Service | Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Cash and cash equivalents | $ 3,365,714 | $ - | $ 1,799,532 | $ 3,267,876 | $ - | $ - | $ 8,433,122 |
| Cash and cash equivalents, restricted | - | 602,302 | 2,562,748 | - | - | - | 3,165,050 |
| Investments | 1,501,396 | - | 139,847 | 1,431,261 | - | - | 3,072,504 |
| Receivables, net | 988,346 | - | 259,621 | 5,517 | - | - | 1,253,484 |
| Due from other funds | 290,246 | - | - | - | - | - | 290,246 |
| Due from other governmental units | 669,838 | - | 435,842 | - | - | 706,698 | 1,812,378 |
| Inventories | 293,667 | - | - | - | - | - | 293,667 |
| Prepaid expenditures | - | - | 71,567 | - | - | - | 71,567 |
| Total assets | $ 7,109,207 | $ 602,302 | $ 5,269,157 | $ 4,704,654 | $ - | $ 706,698 | $ 18,392,018 |
| **LIABILITIES** | | | | | | | |
| Accounts payable and accrued liabilities | $ 548,677 | $ - | $ 947,719 | $ 92,277 | $ - | $ 412,958 | $ 2,001,631 |
| Accrued payroll and related liabilities | 1,059,918 | - | - | - | - | 3,494 | 1,063,412 |
| Public improvement and other deposits | 274,795 | - | - | - | - | - | 274,795 |
| Due to other funds | - | - | - | - | - | 290,246 | 290,246 |
| Compensated absences | 89,767 | - | - | - | - | - | 89,767 |
| Total liabilities | 1,973,157 | - | 947,719 | 92,277 | - | 706,698 | 3,719,851 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | | |
| Unavailable/unearned revenue | 514,844 | - | - | - | - | - | 514,844 |
| Total deferred inflows of resources | 514,844 | - | - | - | - | - | 514,844 |
| **FUND BALANCES** | | | | | | | |
| Nonspendable | 293,667 | - | 71,567 | - | - | - | 365,234 |
| Restricted | - | 602,302 | - | - | - | - | 602,302 |
| Committed | 208,725 | 10,066 | 894,939 | 12,866 | - | 193,150 | 1,319,746 |
| Assigned | - | - | 3,354,932 | 4,599,511 | - | - | 7,954,443 |
| Unassigned | 4,118,814 | (10,066) | - | - | - | (193,150) | 3,915,598 |
| Total fund balances | 4,621,206 | 602,302 | 4,321,438 | 4,612,377 | - | - | 14,157,323 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 7,109,207 | $ 602,302 | $ 5,269,157 | $ 4,704,654 | $ - | $ 706,698 | |

| | | |
|---|---|---|
| **Amounts reported for governmental activities in the statement of net position are different because:** | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 81,953,466 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | 487,481 |
| Building and land purchased that is being held for future resale and is not reported in the funds. | | 912,472 |
| Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Bonds and capital lease payable | | (23,060,999) |
| Accrued interest payable | | (232,669) |
| Compensated absences | | (1,698,890) |
| OPEB liability | | (651,284) |
| Deferred amounts | | (69,183) |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. | | |
| Deferred outflows related to pensions: | 1,754,436 | |
| Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments: | (1,033,826) | |
| Net pension liability | (11,809,315) | (11,088,705) |
| 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. | | 105,263 |
| Net position of governmental activities | | $ 60,814,275 |

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

EXHIBIT 4

**TOWN OF BLACKSBURG, VIRGINIA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**GOVERNMENTAL FUNDS**
**Year Ended June 30, 2016**

| | | | Capital Projects | | | | |
|---|---|---|---|---|---|---|---|
| | General | Urban Construction | General Capital Projects | Equipment Replacement | Debt Service | Nonmajor Funds | Total Governmental Funds |
| **REVENUES** | | | | | | | |
| General property taxes | $ 7,079,548 | $ - | $ - | $ - | $ - | $ - | $ 7,079,548 |
| Other local taxes | 11,100,149 | - | - | - | - | - | 11,100,149 |
| Business license taxes | 2,304,720 | - | - | - | - | - | 2,304,720 |
| Permits and fees | 631,515 | - | - | - | - | - | 631,515 |
| Intergovernmental | 4,493,518 | 750 | 1,837,994 | - | - | 1,534,665 | 7,866,927 |
| Charges for services | 3,596,057 | - | - | - | - | - | 3,596,057 |
| Fines and forfeitures | 170,986 | - | - | - | - | - | 170,986 |
| Unrealized gain on investments | 42,634 | - | - | 21,797 | - | - | 64,431 |
| Investment earnings | 130,313 | 4,129 | - | 44,807 | - | - | 179,249 |
| Other | 1,082,572 | - | 154,566 | - | - | - | 1,237,138 |
| Total revenues | 30,632,012 | 4,879 | 1,992,560 | 66,604 | - | 1,534,665 | 34,230,720 |
| **EXPENDITURES** | | | | | | | |
| Current: | | | | | | | |
| Legislative | 281,218 | - | - | - | - | - | 281,218 |
| Executive | 2,319,402 | - | - | - | - | - | 2,319,402 |
| Legal | 325,269 | - | - | - | - | - | 325,269 |
| Financial services | 1,655,338 | - | - | - | - | - | 1,655,338 |
| Technology | 523,486 | - | - | - | - | - | 523,486 |
| Police | 7,498,893 | - | - | - | - | - | 7,498,893 |
| Fire and rescue | 1,059,849 | - | - | - | - | - | 1,059,849 |
| Public works | 5,851,727 | - | - | - | - | - | 5,851,727 |
| Recreation | 2,153,379 | - | - | - | - | - | 2,153,379 |
| Engineering and GIS | 1,060,813 | - | - | - | - | - | 1,060,813 |
| Planning and building | 1,070,492 | - | - | - | - | - | 1,070,492 |
| CDBG Entitlement | - | - | - | - | - | 707,711 | 707,711 |
| HOME Consortium | - | - | - | - | - | 826,954 | 826,954 |
| Capital outlays | - | 431,618 | 10,247,842 | 1,081,769 | - | - | 11,761,229 |
| Debt service: | | | | | | | |
| Principal retirement | - | - | - | - | 1,809,486 | - | 1,809,486 |
| Interest and fiscal charges | - | - | - | - | 734,720 | - | 734,720 |
| Total expenditures | 23,799,866 | 431,618 | 10,247,842 | 1,081,769 | 2,544,206 | 1,534,665 | 39,639,966 |
| Excess (deficiency) of revenues over expenditures | 6,832,146 | (426,739) | (8,255,282) | (1,015,165) | (2,544,206) | - | (5,409,246) |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | |
| Capital lease proceeds | - | - | 312,701 | - | - | - | 312,701 |
| Sale of general capital assets | 66,326 | - | - | - | - | - | 66,326 |
| Transfers in | 368,457 | - | 1,483,980 | 1,663,702 | 2,544,206 | - | 6,060,345 |
| Transfers out | (5,172,285) | - | (362,631) | (495,565) | - | - | (6,030,481) |
| Total other financing sources (uses) | (4,737,502) | - | 1,434,050 | 1,168,137 | 2,544,206 | - | 408,891 |
| Net change in fund balance | 2,094,644 | (426,739) | (6,821,232) | 152,972 | - | - | (5,000,355) |
| **FUND BALANCES AT JULY 1** | 2,526,562 | 1,029,041 | 11,142,670 | 4,459,405 | - | - | 19,157,678 |
| **FUND BALANCES AT JUNE 30** | $ 4,621,206 | $ 602,302 | $ 4,321,438 | $ 4,612,377 | $ - | $ - | $ 14,157,323 |

(Continued)

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

**TOWN OF BLACKSBURG, VIRGINIA**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**
**Year Ended June 30, 2016**

| | |
|---|---|
| **Net changes in fund balances** | (5,000,355) |
| **Adjustments for the statement of activities:** | |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation exceeded new capital assets in the current period. | |
| Capital outlay | 11,111,478 |
| Capital contributions | 3,901,151 |
| Depreciation expense | (3,772,323) |
| Disposal of assets | (270,878) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 38,289 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatments of long-term debt and related items | |
| Principal repayment | 1,809,486 |
| Amortization of deferred costs | (10,364) |
| Capital lease proceeds | (312,701) |
| Deferred amount on refunding | (8,011) |
| 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. | |
| Accrued interest payable | 14,702 |
| Change in compensated absences | (43,923) |
| Change in OPEB liability | (188,295) |
| Governmental funds report employer pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. | 603,556 |
| The internal service fund is used by management to change the costs of the central garage. The change in net position of internal service funds is reported with governmental activities. | (28,569) |
| **Change in net position of governmental activities** | $ 7,843,243 |

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

**EXHIBIT 5**

**TOWN OF BLACKSBURG, VIRGINIA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND (Non-GAAP Budgetary Basis)**
**Year Ended June 30, 2016**

| | Budgeted Amounts | | | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | (Negative) |
| **REVENUES** | | | | |
| General property taxes | $ 7,126,500 | $ 7,126,500 | $ 7,079,548 | $ (46,952) |
| Other local taxes | 10,380,500 | 10,380,500 | 11,100,149 | 719,649 |
| Business license taxes | 1,999,900 | 1,999,900 | 2,304,720 | 304,820 |
| Permits and fees | 389,400 | 447,400 | 631,515 | 184,115 |
| Intergovernmental | 4,309,700 | 4,373,200 | 4,493,518 | 120,318 |
| Charges for services | 3,445,300 | 3,509,300 | 3,596,057 | 86,757 |
| Fines and forfeitures | 338,000 | 338,000 | 170,986 | (167,014) |
| Unrealized gain on investments | - | - | 42,634 | 42,634 |
| Investment earnings | 121,100 | 121,100 | 130,313 | 9,213 |
| Other | 691,700 | 706,700 | 1,082,572 | 375,872 |
| Total revenues | 28,802,100 | 29,002,600 | 30,632,012 | 1,629,412 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Legislative | 288,216 | 288,216 | 281,218 | 6,998 |
| Executive | 2,072,887 | 2,527,795 | 2,351,222 | 176,573 |
| Legal | 356,653 | 389,708 | 346,259 | 43,449 |
| Financial services | 1,729,702 | 1,754,934 | 1,664,338 | 90,596 |
| Technology | 543,539 | 551,289 | 524,336 | 26,953 |
| Police | 8,229,230 | 8,187,850 | 7,520,989 | 666,861 |
| Fire and rescue | 1,016,382 | 1,132,365 | 1,084,527 | 47,838 |
| Public works | 6,063,905 | 5,887,325 | 5,881,181 | 6,144 |
| Recreation | 2,236,339 | 2,257,349 | 2,178,379 | 78,970 |
| Engineering and GIS | 1,236,092 | 1,213,578 | 1,101,594 | 111,984 |
| Planning and building | 1,107,728 | 1,132,262 | 1,074,548 | 57,714 |
| Contingency | 245,641 | 99,475 | - | 99,475 |
| Total expenditures | 25,126,314 | 25,422,146 | 24,008,591 | 1,413,555 |
| Excess of revenues over expenditures | 3,675,786 | 3,580,454 | 6,623,421 | 3,042,967 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | - | - | 368,457 | 368,457 |
| Transfers out | (5,040,686) | (5,177,431) | (5,172,285) | 5,146 |
| Sale of general capital assets | 100,000 | 100,000 | 66,326 | (33,674) |
| Prior year re-appropriations | 1,264,900 | 1,264,900 | - | (1,264,900) |
| Total other financing sources (uses) | (3,675,786) | (3,812,531) | (4,737,502) | (924,971) |
| Net change in fund balance | $ - | $ (232,077) | $ 1,885,919 | $ 2,117,996 |

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

EXHIBIT 6

# TOWN OF BLACKSBURG, VIRGINIA

## STATEMENT OF NET POSITION
## PROPRIETARY FUNDS
## June 30, 2016

| | Business-type Activities – Enterprise Funds | | | | | Governmental Activities – |
|---|---|---|---|---|---|---|
| | Water and Sewer | Transit System | Solid Waste and Recycling | Stormwater | Total | Internal Service Fund |
| **ASSETS** | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | $ 2,243,558 | $ 3,212,533 | $ 644,154 | $ 511,857 | $ 6,612,102 | $ 232,437 |
| Investments | 978,519 | 1,407,729 | - | 92,964 | 2,479,212 | - |
| Receivables, net | 993,094 | 292,439 | 210,204 | 60,360 | 1,556,097 | - |
| Due from other governmental units | - | 1,158,847 | - | - | 1,158,847 | - |
| Inventories | - | 1,447,151 | - | - | 1,447,151 | 137,531 |
| Total current assets | 4,215,171 | 7,518,699 | 854,358 | 665,181 | 13,253,409 | 369,968 |
| Noncurrent assets: | | | | | | |
| Land and construction in progress | 300,007 | 1,850,224 | 231,046 | - | 2,381,277 | 45,620 |
| Other capital assets, net | 13,429,964 | 16,035,862 | 176,721 | 19,457 | 29,662,004 | 124,975 |
| Total noncurrent assets | 13,729,971 | 17,886,086 | 407,767 | 19,457 | 32,043,281 | 170,595 |
| Total assets | 17,945,142 | 25,404,785 | 1,262,125 | 684,638 | 45,296,690 | 540,563 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | | |
| Deferred outflows related to pensions | 149,569 | 332,459 | 12,674 | 16,286 | 510,988 | 38,374 |
| Deferred charge on refunding | 68,287 | - | - | - | 68,287 | - |
| Total deferred outflows of resources | 217,856 | 332,459 | 12,674 | 16,286 | 579,275 | 38,374 |
| **LIABILITIES** | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and accrued liabilities | 1,252,825 | 1,030,042 | 112,339 | 1,684 | 2,396,890 | 124,571 |
| Accrued payroll and related liabilities | 36,958 | 108,457 | 2,780 | 3,787 | 151,982 | 9,290 |
| Accrued interest payable | 49,123 | - | - | - | 49,123 | - |
| Customer deposits | 274,862 | - | - | - | 274,862 | - |
| Compensated absences | 47,890 | 111,017 | 4,354 | 4,354 | 167,615 | 13,061 |
| Bonds payable | 616,735 | - | - | - | 616,735 | - |
| Total current liabilities | 2,278,393 | 1,249,516 | 119,473 | 9,825 | 3,657,207 | 146,922 |
| Noncurrent liabilities: | | | | | | |
| Compensated absences | 150,333 | 120,018 | 5,735 | 8,742 | 284,828 | 30,116 |
| Other post-employment benefits | 60,873 | 102,577 | 5,692 | 1,850 | 170,992 | 15,724 |
| Net pension liability | 1,006,768 | 2,237,823 | 85,313 | 109,624 | 3,439,528 | 258,300 |
| Bonds and leases payable | 4,383,334 | - | - | - | 4,383,334 | - |
| Total noncurrent liabilities | 5,601,308 | 2,460,418 | 96,740 | 120,216 | 8,278,682 | 304,140 |
| Total liabilities | 7,879,701 | 3,709,934 | 216,213 | 130,041 | 11,935,889 | 451,062 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | |
| Unearned grants | - | 72,740 | 2,093 | - | 74,833 | - |
| Net difference between projected and actual investment earnings on pension plan investments | 88,136 | 195,906 | 7,469 | 9,597 | 301,108 | 22,612 |
| Total deferred inflows of resources | 88,136 | 268,646 | 9,562 | 9,597 | 375,941 | 22,612 |
| **NET POSITION** | | | | | | |
| Net investment in capital assets | 8,798,189 | 17,886,086 | 407,767 | 19,457 | 27,111,499 | 170,595 |
| Unrestricted | 1,396,972 | 3,872,578 | 641,257 | 541,829 | 6,452,636 | (65,332) |
| Total net position | $ 10,195,161 | $ 21,758,664 | $ 1,049,024 | $ 561,286 | $ 33,564,135 | $ 105,263 |

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

EXHIBIT 7

**TOWN OF BLACKSBURG, VIRGINIA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**
**PROPRIETARY FUNDS**
**Year Ended June 30, 2016**

| | Business-type Activities – Enterprise Funds | | | | | Governmental Activities – Internal Service Fund |
|---|---|---|---|---|---|---|
| | Water and Sewer | Transit System | Solid Waste and Recycling | Stormwater | Total | |
| **OPERATING REVENUES** | | | | | | |
| Charges for services | $ 9,352,300 | $ 3,671,868 | $ 1,737,437 | $ 1,014,048 | $ 15,775,653 | $ 1,040,971 |
| Availability and transfer fees | 938,888 | - | - | - | 938,888 | - |
| Meter installation | 310,743 | - | - | - | 310,743 | - |
| Connection fees | 94,831 | - | - | - | 94,831 | - |
| Other | 134,362 | 734 | 251 | 20,773 | 156,120 | - |
| Total operating revenues | 10,831,124 | 3,672,602 | 1,737,688 | 1,034,821 | 17,276,235 | 1,040,971 |
| **OPERATING EXPENSES** | | | | | | |
| Personal services | 1,223,565 | 4,777,483 | 107,781 | 231,263 | 6,340,092 | 314,827 |
| Contractual services | 5,735,846 | 570,850 | 1,267,690 | 48,211 | 7,622,597 | 95,067 |
| Administration | 1,199,587 | 592,475 | 224,379 | 367,000 | 2,383,441 | 9,340 |
| Depreciation | 982,757 | 2,653,523 | 30,124 | 3,243 | 3,669,647 | 23,033 |
| Other | 536,814 | 1,474,641 | 30,510 | 36,256 | 2,078,221 | 627,273 |
| Total operating expenses | 9,678,569 | 10,068,972 | 1,660,484 | 685,973 | 22,093,998 | 1,069,540 |
| Operating income (loss) | 1,152,555 | (6,396,370) | 77,204 | 348,848 | (4,817,763) | (28,569) |
| **NONOPERATING REVENUES (EXPENSES)** | | | | | | |
| Gain on disposal of capital assets | 25,804 | 20,064 | - | - | 45,868 | - |
| Intergovernmental revenue | - | 3,370,636 | 9,493 | - | 3,380,129 | - |
| Unrealized gain on investments | 15,346 | 22,456 | - | 3,312 | 41,114 | - |
| Interest income | 46,476 | 53,980 | - | 8,874 | 109,330 | - |
| Interest expense | (137,567) | - | - | - | (137,567) | - |
| Net nonoperating revenues (expenses) | (49,941) | 3,467,136 | 9,493 | 12,186 | 3,438,874 | - |
| Income (loss) before contributions and transfers | 1,102,614 | (2,929,234) | 86,697 | 361,034 | (1,378,889) | (28,569) |
| **CAPITAL CONTRIBUTIONS** | 43,997 | 2,358,527 | - | - | 2,402,524 | - |
| **TRANSFERS IN** | 445,848 | - | 280,763 | - | 726,611 | - |
| **TRANSFERS OUT** | (467,125) | - | (289,350) | - | (756,475) | - |
| Change in net position | 1,125,334 | (570,707) | 78,110 | 361,034 | 993,771 | (28,569) |
| **NET POSITION AT JULY 1** | 9,069,827 | 22,329,371 | 970,914 | 200,252 | 32,570,364 | 133,832 |
| **NET POSITION AT JUNE 30** | $ 10,195,161 | $ 21,758,664 | $ 1,049,024 | $ 561,286 | $ 33,564,135 | $ 105,263 |

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

EXHIBIT 8

**TOWN OF BLACKSBURG, VIRGINIA**

**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUNDS**
**Year Ended June 30, 2016**

| | 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 | $ 10,771,667 | $ 3,629,320 | $ 1,740,711 | $ 1,015,805 | $ 17,157,503 | $ 1,040,971 |
| Payments to suppliers | (7,450,190) | (3,050,755) | (1,516,692) | (451,645) | (12,469,282) | (680,266) |
| Payments to employees | (1,485,879) | (4,533,653) | (107,745) | (146,600) | (6,273,877) | (339,163) |
| Other receipts | 134,362 | 734 | 251 | 20,773 | 156,120 | - |
| Net cash provided by (used in) operating activities | 1,969,960 | (3,954,354) | 116,525 | 438,333 | (1,429,536) | 21,542 |
| **NONCAPITAL FINANCING ACTIVITIES** | | | | | | |
| Transfers to other funds | (467,125) | - | (289,350) | - | (756,475) | - |
| Operating assistance grants received | - | 3,581,276 | 10,044 | - | 3,591,320 | - |
| Interfund borrowing (repayments) | 445,848 | - | - | - | 445,848 | - |
| Net cash provided by (used in) noncapital financing activities | (21,277) | 3,581,276 | (279,306) | - | 3,280,693 | - |
| **CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | | | |
| Purchases of capital assets | (620,721) | (1,238,028) | - | (22,700) | (1,881,449) | (32,304) |
| Proceeds from sale of capital assets | 25,804 | 20,064 | - | - | 45,868 | - |
| Contribution of capital by other governments | - | 2,143,217 | - | - | 2,143,217 | - |
| Principal paid on capital debt | (602,335) | - | - | - | (602,335) | - |
| Interest paid on capital debt | (128,756) | - | - | - | (128,756) | - |
| Net cash provided by (used in) capital and related financing activities | (1,326,008) | 925,253 | - | (22,700) | (423,455) | (32,304) |
| **INVESTING ACTIVITIES** | | | | | | |
| Net sale (purchases) of investments | (396,814) | (494,641) | - | (50,258) | (941,713) | - |
| Interest received | 46,476 | 53,980 | - | 8,874 | 109,330 | - |
| Net cash provided by (used in) investing activities | (350,338) | (440,661) | - | (41,384) | (832,383) | - |
| Net (decrease) increase in cash and cash equivalents | 272,337 | 111,514 | (162,781) | 374,249 | 595,319 | (10,762) |
| **CASH AND CASH EQUIVALENTS** | | | | | | |
| Beginning at July 1 | 1,971,221 | 3,101,019 | 806,935 | 137,608 | 6,016,783 | 243,199 |
| Ending at June 30 | $ 2,243,558 | $ 3,212,533 | $ 644,154 | $ 511,857 | $ 6,612,102 | $ 232,437 |

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

EXHIBIT 8

**TOWN OF BLACKSBURG, VIRGINIA**

**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUNDS**
**Year Ended June 30, 2016**

| | 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) | $ 1,152,555 | $ (6,396,370) | $ 77,204 | $ 348,848 | $ (4,817,763) | $ (28,569) |
| Adjustments to reconcile operating income (loss) to net cash provided by (uesed in) operating activities: | | | | | | |
| Depreciation | 982,757 | 2,653,523 | 30,124 | 3,243 | 3,669,647 | 23,033 |
| Pension expense net of employer contributions | (158,158) | 170,478 | (2,439) | 67,866 | 77,747 | (25,730) |
| Change in assets and liabilities | | | | | | |
| (Increase) decrease in: | | | | | | |
| Receivable, net | (26,786) | (55,288) | 3,274 | 1,757 | (77,043) | - |
| Inventories | - | (503,250) | - | - | (503,250) | 13,937 |
| (Decrease) increase in: | | | | | | |
| Accounts payable and accrued liabilities | 22,057 | 90,461 | 5,887 | (178) | 118,227 | 37,477 |
| Accrued payroll and related liabilities | (104,156) | 73,352 | 2,475 | 16,797 | (11,532) | 1,394 |
| Unearned revenue | - | 12,740 | - | - | 12,740 | - |
| Customer deposits | 101,691 | - | - | - | 101,691 | - |
| Net cash provided by (used in) operating activities | $ 1,969,960 | $ (3,954,354) | $ 116,525 | $ 438,333 | $ (1,429,536) | $ 21,542 |
| **NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | | | |
| Capital asset purchases financed by accounts payable | $ - | $ 591,704 | $ - | $ - | $ 591,704 | $ 46,812 |
| Capital contributions received | $ 43,997 | $ - | $ - | $ - | $ 43,997 | $ - |
| Decrease in due from other governmental units for capital and operating grants | $ - | $ (4,670) | $ - | $ - | $ (4,670) | $ - |
| Capital asset transferred from governmental funds | | | $ 231,046 | | $ 231,046 | $ - |

(Continued)

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

**EXHIBIT 9**

**TOWN OF BLACKSBURG, VIRGINIA**

**STATEMENT OF FIDUCIARY NET POSITION**
**AGENCY FUNDS**
**June 30, 2016**

| | Agency Funds |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 2,204,271 |
| Total assets | $ 2,204,271 |
| **LIABILITIES** | |
| Liability to agency | $ 2,204,271 |
| Total liabilities | $ 2,204,271 |

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

## 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, stormwater, 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 2016, the Town paid $2,018,406 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 Towns of Blacksburg and Christiansburg, Montgomery County, 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 $287,562 in tipping fees during fiscal year 2016.

(Continued)

## Note 1. Summary of Significant Accounting Policies (Continued)

### A. The Financial Reporting Entity (Continued)

Jointly Governed Organizations: (Continued)

*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 2016, the Town paid $3,061,791 to the Authority for purchase of wastewater treatment services.

*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 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 2016, the Town paid $50,000 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 2016, the Town paid $5,800 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 2016, the Town paid $122,765 to the MRTB.

(Continued)

## Note 1. Summary of Significant Accounting Policies (Continued)

### A. The Financial Reporting Entity (Continued)

Jointly Governed Organizations: (Continued)

*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 2016, the Town paid $419,993 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 of 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.

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. However, agency funds have no measurement focus. 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.

(Continued)

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

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.

Agency funds are unlike all other fund types, reporting only assets and liabilities; therefore, agency funds do not have a measurement focus. The agency funds utilize the accrual basis of accounting to recognize receivables and payables.

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 *urban construction fund* accounts for the revenue and construction activity relating to highway planning and construction funded by federal and state funds.

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.

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

(Continued)

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

Additionally, the Town reports the following fund types:

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

The *agency 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.

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 department is not adjusted. The Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual (Non-GAAP Budgetary Basis) – General Fund reflects these revisions, if any. All appropriations lapse at year end to the extent they have not been expended or lawfully encumbered. An appropriation equal to year end encumbrances is authorized in the succeeding year.

(Continued)

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgets and Budgetary Accounting (Continued)**

The following is a reconciliation of the results of operations for the year on the budgetary basis to the GAAP basis:

| | General Fund |
|---|---|
| Net change in fund balance (non-GAAP budgetary basis) | $ 1,885,919 |
| Encumbrances at June 30, 2016 | 208,725 |
| Net change in fund balance (GAAP basis) | $ 2,094,644 |

**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.

**I. Building and Land Held for Resale**

Building and land held for resale represent a property that was purchased by the Town to settle a lawsuit during fiscal year 2015. The Town intends on selling the property as soon as possible and thus will not be placed into service to benefit the Town.

**J. 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 are recorded at estimated fair value at the date of donation.

(Continued)

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Capital Assets (Continued)**

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest expense was capitalized during the current year.

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 |

**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. The Town has three items that qualify for reporting in this category. The first consists of contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year. The second consists of differences between expected and actual experience for economic or demographic factors in the total pension liability measurement. The third is deferred charge on refunding 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.

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 period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three items reported as deferred inflows of resources. One item occurs only under a modified accrual basis of accounting. The item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 45 days of year-end and property taxes levied to fund future years. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item represents tax collections or governmental grants received before the period in which they are eligible for use. The third item is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period.

(Continued)

## Note 1. Summary of Significant Accounting Policies (Continued)

### K. 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.

### L. Other Post-employment Benefit Trust Fund

The Town's policy is to fund a portion of the annual required contribution of its other post-employment 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 post-employment benefits liability is included in Note 11 and in the required supplementary information immediately following the notes.

### M. Long-Term Obligations

In the government-wide financial statements, and proprietary fund type financial statements, *long-term debt* and other long-term obligations are reported as liabilities in the applicable fund-type statements 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, as well as bond issuance costs, during the period of debt issuance. The face amount of debt issued and 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.

### N. Pensions

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

(Continued)

## Note 1. Summary of Significant Accounting Policies (Continued)

### O. 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).

#### 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.

(Continued)

## Note 1. Summary of Significant Accounting Policies (Continued)

### O. Fund Balances (Continued)

#### 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 integration in the governmental funds. Significant encumbrances outstanding as of June 30 total $208,725 in the general fund, $10,066 in the urban construction fund, $907,805 in the capital projects fund, and $193,150 in nonmajor governmental funds. Encumbrances outstanding at the end of the year are reappropriated as part of subsequent year's budget.

#### Restricted Net Position

Restricted net position for governmental activities consists of unspent grant fund proceeds for the Urban Construction fund.

### P. 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

(Continued)

**Note 2. Deposits and Investments (Continued)**

**Investments (Continued)**

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 fair 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). 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.

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: Moody's Investors Service, Standard & Poor's, and Fitch Investor's Service, provided that the issuing corporation has a net worth of $50 million and its long-term debt is rated A or better by Moody's and Standard and Poor's. Banker's acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard and Poor's and "P-1" by Moody's Investor Service. 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 65% of the Town's investment. Most of the Town's certificates of deposit are under $250,000 and are 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, 2016 are shown in the table below under Interest Rate Risk.

(Continued)

**Note 2. Deposits and Investments (Continued)**

**Investments (Continued)**

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 and weighted average maturity of investments were as follows:

| Investment Type | Fair Value | Weighted Average Maturity* | Percentage of Portfolio |
|---|---|---|---|
| SNAP | $ 2,562,748 | 1 | 24.69% |
| LGIP | 1,433,024 | 1 | 13.81% |
| Certificates of deposit | 6,382,658 | 2,130 | 24.69% |
| Total investments | $ 10,378,430 | | 100.00% |
| Portfolio weighted average maturity | | | |

*Weighted average maturity in days

| | |
|---|---|
| **Investments** | $ 10,378,430 |
| **Deposits** | 13,615,997 |
| **Total deposits and investments** | $ 23,994,427 |
| **Reconciliation of deposits and investments to Exhibit 1:** | |
| Cash and cash equivalents | $ 15,277,661 |
| Cash and cash equivalents, restricted | 3,165,050 |
| Investments | 5,551,716 |
| **Total deposits and investments** | $ 23,994,427 |

Restricted cash and cash equivalents consists of unexpended debt proceeds and grant funds received in advance 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 the types of securities to invest in.

(Continued)

## Note 3. Receivables, Net

Receivables are as follows:

| | Governmental Activities | | | Business-Type Activities | | | |
|---|---|---|---|---|---|---|---|
| | General | General Capital Projects | Equipment Replacement | Water and Sewer | Transit System | Solid Waste and Recycling | Stormwater |
| Receivables | | | | | | | |
| Interest | $ 10,717 | $ - | $ - | $ 3,195 | $ 5,178 | $ - | $ 550 |
| Taxes | 861,033 | - | - | - | - | - | - |
| Accounts | 147,291 | 259,621 | 5,517 | 995,001 | 287,261 | 211,142 | 59,810 |
| | 1,019,041 | 259,621 | 5,517 | 998,196 | 292,439 | 211,142 | 60,360 |
| Less: allowance for uncollectibles | (30,695) | - | - | (5,102) | - | (938) | - |
| Receivables, net | $ 988,346 | $ 259,621 | $ 5,517 | $ 993,094 | $ 292,439 | $ 210,204 | $ 60,360 |

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

| | Unavailable | Unearned | Total |
|---|---|---|---|
| Included in receivables: | | | |
| Delinquent property taxes | $ 155,043 | $ - | $ 155,043 |
| Sales tax | 111,315 | - | 111,315 |
| Telecommunication tax | 96,504 | - | 96,504 |
| Meals tax and BPOL | 123,404 | - | 123,404 |
| Other | 1,215 | - | 1,215 |
| | 487,481 | - | 487,481 |
| Included in cash: | | | |
| Other | - | 2,944 | 2,944 |
| Subsequent years' tax collections | - | 24,419 | 24,419 |
| Total deferred/unearned revenue for governmental funds | $ 487,481 | $ 27,363 | $ 514,844 |

Deferred inflows of resources for unearned revenue in the transit fund and the solid waste and recycling fund represent grant payments received for future year activities.

(Continued)

## Note 4. Interfund Receivables, Payables, and Transfers

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

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General | CDBG | $ 252,862 |
| General | HOME | 37,384 |
| | | $ 290,246 |

The primary purpose of the due from/to amounts is as follows:

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

Interfund transfers are as follows:

| | Transfers In: | | | | | | |
|---|---|---|---|---|---|---|---|
| | General | General Capital | Equipment Replacement | Water and Sewer | Solid Waste and Recycling | Debt Service | Total |
| **Transfers out:** | | | | | | | |
| General | $ - | $ 1,261,386 | $ 1,366,693 | $ - | $ - | $ 2,544,206 | $ 5,172,285 |
| General capital | 131,585 | - | - | - | 231,046 | - | 362,631 |
| Equipment replacement | - | - | - | 445,848 | 49,717 | - | 495,565 |
| Solid waste and recycling | 236,872 | 4,128 | 48,350 | - | - | - | 289,350 |
| Water and sewer | - | 218,466 | 248,659 | - | - | - | 467,125 |
| Total | $ 368,457 | $ 1,483,980 | $ 1,663,702 | $ 445,848 | $ 280,763 | $ 2,544,206 | $ 6,786,956 |

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.
- Transfer construction project in progress to the correct fund.

(Continued)

## 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 | $ - | $ 805,465 |
| Transit operational assistance grant | | 56,476 |
| Community Development Planning Entitlement Grant | 312,702 | - |
| HOME funding | 393,996 | - |
| Other Federal: | | |
| Transit Grants | - | 40,384 |
| Commonwealth of Virginia: | | |
| Transit Grants | - | 256,522 |
| Telecommunications tax | 195,237 | - |
| VDOT Revenue Sharing | 419,571 | - |
| Other: | | |
| Sales tax | 231,622 | - |
| Other – includes airport and VASAP | 259,250 | - |
| | $ 1,812,378 | $ 1,158,847 |

(Continued)

## Note 6. Capital Assets

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

| Governmental Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital assets, not depreciated | | | | |
| Land | $ 8,888,161 | $ 1,885,316 | $ - | $ 10,773,477 |
| Construction in progress | 5,520,187 | 9,249,134 | (14,197,547) | 571,774 |
| Total capital assets, not depreciated | 14,408,348 | 11,134,450 | (14,197,547) | 11,345,251 |
| Capital assets, depreciated | | | | |
| Buildings and improvements | 23,213,275 | 11,099,630 | - | 34,312,905 |
| Infrastructure | 51,664,488 | 4,122,223 | - | 55,786,711 |
| Machinery and equipment | 17,589,289 | 2,686,675 | (470,769) | 19,805,195 |
| Total capital assets depreciated | 92,467,052 | 17,908,528 | (470,769) | 109,904,811 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 9,927,323 | 880,587 | - | 10,807,910 |
| Infrastructure | 13,800,958 | 1,634,138 | - | 15,435,096 |
| Machinery and equipment | 12,043,265 | 1,280,631 | (440,901) | 12,882,995 |
| Total accumulated depreciation | 35,771,546 | 3,795,356 | (440,901) | 39,126,001 |
| Total capital assets, depreciated, net | 56,695,506 | 14,113,172 | (29,868) | 70,778,810 |
| Governmental activities, capital assets, net | $ 71,103,854 | $ 25,247,622 | $ (14,227,415) | $ 82,124,061 |
| **Business-Type Activities** | | | | |
| Capital assets, not depreciated | | | | |
| Land | $ 213,314 | $ - | $ - | $ 213,314 |
| Construction in progress | 1,981,749 | 1,111,942 | (925,728) | 2,167,963 |
| Total capital assets, not depreciated | 2,195,063 | 1,111,942 | (925,728) | 2,381,277 |
| Capital assets, depreciated | | | | |
| Buildings and improvements | 7,623,670 | 29,861 | - | 7,653,531 |
| Water system-plant | 11,410,075 | - | - | 11,410,075 |
| Sewer system-plant | 13,638,224 | 925,728 | - | 14,563,952 |
| Machinery and equipment | 31,138,795 | 1,597,045 | (361,163) | 32,374,677 |
| Total capital assets depreciated | 63,810,764 | 2,552,634 | (361,163) | 66,002,235 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 3,908,249 | 252,186 | - | 4,160,435 |
| Water system-plant | 7,007,266 | 259,443 | - | 7,266,709 |
| Sewer system-plant | 5,929,414 | 421,999 | - | 6,351,413 |
| Machinery and equipment | 16,073,545 | 2,736,019 | (247,890) | 18,561,674 |
| Total accumulated depreciation | 32,918,474 | 3,669,647 | (247,890) | 36,340,231 |
| Total capital assets, depreciated, net | 30,892,290 | (1,117,013) | (113,273) | 29,662,004 |
| Business-Type activities, capital assets, net | $ 33,087,353 | $ (5,071) | $ (1,039,001) | $ 32,043,281 |

(Continued)

**Note 6. Capital Assets (Continued)**

The Virginia Department of Transportation (VDOT) and the Federal Transit Administration (FTA) have provided grants for certain Transit System capital assets which have a total net book value of $17,709,513 as of June 30. The Town cannot dispose of these assets without prior approval from the grantors.

Depreciation expense was charged to functions/programs as follows:

| | |
|---|---|
| Governmental activities: | |
| Executive | $ 16,167 |
| Financial services | 924 |
| Technology | 9,011 |
| Police | 443,007 |
| Fire and rescue | 488,185 |
| Public works | 900,667 |
| Recreation | 256,831 |
| Planning and engineering | 23,393 |
| Unallocated depreciation | 1,634,138 |
| Internal service fund | 23,033 |
| | $ 3,795,356 |
| Business-type activities: | |
| Water and sewer | $ 982,757 |
| Transit system | 2,653,523 |
| Stormwater | 3,243 |
| Solid Waste and Recycling | 30,124 |
| | $ 3,669,647 |

**Construction Commitments**

The Town has active construction projects as of June 30. The Town's commitments with contractors are as follows:

| Project | Spent to Date | Remaining Commitment |
|---|---|---|
| Bennett Hill /Progress St. Stabilization | $ 444,304 | $ 94,952 |
| Multi-Modal Facility Design | 792,160 | 1,183,692 |
| South Point Park | 118,320 | 646,833 |
| | $ 1,354,784 | $ 1,925,477 |

(Continued)

## Note 7. 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 | $ 24,475,328 | $ - | $ 1,683,665 | $ 22,791,663 | $ 1,700,265 |
| Net discounts/premiums | 176,313 | - | (10,364) | 186,677 | - |
| Total bonds payable | 24,651,641 | - | 1,673,301 | 22,978,340 | 1,700,265 |
| Capital lease | 82,456 | 312,701 | 125,821 | 269,336 | 59,688 |
| Compensated absences | 1,847,142 | 1,232,113 | 1,247,421 | 1,831,834 | 102,828 |
| Other post-employment benefits | 474,676 | 569,502 | 377,170 | 667,008 | - |
| | $ 27,055,915 | $ 2,114,316 | $ 3,423,713 | $ 25,746,518 | $ 1,862,781 |
| Business-Type Activities: | | | | | |
| General obligation bonds | $ 5,557,670 | $ - | $ 602,335 | $ 4,955,335 | $ 616,735 |
| Net discounts/premiums | 36,870 | - | (7,864) | 44,734 | - |
| Total bonds payable | 5,594,540 | - | 594,471 | 5,000,069 | 616,735 |
| Compensated absences | 557,582 | 369,913 | 475,052 | 452,443 | 167,615 |
| Other post-employment benefits | 115,700 | 138,813 | 83,521 | 170,992 | - |
| | $ 6,267,822 | $ 508,726 | $ 1,153,044 | $ 5,623,504 | $ 784,350 |

Governmental activities compensated absences and other post-employment benefits liabilities are generally liquidated by the general fund.

The gross amount of parking meters and pay stations acquired under the capital lease is $312,701.

(Continued)

## Note 7. Long-Term Liabilities (Continued)

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

| Year Ended June 30 | Governmental Activities: General Obligation Bonds Principal | Governmental Activities: General Obligation Bonds Interest | Governmental Activities: Capital Lease Principal | Governmental Activities: Capital Lease Interest | Business-Type Activities: General Obligations Bonds Principal | Business-Type Activities: General Obligations Bonds Interest |
|---|---|---|---|---|---|---|
| 2017 | $ 1,700,265 | $ 627,392 | $ 59,688 | $ 9,010 | $ 616,735 | $ 113,927 |
| 2018 | 1,585,505 | 591,478 | 61,894 | 6,804 | 574,495 | 100,147 |
| 2019 | 1,615,910 | 553,256 | 64,182 | 4,516 | 589,090 | 86,260 |
| 2020 | 1,498,700 | 522,088 | 66,553 | 2,144 | 566,300 | 74,743 |
| 2021 | 1,516,683 | 491,233 | 17,019 | 155 | 573,315 | 63,344 |
| 2022-2026 | 5,878,350 | 1,950,850 | - | - | 1,911,650 | 152,543 |
| 2027-2031 | 4,371,250 | 1,122,501 | - | - | 123,750 | 4,950 |
| 2032-2036 | 2,180,000 | 602,131 | - | - | - | - |
| 2037-2041 | 1,265,000 | 338,231 | - | - | - | - |
| 2042-2045 | 1,180,000 | 105,000 | - | - | - | - |
| | $ 22,791,663 | $ 6,904,160 | $ 269,336 | $ 22,629 | $ 4,955,335 | $ 595,914 |

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 Bonds | 3.34 | 02-05 | 09-16 | $ 1,618,000 | $ 162,750 | $ 54,250 |
| General Obligation Bonds | 3.70-5.00 | 01-07 | 03-27 | 4,875,000 | 146,873 | 88,125 |
| General Obligation Bonds | 2.13 | 10-09 | 09-18 | 1,625,000 | 480,870 | 104,130 |
| General Obligation Bonds | 5.21 | 10-09 | 03-30 | 3,180,000 | 2,405,000 | - |
| General Obligation Bonds | 1.92 | 11-11 | 10-25 | 9,545,000 | 3,563,850 | 2,976,150 |
| General Obligation Bonds | 1.94 | 11-12 | 03-32 | 3,855,000 | 3,205,000 | - |
| General Obligation Bonds | 2.00-5.00 | 03-15 | 06-45 | 15,170,000 | 12,827,320 | 1,732,680 |
| | | | | | 22,791,663 | 4,955,335 |
| | | | Net discounts/premiums | | 186,677 | 44,734 |
| | | | | | $ 22,978,340 | $ 5,000,0069 |
| Capital Lease: | | | | | | |
| Parking meters and pay stations | 3.65 | 08-15 | 08-20 | $ 312,701 | $ 269,336 | $ - |

(Continued)

## Note 8. Net Position/Fund Equity

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

| | General Fund | Other Governmental Funds |
|---|---|---|
| Nonspendable: | | |
| Inventories | $ 293,667 | $ - |
| Prepaids | - | 71,567 |
| Total nonspendable | 293,667 | 71,567 |
| Restricted for: | | |
| Urban construction – capital outlays | - | 602,302 |
| Committed to: | | |
| Executive | 31,820 | - |
| Legal | 20,990 | - |
| Financial services | 9,000 | - |
| Technology | 850 | - |
| Police | 22,096 | - |
| Fire and rescue | 24,678 | - |
| Public works | 29,454 | - |
| Recreation | 25,000 | - |
| Engineering and GIS | 40,781 | - |
| Planning and building | 4,056 | - |
| Urban construction – capital projects | - | 10,066 |
| General capital projects | - | 894,939 |
| Equipment replacement | - | 12,866 |
| CDBG capital projects | - | 100,234 |
| HOME capital projects | - | 92,916 |
| Total committed | 208,725 | 1,111,021 |
| Assigned to: | | |
| General capital projects | - | 3,354,932 |
| Equipment replacement | - | 4,599,511 |
| Total assigned | - | 7,954,443 |
| Unassigned | 4,118,814 | (203,216) |
| Total fund balance | $ 4,621,206 | $ 9,536,117 |

(Continued)

## Note 9. Defined Benefit Pension Plan

### Plan Description

All full-time, salaried permanent employees of the Town, are automatically covered by VRS Retirement Plan upon employment. This plan is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. The *Code of Virginia*, as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly. The System issues a publicly available comprehensive annual financial report for VRS. A copy of that report may be downloaded from the VRS website at *http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf.*

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 is as follows:

**Plan 1 -** Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

- **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions -** Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- **Creditable Service -** Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

(Continued)

**Note 9. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

**Plan 1 (Continued)**

- **Vesting -** Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit -** The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
- **Average Final Compensation -** A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier –**The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age –** Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility -** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service, for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility –** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement -** The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
- **Disability Coverage** for members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

(Continued)

**Note 9. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

**Plan 2 -** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

- **Hybrid Opt-In Election** - Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions -** Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **Creditable Service -** Same as Plan 1.
- **Vesting -** Same as Plan 1.
- **Calculating the Benefit -** See definition under Plan 1.
- **Average Final Compensation -** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier -** Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age -** Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility -** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility -** Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement -** The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
- **Disability Coverage –** Same as Plan 1 except that the retirement multiplier is 1.65%.

(Continued)

**Note 9. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

**Hybrid Retirement Plan -** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

- **Eligible Members -** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through
  April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- **Non-Eligible Members -** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees and those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
- **Retirement Contributions -** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
- **Creditable Service –**
  - **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service and is generally subject to the same terms as in Plans 1 and 2.
  - **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

(Continued)

**Note 9. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

**Hybrid Retirement Plan (Continued)**

- **Vesting –**
  - **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
  - **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
- **Calculating the Benefit -**
  - **Defined Benefit Component:** See definition under Plan 1.
  - **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation -** Same as Plan 2 for the defined benefit component of the plan.
- **Service Retirement Multiplier –** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age –**
  - **Defined Benefit Component:** Same as Plan 2, however, not applicable for hazardous duty employees.
  - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

(Continued)

**Note 9. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

**Hybrid Retirement Plan (Continued)**

- **Earliest Unreduced Retirement Eligibility –**
  - **Defined Benefit Component:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
- **Earliest Reduced Retirement Eligibility –**
  - **Defined Benefit Component:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
  - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement**
  - **Defined Benefit Component:** Same as Plan 2.
- **Disability Coverage -** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service –** As with Plans 1 and 2, members may choose to purchase prior service credits subject to the Plan provisions.

(Continued)

## Note 9. Defined Benefit Pension Plan (Continued)

### Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | Number |
|---|---|
| Inactive members or their beneficiaries currently receiving benefits | 145 |
| Inactive members: | |
| Vested inactive members | 38 |
| Non-vested inactive members | 66 |
| Inactive members active elsewhere in VRS | 99 |
| Total inactive members | 203 |
| Active members | 277 |
| Total covered employees | 625 |

### Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution**.**

The Town's contractually required contribution rate for the year ended June 30, 2016 was 13.95% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2014.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were $1,886,193 and $1,853,479 for the years ended June 30, 2016 and June 30, 2015, respectively.

(Continued)

## Note 9. Defined Benefit Pension Plan (Continued)

### Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

### Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

| | |
|---|---|
| Inflation | 2.50% |
| General Employees - Salary increases, including inflation | 3.50 – 5.35% |
| Public Safety Employees - Salary increases, including inflation | 3.50 – 4.75% |
| Investment rate of return | 7.00%, net of pension plan investment expense, including inflation |

Mortality rates: General employees - 14% of deaths are assumed to be service related. Public Safety Employees – 60% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2000 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees - Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year.

Public Safety Employees - Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; adjustment to rates of service retirement for females (Non 10 Largest); decrease in rates of male disability (Largest 10, only); decrease in male and female rates of disability (Non 10 Largest) increase in rates of withdrawal, and reduce rates of salary increase by 0.25% per year.

(Continued)

## Note 9. Defined Benefit Pension Plan (Continued)

**Long-Term Expected Rate of Return**

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

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|---|---|---|---|
| U.S. Equity | 19.50 % | 6.46 % | 1.26 % |
| Developed Non U.S. Equity | 16.50 % | 6.28 % | 1.04 % |
| Emerging Market Equity | 6.00 % | 10.00 % | 0.60 % |
| Fixed Income | 15.00 % | 0.09 % | 0.01 % |
| Emerging Debt | 3.00 % | 3.51 % | 0.11 % |
| Rate Sensitive Credit | 4.50 % | 3.51 % | 0.16 % |
| Non Rate Sensitive Credit | 4.50 % | 5.00 % | 0.23 % |
| Convertibles | 3.00 % | 4.81 % | 0.14 % |
| Public Real Estate | 2.25 % | 6.12 % | 0.14 % |
| Private Real Estate | 12.75 % | 7.10 % | 0.91 % |
| Private Equity | 12.00 % | 10.41 % | 1.25 % |
| Cash | 1.00 % | (1.50)% | (0.02)% |
| Total | 100.00 % | | 5.83 % |
| | | Inflation | 2.50 % |
| | | * Expected arithmetic nominal return | 8.33 % |

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

(Continued)

## Note 9. Defined Benefit Pension Plan (Continued)

### Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town's Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

### Changes in Net Pension Liability

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
| Balances at June 30, 2014 | $ 64,721,126 | $ 50,850,452 | $ 13,870,674 |
| Changes for the year: | | | |
| Service cost | 1,476,900 | - | 1,476,900 |
| Interest | 4,433,640 | - | 4,433,640 |
| Differences between expected and actual experience | 546,100 | - | 546,100 |
| Contributions – employer | - | 1,850,392 | (1,850,392) |
| Contributions – employee | - | 667,119 | (667,119) |
| Net investment income | - | 2,334,892 | (2,334,892) |
| Benefit payments, including refunds of employee contributions | (2,766,812) | (2,766,812) | - |
| Administrative expenses | - | (31,739) | 31,739 |
| Other changes | - | (493) | 493 |
| Net changes | 3,689,828 | 2,053,359 | 1,636,469 |
| Balances at June 30, 2015 | $ 68,410,954 | $ 52,903,811 | $ 15,507,143 |

(Continued)

**Note 9. Defined Benefit Pension Plan (Continued)**

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

The following presents the net pension liability of the Town using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

| | 1.00% Decrease (6.00%) | Current Discount Rate (7.00%) | 1.00% Increase (8.00%) |
|---|---|---|---|
| Town's net pension liability | $ 25,265,465 | $ 15,507,143 | $ 7,454,440 |

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

For the year ended June 30, 2016, the Town recognized pension expense $1,334,653. At June 30, 2016, the political subdivision 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 | $ 417,605 | $ - |
| Change in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,357,546 |
| Employer contributions subsequent to the measurement date | 1,886,193 | - |
| Total | $ 2,303,798 | $ 1,357,546 |

(Continued)

## Note 9. Defined Benefit Pension Plan (Continued)

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

The $1,886,193 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Reduction to Pension Expense |
|---|---|
| 2017 | $ (405,007) |
| 2018 | (405,007) |
| 2019 | (405,007) |
| 2020 | 275,080 |

**Payables to the Pension Plan**

At June 30, 2016, approximately $222,949 was payable to the Virginia Retirement System for the legally required contributions related to June 2016 payroll.

## Note 10. 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 $.25 per $100 of assessed valuation for the 2016 and 2015 calendar years. The Town places liens on property as necessary to supplement collection efforts. The Commonwealth of Virginia has no limitation on tax rates.

(Continued)

## Note 11. Post-employment Health Insurance Benefits

The cost of post-employment healthcare benefits are associated with the periods in which the cost occurs, rather than in the future years when it will be paid. Recognition of the liability accumulated from years prior to adoption will be phased in over 30 years, and commenced with the 2009 liability. 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 assets for purposes of GASB Statement No. 45 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. Further information, including financial statements, can be obtained by writing to the Virginia Municipal League, P.O. Box 12164, Richmond, VA 23241.

### Plan Description

The Town provides post-employment 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.

### Benefits Provided

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.

### Membership

The number of participants at June 30, 2016 was as follows:

| | |
|---|---|
| Retirees and spouses currently receiving benefits | 72 |
| Active employees | 264 |
| Total | 336 |

(Continued)

**Note 11. Post-employment Health Insurance Benefits (Continued)**

**Funding Policy**

The contributions to the Trust Fund are established and may be amended by the Town Council. GASB Statement No. 45 requires recognition of the current expense of OPEB based on the Town's annual required contribution, but does not require funding of the related liability. The Town contributed $260,180 to the VACo/VML Pooled OPEB Trust Fund. This contribution reflects the current year Five Year Phase-in funding approach for the Town.

**Annual Other Post-employment Benefit Cost and Net OPEB Obligation**

For the fiscal year ended June 30, 2016, the Town's annual OPEB cost (expense) was $708,313. The payment of current health insurance premiums and contributions to the Trust, which totaled $460,689 for retirees, resulted in an increase to the Net OPEB obligation of $247,624 for the year ended June 30, 2016.

| | |
|---|---|
| Annual required contribution | $ 701,600 |
| Interest on net OPEB obligation | 41,693 |
| Adjustment to annual required contribution | (34,980) |
| Annual OPEB cost | 708,313 |
| Contributions made | (460,689) |
| Increase in net OPEB obligation | 247,624 |
| Net OPEB obligation-beginning of year | 590,376 |
| Net OPEB obligation-end of year | $ 838,000 |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 are as follows.

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 06/30/2016 | $708,313 | 65% | $838,000 |
| 06/30/2015 | $467,779 | 86% | $590,376 |
| 06/30/2014 | $419,902 | 96% | $524,917 |

**Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2016 was as follows:

| | |
|---|---|
| Actuarial Accrued Liability (AAL) | $9,070,600 |
| Actuarial Value of Plan Assets | $2,303,800 |
| Unfunded Actuarial Accrued Liability (UAAL) | $6,766,800 |
| Funded Ratio (Actuarial Value of Plan Assets/AAL) | 25.40% |
| Covered Payroll (Active Plan Members) | $13,279,500 |
| UAAL as a Percentage of Covered Payroll | 50.96% |

(Continued)

## Note 11. Post-retirement Health Insurance Benefits (Continued)

**Funded Status and Funding Progress (Continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

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, 2015 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, the post-retirement health costs are assumed to be earned ratably from date of hire to the participant's full eligibility age (age 50 or older with 15 or more years of service). The actuarial assumptions used a 7.00% discount rate and an initial annual healthcare cost trend rate of 6.90% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 4.20%. An inflation rate of 2.5% and a payroll growth rate of 3% per year was used. The unfunded actuarial accrued liability is being amortized over an open period of 30 years. The remaining amortization period at June 30, 2016 is 22 years.

## Note 12. 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.

(Continued)

## Note 13. 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. The Town has continued to monitor the landfill since closure, and no liabilities related to environmental remediation have arisen.

### 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/recreation purposes for the general public. If the Town elects not to devote the land for the specified purpose within ten years, the land is conveyed back to VDOT. However, the Town has the right to designate a portion of the land (six to eight acres) for future commercial use. Currently, the Town is marketing a portion of this land for sale but has not designated the land for a specified purpose. During 2014, four acres were sold for $750,000. All of the proceeds were used to grade some of the Town's property that will become ball fields and to construct a road to the future ball fields. Currently, the Town is negotiating the sale of four additional acres for $750,000, the proceeds from which will be used to build ball fields. The closing of these additional acres is currently scheduled for 2017.

### Cook's Clean Center

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. Currently, the Town has appropriated $215,000 to remediate the building and is in the process of acquiring grant funding to further assist in the remediation. Upon remediation, the Town intends on the selling the property.

### 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 14. 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. During 2016, the Trust owes the Town $226,000 to reimburse the partial cost for construction of a new cemetery administrative building.

(Continued)

## Note 15. Blacksburg Motor Partners Building

During 2008, the Town entered into agreements with the Montgomery County Industrial Development Authority (IDA) and the Blacksburg Partnership designed to benefit the Town through historic tax credits for the rehabilitation of a historic structure to be an addition to Town Hall. The Town entered a co-development agreement with the Blacksburg Partnership under which it provided various services and personnel for the project. The Blacksburg Partnership assisted in the formation of the various entities required for this project. When sold, the credits reduced the Town's cost of rehabilitation. In conjunction therewith, in 2008 the Town contributed approximately $3,325,000 to the IDA, which the IDA loaned to Blacksburg Motor Partners, LP ("LP") for the rehabilitation. As part of the co-development agreement, the Town was compensated $640,000 for services provided during the rehabilitation project. This amount was payable, by the LP, from the proceeds of the sale of historic tax credits. During 2016, these arrangements were unwound and improvements and residual cash of approximately $3,458,000 and $398,000, respectively, was returned to the Town.

## Note 16. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statement which is not yet effective.

**GASB Statement No. 74*, Financial Reporting for Postemployment Benefit Plans Other than Pensions*** improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2017.

**GASB Statement No. 75*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*** improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2018.

**GASB Statement No. 77*, Tax Abatement Disclosures*** requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement does not consider issues related to recognition. This Statement will be effective for the year ending June 30, 2017.

(Continued)

## Note 16. New Accounting Standards (Continued)

**GASB Statement No. 78,** ***Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*** addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement will be effective for the year ending June 30, 2017.

**GASB Statement No. 79,** ***Certain External Investment Pools and Pool Participants*** establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This Statement will be effective for the year ending June 30, 2017.

**GASB Statement No. 80,** ***Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*** clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement will be effective for the year ending June 30, 2017.

**GASB Statement No. 81,** ***Irrevocable Split-Interest Agreements*** provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

(Continued)

**Note 16. New Accounting Standards (Continued)**

**GASB Statement No. 82*, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*** addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2017, except for certain provisions regarding assumptions for plans with a measurement date that differs from the employer's reporting date – those provisions are effective for the year ending June 30, 2018.

Management has not yet evaluated the effects, if any, of adopting these standards.

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# REQUIRED SUPPLEMENTARY INFORMATION

**EXHIBIT 10**

**TOWN OF BLACKSBURG, VIRGINIA**

**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**
**June 30, 2016**

| | Plan Year | |
|---|---|---|
| | **2015** | **2014** |
| **Total Pension Liability** | | |
| Service cost | $ 1,529,256 | $ 1,485,346 |
| Interest on total pension liability | 4,590,812 | 4,369,226 |
| Changes in benefit terms | - | - |
| Difference between expected and actual experience | 565,459 | - |
| Changes in assumptions | - | - |
| Benefit payments, including refunds of employee contributions | (2,864,895) | (2,513,240) |
| Net change in total pension liability | 3,820,632 | 3,341,332 |
| **Total pension liability - beginning** | 67,015,471 | 63,674,139 |
| **Total pension liability - ending** | 70,836,103 | 67,015,471 |
| **Plan Fiduciary Net Position** | | |
| Contributions - employer | 1,915,988 | 1,761,278 |
| Contributions - employee | 690,768 | 689,129 |
| Net investment income | 2,417,663 | 7,204,828 |
| Benefit payments, including refunds of employee contributions | (2,864,895) | (2,513,240) |
| Administrative expenses | (32,864) | (38,519) |
| Other | (510) | 379 |
| Net change in plan fiduciary net position | 2,126,150 | 7,103,855 |
| **Plan fiduciary net position - beginning** | 52,653,086 | 45,549,231 |
| **Plan fiduciary net position - ending** | 54,779,236 | 52,653,086 |
| **Net pension liability - ending** | $ 16,056,867 | $ 14,362,385 |
| Plan fiduciary net position as a percentage of total pension liability | 77% | 79% |
| Covered employee payroll | $ 13,766,189 | $ 13,426,101 |
| Net pension liability as a percentage of covered employee payroll | 117% | 107% |

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 informatin was presented in the entitys' fiscal year 2015 financial report.

Schedule is intended to show information for 10 years. Since 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

**EXHIBIT 11**

**TOWN OF BLACKSBURG, VIRGINIA**

**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF PENSION CONTRIBUTIONS**
**June 30, 2016**

| Town Fiscal Year Ended June 30 | Actuarially Determined Contribution | Contributions in Relation to Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Employee Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2016 | $ 1,953,058 | $ 1,953,058 | $ - | $ 13,279,500 | 14.71% |
| 2015 | 1,920,383 | 1,920,383 | - | 13,766,189 | 13.95 |

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

**EXHIBIT 12**

**TOWN OF BLACKSBURG, VIRGINIA**

**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT BENEFITS**
**June 30, 2016**

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| July 1, 2015 | $ 2,303,800 | $ 9,070,600 | $ 6,766,800 | 25.40% | $ 13,279,500 | 50.96% |
| June 30, 2015 | 2,303,776 | 7,151,844 | 4,848,068 | 32.00 | 13,469,522 | 35.99 |
| June 30, 2013 | 1,203,902 | 5,625,378 | 4,421,476 | 21.00 | 13,030,418 | 33.93 |

**TOWN OF BLACKSBURG, VIRGINIA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**
**June 30, 2016**

## Note 1. Changes of Benefit Terms

There have been no significant changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012 (fiscal year 2014 for the teacher cost sharing pool). The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013, and the impact on the liabilities as of the measurement date of June 30, 2015 are minimal.

## Note 2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

# OTHER SUPPLEMENTARY INFORMATION

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# 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.

**EXHIBIT A-1**

**TOWN OF BLACKSBURG, VIRGINIA**

**COMBINING BALANCE SHEET**
**NON-MAJOR GOVERNMENTAL FUNDS**
**June 30, 2016**

| | CDBG | HOME | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Due from other governmental units | $ 312,702 | $ 393,996 | $ 706,698 |
| Total assets | $ 312,702 | $ 393,996 | $ 706,698 |
| **LIABILITIES** | | | |
| Liabilities: | | | |
| Accounts payable and accrued liabilities | $ 58,013 | $ 354,945 | $ 412,958 |
| Accrued payroll and related liabilities | 1,827 | 1,667 | 3,494 |
| Due to other funds | 252,862 | 37,384 | 290,246 |
| Total liabilities | 312,702 | 393,996 | 706,698 |
| **FUND BALANCES** | | | |
| Committed | 100,234 | 92,916 | 193,150 |
| Unassigned | (100,234) | (92,916) | (193,150) |
| Total fund balances | - | - | - |
| Total liabilities, deferred inflows of resources, and fund balances | $ 312,702 | $ 393,996 | $ 706,698 |

EXHIBIT A-2

**TOWN OF BLACKSBURG, VIRGINIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**
**NON-MAJOR GOVERNMENTAL FUNDS**
**Year Ended June 30, 2016**

| | CDBG | HOME | Total |
|---|---|---|---|
| **REVENUES** | | | |
| Intergovernmental | $ 707,711 | $ 826,954 | $ 1,534,665 |
| Total revenues | 707,711 | 826,954 | 1,534,665 |
| **EXPENDITURES** | | | |
| CDBG Entitlement | 707,711 | - | 707,711 |
| HOME Consortium | - | 826,954 | 826,954 |
| Total expenditures | 707,711 | 826,954 | 1,534,665 |
| Net change in fund balance | - | - | - |
| **FUND BALANCES AT JULY 1** | - | - | - |
| **FUND BALANCES AT JUNE 30** | $ - | $ - | $ - |

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# FIDUCIARY FUNDS

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

**New River Valley Alcohol Safety Action Program**

**Virginia Tech/Montgomery Regional Airport Authority**

EXHIBIT B-1

**TOWN OF BLACKSBURG, VIRGINIA**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION**
**June 30, 2016**

| | New River Valley Alcohol Safety Action Program | Virginia Tech/ Montgomery Regional Airport Authority | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 85,510 | $ 2,118,761 | $ 2,204,271 |
| Total assets | $ 85,510 | $ 2,118,761 | $ 2,204,271 |
| **LIABILITIES** | | | |
| Liability to agency | $ 85,510 | $ 2,118,761 | $ 2,204,271 |
| Total liabilities | $ 85,510 | $ 2,118,761 | $ 2,204,271 |

EXHIBIT B-2

# TOWN OF BLACKSBURG, VIRGINIA

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
### Year Ended June 30, 2016

| | Balance July 1, 2015 | Additions | Deductions | Balance June 30, 2016 |
|---|---|---|---|---|
| **New River Valley Alcohol Safety Action Program** | | | | |
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 184,141 | $ - | $ 98,631 | $ 85,510 |
| Total assets | $ 184,141 | $ - | $ 98,631 | $ 85,510 |
| **LIABILITIES** | | | | |
| Liability to agency | $ 184,141 | $ - | $ 98,631 | $ 85,510 |
| Total liabilities | $ 184,141 | $ - | $ 98,631 | $ 85,510 |
| **Virginia Tech/Montgomery Regional Airport Authority** | | | | |
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 309,811 | $1,808,950 | $ - | $ 2,118,761 |
| Total assets | $ 309,811 | $1,808,950 | $ - | $ 2,118,761 |
| **LIABILITIES** | | | | |
| Liability to agency | $ 309,811 | $1,808,950 | $ - | $ 2,118,761 |
| Total liabilities | $ 309,811 | $1,808,950 | $ - | $ 2,118,761 |
| **Total All Agency Funds** | | | | |
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 493,952 | $1,808,950 | $ 98,631 | $ 2,204,271 |
| Total assets | $ 493,952 | $1,808,950 | $ 98,631 | $ 2,204,271 |
| **LIABILITIES** | | | | |
| Liability to agency | $ 493,952 | $1,808,950 | $ 98,631 | $ 2,204,271 |
| Total liabilities | $ 493,952 | $1,808,950 | $ 98,631 | $ 2,204,271 |

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# SUPPORTING SCHEDULES

SCHEDULE 1

**TOWN OF BLACKSBURG, VIRGINIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**Year Ended June 30, 2016**

| Federal Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | Federal Expenditures | Expenditures to Subrecipients |
|---|---|---|---|
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| Community Development Block Grants | 14.218 | $ 707,711 | - |
| HOME Investment Partnership Program | 14.239 | 826,954 | 218,194 |
| DEPARTMENT OF JUSTICE | | | |
| Edward Byrne Memorial Formula Grant Program | 16.579 | 2,235 | - |
| DEPARTMENT OF TRANSPORTATION | | | |
| Transit Cluster: | | | |
| Federal Transit - Capital Investment Grant | 20.500 | 1,991,794 | - |
| Federal Transit - Formula Grant | 20.507 | 1,681,636 | - |
| Job Access Reverse Commute | 20.516 | 216,028 | - |
| VA-90-4402<br>VA-90-4413, VA-90-4438<br>73112-21<br>73013-80<br>73114-13/14/15/16/18/19/21/22/25<br>73115-34/35/36/38/39/40/42/43/44/45/46<br>73116-28/29/33/34/35/36/37<br>VA-88-0001 | | | |
| MPO Grant | 20.500 | 87,097 | - |
| 46014-11, 46015-11, 46016-11 | | | |
| Department of Motor Vehicles | | | |
| Alcohol Impaired Driving Countermeasurer Incentive Grant | 20.601 | 21,133 | - |
| Department of Transportation | | | |
| Safe Route to Schools | 20.205 | 157,774 | - |
| Department of Conservation and Recreation | | | |
| Recreational Trails Program | 20.219 | 6,316 | - |
| Total Expenditures of Federal Awards | | $ 5,698,678 | |

**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 and HOME Investment Partnership 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.

SCHEDULE 2

**TOWN OF BLACKSBURG, VIRGINIA**

**COMPUTATION OF LEGAL DEBT MARGIN**
**June 30, 2016**

| | |
|---|---|
| Total assessed value of real estate (including public service corporations) | $ 2,854,270,760 |
| Debt limit: 10% of total assessed value of real estate (1) | $ 285,427,076 |
| Less: Amount of debt applicable to debt limit: | |
| General bonded debt | 22,791,663 |
| Enterprise debt | 4,955,335 |
| Capital lease obligations | 269,336 |
| | 28,016,334 |
| Legal debt margin | $ 257,410,742 |

(1) Article 7, Section 10, of the Constitution of Virginia, mandates a limit on debt of the Town. In determining the limitation, there are certain classes of indebtedness that would not be included.

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# STATISTICAL SECTION

*This part of the Town of Blacksburg Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.*

**Contents** **Table**


**Financial Trends** **1-4**

These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

**Revenue Capacity** **5-10**

These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes, as well as revenues from its water and sewer operations.

**Debt Capacity** **11-13**

These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

**Demographic and Economic Information** **14-15**

These tables offer demographic and economic indicators to help the reader understand the environment in which the Town's financial activities take place and to help make comparison over time and with other governments.

**Operating Information** **16-18**

These schedules contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates to the services the Town provides and the activities it performs.

**Continuing Disclosures** **19**

These schedules are used to meet the Town's continuing disclosure responsibility.


***Sources:*** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

**TABLE 1**

**Town of Blacksburg, Virginia**

**Net Position by Component**
**Last Ten Fiscal Years**
(accrual basis of accounting)

| | 2016 | 2015* | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Governmental activities** | | | | | | | | | | |
| Net investment in capital assets | $ 61,556,627 | $ 55,065,864 | $ 52,856,050 | $ 46,489,358 | $ 38,424,336 | $ 26,949,080 | $ 25,764,585 | $ 19,969,681 | $ 15,808,625 | $ 14,318,948 |
| Restricted | 602,302 | 1,029,041 | 1,999,902 | 4,232,468 | 4,977,107 | 8,177,561 | 8,930,797 | 9,742,165 | 16,546 | 16,546 |
| Unrestricted | (1,344,654) | (3,123,873) | 8,002,610 | 9,741,501 | 10,740,636 | 12,577,701 | 7,386,710 | 8,044,842 | 7,397,007 | 10,806,579 |
| Total governmental activities net position | $ 60,814,275 | $ 52,971,032 | $ 62,858,562 | $ 60,463,327 | $ 54,142,079 | $ 47,704,342 | $ 42,082,092 | $ 37,756,688 | $ 23,222,178 | $ 25,142,073 |
| **Business-type activities** | | | | | | | | | | |
| Net investment in capital assets | $ 27,111,499 | $ 27,565,755 | $ 29,013,749 | $ 25,779,737 | $ 23,184,487 | $ 22,697,086 | $ 23,031,456 | $ 15,723,568 | $ 14,920,879 | $ 15,270,171 |
| Restricted | - | 132,442 | - | 49,080 | 49,080 | 191,159 | 101,920 | 49,702 | 49,702 | 51,696 |
| Unrestricted | 6,452,636 | 4,872,167 | 6,834,729 | 6,566,905 | 7,655,159 | 7,993,716 | 7,826,479 | 7,181,687 | 7,307,516 | 6,901,487 |
| Total business-type activities net position | $ 33,564,135 | $ 32,570,364 | $ 35,848,478 | $ 32,395,722 | $ 30,888,726 | $ 30,881,961 | $ 30,959,855 | $ 22,954,957 | $ 22,278,097 | $ 22,223,354 |
| **Primary government** | | | | | | | | | | |
| Net investment in capital assets | $ 88,668,126 | $ 82,631,619 | $ 81,869,799 | $ 72,269,095 | $ 61,608,823 | $ 49,646,166 | $ 48,796,041 | $ 35,693,249 | $ 30,729,504 | $ 29,589,119 |
| Restricted | 602,302 | 1,161,483 | 1,999,902 | 4,281,548 | 5,026,187 | 8,368,720 | 9,032,717 | 9,791,867 | 66,248 | 68,242 |
| Unrestricted | 5,107,982 | 1,748,294 | 14,837,339 | 16,308,406 | 18,395,795 | 20,571,417 | 15,213,189 | 15,266,529 | 14,704,523 | 17,708,066 |
| Total primary government net position | $ 94,378,410 | $ 85,541,396 | $ 98,707,040 | $ 92,859,049 | $ 85,030,805 | $ 78,586,303 | $ 73,041,947 | $ 60,751,645 | $ 45,500,275 | $ 47,365,427 |

* During fiscal year 2015, the Town adopted GASB 68.

**Town of Blacksburg, Virginia** **TABLE 2**

**Changes in Net Position by Component**
**Last Ten Fiscal Years**
(accrual basis of accounting)

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Expenses** | | | | | | | | | | |
| **Governmental activities** | | | | | | | | | | |
| Legislative | $ 276,373 | $ 277,068 | $ 270,763 | $ 251,958 | $ 241,530 | $ 231,703 | $ 245,076 | $ 232,377 | $ 222,711 | $ 206,647 |
| Executive | 2,343,384 | 2,220,361 | 2,256,772 | 1,921,674 | 1,701,070 | 1,403,791 | 1,170,592 | 1,406,801 | 5,314,570 | 1,904,368 |
| Legal | 318,363 | 324,788 | 331,616 | 294,699 | 273,191 | 264,370 | 249,725 | 294,780 | 349,234 | 271,281 |
| Judicial | - | - | - | - | 6,100 | 8,467 | 8,856 | 7,758 | 12,877 | 9,161 |
| Financial services | 1,623,761 | 1,606,641 | 1,600,576 | 1,560,128 | 1,440,990 | 1,550,048 | 1,479,279 | 1,484,055 | 1,432,163 | 1,388,921 |
| Technology | 767,541 | 632,548 | 626,438 | 601,503 | 551,139 | 527,641 | 534,597 | 549,092 | 558,463 | 549,248 |
| Police | 7,805,731 | 7,962,990 | 7,691,501 | 7,943,511 | 7,307,087 | 6,444,171 | 6,836,813 | 6,528,290 | 6,198,149 | 5,810,010 |
| Fire and rescue | 1,493,402 | 1,371,343 | 1,278,687 | 1,220,682 | 1,219,788 | 1,019,455 | 562,261 | 859,936 | 1,075,907 | 939,221 |
| Public works | 8,106,501 | 8,137,865 | 7,680,338 | 7,736,614 | 6,919,603 | 8,112,983 | 8,389,547 | 7,349,912 | 7,409,206 | 12,368,201 |
| Recreation | 2,404,483 | 2,337,016 | 2,370,603 | 2,291,017 | 2,334,189 | 2,242,560 | 1,705,504 | 1,847,169 | 1,820,605 | 1,552,018 |
| Engineering and GIS | 1,116,935 | 1,403,154 | 1,793,233 | 1,615,665 | 1,417,586 | 1,382,101 | 1,343,738 | 1,103,459 | - | - |
| Planning and building | 1,029,530 | 917,969 | 1,231,734 | 953,747 | 901,087 | 857,945 | 865,270 | 927,270 | - | - |
| Planning and engineering | - | - | - | - | - | - | - | - | 2,818,511 | 2,432,722 |
| CDBG entitlement | 707,711 | 514,028 | 402,360 | 623,505 | 379,983 | 437,066 | 1,111,071 | 416,456 | - | - |
| HOME consortium | 826,954 | 1,462,016 | 672,216 | 726,653 | 647,794 | 473,848 | 1,163,994 | 203,055 | - | - |
| Interest on long-term debt | 738,393 | 694,561 | 552,382 | 684,779 | 622,997 | 719,046 | 735,300 | 615,742 | 673,520 | 673,210 |
| Unallocated depreciation | 1,634,138 | 1,520,348 | 1,258,229 | 945,610 | 755,705 | 470,750 | 428,824 | 264,006 | 251,360 | 232,057 |
| Total governmental activities | 31,193,200 | 31,382,696 | 30,017,448 | 29,371,745 | 26,719,839 | 26,145,945 | 26,830,447 | 24,090,158 | 28,137,276 | 28,337,065 |
| **Business-type activities** | | | | | | | | | | |
| Water and sewer | 9,816,136 | 9,661,045 | 9,344,964 | 8,862,137 | 8,588,121 | 8,688,140 | 8,452,170 | 8,255,456 | 8,127,715 | 7,843,289 |
| Transit system | 10,068,972 | 10,038,822 | 10,003,945 | 8,609,385 | 8,382,557 | 8,102,931 | 6,883,924 | 6,236,561 | 5,994,087 | 5,141,724 |
| Solid waste and recycling | 1,660,484 | 1,629,828 | 1,671,055 | 1,584,094 | 1,484,319 | 1,445,065 | 1,420,779 | 1,402,489 | 1,332,143 | 1,282,488 |
| Stormwater | 685,973 | 199,721 | - | - | - | - | - | - | - | - |
| Golf course | - | - | - | - | - | - | 411,879 | 417,135 | 436,318 | 399,018 |
| Total business-type activities expense | 22,231,565 | 21,529,416 | 21,019,964 | 19,055,616 | 18,454,997 | 18,236,136 | 17,168,752 | 16,311,641 | 15,890,263 | 14,666,519 |
| Total primary government expenses | $ 53,424,765 | $ 52,912,112 | $ 51,037,412 | $ 48,427,361 | $ 45,174,836 | $ 44,382,081 | $ 43,999,199 | $ 40,401,799 | $ 44,027,539 | $ 43,003,584 |
| **Program Revenues** | | | | | | | | | | |
| **Governmental activities** | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Public Safety | $ 515,691 | $ 571,652 | $ 510,587 | $ 597,170 | $ 705,233 | $ 579,807 | $ 565,693 | $ 516,416 | $ 508,605 | $ 519,136 |
| Public Works | 1,425,330 | 1,496,304 | 1,633,230 | 1,459,679 | 1,419,076 | 1,366,649 | 1,284,492 | 1,286,722 | 1,364,557 | 1,323,361 |
| Other Activities | 3,284,590 | 2,953,583 | 2,557,517 | 2,194,673 | 2,816,666 | 2,294,680 | 2,986,244 | 2,490,258 | 2,497,429 | 1,808,624 |
| Operating grants and contributions | 4,277,408 | 4,150,390 | 4,072,899 | 3,982,480 | 3,919,134 | 3,908,463 | 3,892,484 | 3,855,423 | 3,764,061 | 3,659,234 |
| Capital grants and contributions | 7,804,684 | 4,173,342 | 4,081,847 | 7,846,314 | 5,407,444 | 5,303,881 | 6,110,555 | 13,868,890 | 2,175,882 | 8,561,884 |
| Total governmental activities program revenues | 17,307,703 | 13,345,271 | 12,856,080 | 16,080,316 | 14,267,553 | 13,453,480 | 14,839,468 | 22,017,709 | 10,310,534 | 15,872,239 |

(Continued)

**Town of Blacksburg, Virginia** **TABLE 2**

**Changes in Net Position by Component**
**Last Ten Fiscal Years**
(accrual basis of accounting)

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Business-type activities** | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Water and sewer | $ 10,696,762 | $ 9,349,690 | $ 9,558,396 | $ 8,730,119 | $ 8,406,428 | $ 8,138,579 | $ 8,099,125 | $ 8,051,821 | $ 8,286,109 | $ 7,233,150 |
| Transit system | 3,671,868 | 3,878,193 | 3,898,564 | 3,587,399 | 3,161,117 | 3,230,281 | 2,872,835 | 2,842,638 | 2,384,551 | 2,384,148 |
| Solid waste and recycling | 1,737,437 | 1,701,665 | 1,735,237 | 1,666,645 | 1,607,847 | 1,539,940 | 1,585,386 | 1,496,231 | 1,461,694 | 1,389,165 |
| Stormwater | 1,014,048 | 529,585 | - | - | - | - | - | - | - | - |
| Golf course | - | - | - | - | - | - | 215,725 | 237,418 | 277,817 | 239,139 |
| Operating grants and contributions | 3,380,129 | 3,640,253 | 3,194,624 | 3,023,237 | 2,706,887 | 2,682,891 | 2,197,223 | 2,244,815 | 2,181,423 | 2,225,219 |
| Capital grants and contributions | 2,402,524 | 2,426,973 | 6,076,151 | 3,559,305 | 2,273,015 | 2,531,592 | 8,640,465 | 1,487,346 | 725,352 | 2,559,206 |
| Total business-type activities program revenues | 22,902,768 | 21,526,359 | 24,462,972 | 20,566,705 | 18,155,294 | 18,123,283 | 23,610,759 | 16,360,269 | 15,316,946 | 16,030,027 |
| Total primary government program revenues | $ 40,210,471 | $ 34,871,630 | $ 37,319,052 | $ 36,647,021 | $ 32,422,847 | $ 31,576,763 | $ 38,450,227 | $ 38,377,978 | $ 25,627,480 | $ 31,902,266 |
| **Net (expense) revenue** | | | | | | | | | | |
| Governmental activities | $ (13,885,497) | $ (18,037,425) | $ (17,161,368) | $ (13,291,429) | $ (12,452,286) | $ (12,692,465) | $ (11,990,979) | $ (2,072,449) | $ (17,826,742) | $ (12,464,826) |
| Business-type activities | 671,203 | (3,057) | 3,443,008 | 1,511,089 | (299,703) | (112,853) | 6,442,007 | 48,628 | (573,317) | 1,363,508 |
| Total primary government net expense | $ (13,214,294) | $ (18,040,482) | $ (13,718,360) | $ (11,780,340) | $ (12,751,989) | $ (12,805,318) | $ (5,548,972) | $ (2,023,821) | $ (18,400,059) | $ (11,101,318) |
| **General Revenues and Other Changes in Net Position** | | | | | | | | | | |
| **Governmental activities:** | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | $ 7,140,994 | $ 6,303,580 | $ 5,624,078 | $ 5,544,687 | $ 5,554,193 | $ 5,454,459 | $ 5,338,784 | $ 5,181,131 | $ 5,080,523 | $ 4,367,238 |
| Other local taxes | 11,077,000 | 10,718,380 | 10,327,472 | 10,352,187 | 9,865,455 | 9,059,494 | 8,626,597 | 8,063,424 | 7,409,423 | 6,966,237 |
| Business license taxes | 2,304,712 | 2,159,852 | 2,079,603 | 1,907,716 | 1,465,896 | 1,658,592 | 1,605,017 | 1,690,356 | 1,620,488 | 1,493,065 |
| Other general fees | - | - | - | - | - | - | - | - | - | 588,563 |
| Intergovernmental revenue unrestricted | 81,781 | 70,146 | 19,911 | 125,615 | 89,005 | 641,965 | 201,150 | 148,427 | 128,601 | 308,497 |
| Investment earnings | 179,249 | 188,008 | 178,730 | 301,616 | 298,900 | 262,730 | 356,410 | 499,393 | 502,546 | 430,446 |
| Unrealized gain/(loss) on investments | 64,431 | (66,326) | 49,404 | 45,290 | 86,708 | (230,085) | - | - | - | - |
| Other | 850,709 | 954,538 | 1,017,954 | 1,126,961 | 1,288,300 | 1,270,394 | 1,375,506 | 912,687 | 1,049,392 | 829,774 |
| Transfers | 29,864 | 321,301 | 259,451 | 208,605 | 241,566 | 197,166 | (1,187,081) | 111,541 | 115,874 | (131,244) |
| Total governmental activities | 21,728,740 | 20,649,479 | 19,556,603 | 19,612,677 | 18,890,023 | 18,314,715 | 16,316,383 | 16,606,959 | 15,906,847 | 14,852,576 |
| **Business-type activities:** | | | | | | | | | | |
| Investment earnings | 109,330 | 56,527 | 57,799 | 44,049 | 91,241 | 115,643 | 171,771 | 397,264 | 421,832 | 395,487 |
| Unrealized gain/(loss) on investments | 41,114 | (19,629) | 20,796 | 9,662 | 44,437 | (123,550) | - | - | - | - |
| Other | 201,988 | 303,302 | 190,604 | 150,801 | 151,689 | 240,032 | 204,039 | 342,509 | 322,102 | 262,454 |
| Transfers | (29,864) | (321,301) | (259,451) | (208,605) | (241,566) | (197,166) | 1,187,081 | (111,541) | (115,874) | 131,244 |
| Total business-type activities | 322,568 | 18,899 | 9,748 | (4,093) | 45,801 | 34,959 | 1,562,891 | 628,232 | 628,060 | 789,185 |
| Total primary government | $ 22,051,308 | $ 20,668,378 | $ 19,566,351 | $ 19,608,584 | $ 18,935,824 | $ 18,349,674 | $ 17,879,274 | $ 17,235,191 | $ 16,534,907 | $ 15,641,761 |
| **Changes in Net Position** | | | | | | | | | | |
| Governmental activities | $ 7,843,243 | $ 2,612,054 | $ 2,395,235 | $ 6,321,248 | $ 6,437,737 | $ 5,622,250 | $ 4,325,404 | $ 14,534,510 | $ (1,919,895) | $ 2,387,750 |
| Business-type activities | 993,771 | 15,842 | 3,452,756 | 1,506,996 | (253,902) | (77,894) | 8,004,898 | 676,860 | 54,743 | 2,152,693 |
| Total primary government | $ 8,837,014 | $ 2,627,896 | $ 5,847,991 | $ 7,828,244 | $ 6,183,835 | $ 5,544,356 | $ 12,330,302 | $ 15,211,370 | $ (1,865,152) | $ 4,540,443 |

**TABLE 3**

## Town of Blacksburg, Virginia

### Fund Balances - Governmental Funds
### Last Ten Fiscal Years
(modified accrual basis of accounting)

| Post-GASB 54 Implementation: | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|
| General Fund | | | | | | |
| Nonspendable | $ 293,667 | $ 276,220 | $ 254,012 | $ 244,566 | $ 437,906 | $ 395,245 |
| Restricted | - | - | - | 19,161 | 18,969 | 18,614 |
| Committed | 208,725 | 232,077 | 362,950 | 248,061 | 295,076 | 392,826 |
| Unassigned | 4,118,814 | 2,018,265 | 3,987,120 | 4,334,512 | 4,498,310 | 3,985,734 |
| Total general fund | $ 4,621,206 | $ 2,526,562 | $ 4,604,082 | $ 4,846,300 | $ 5,250,261 | $ 4,792,419 |
| All Other Governmental Funds | | | | | | |
| Nonspendable | $ 71,567 | $ - | $ - | $ - | $ - | $ - |
| Restricted | 602,302 | 1,029,041 | 1,999,902 | 4,213,307 | 4,958,138 | 8,158,947 |
| Committed | 1,111,021 | 8,672,105 | 3,305,731 | 7,219,912 | 9,280,961 | 4,375,945 |
| Assigned | 7,954,443 | 8,199,620 | 6,396,132 | 6,194,653 | 6,737,264 | 6,857,823 |
| Unassigned | (203,216) | (1,269,650) | (2,393,078) | (4,025,738) | (6,872,010) | (2,463,749) |
| Total all other governmental funds | $ 9,536,117 | $ 16,631,116 | $ 9,308,687 | $ 13,602,134 | $ 14,104,353 | $ 16,928,966 |

**Note: 2011 was the first year of implementing GASB 54 which revised fund balance classifications.**

| Pre-GASB 54 Implementation: | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|
| General Fund | | | | |
| Reserved | $ 821,151 | $ 746,527 | $ 376,448 | $ 465,107 |
| Unreserved | 2,391,309 | 2,375,247 | 3,179,782 | 6,403,500 |
| Total general fund | $ 3,212,460 | $ 3,121,774 | $ 3,556,230 | $ 6,868,607 |
| All Other Governmental Funds | | | | |
| Reserved | $ 7,875,695 | $ 2,409,125 | $ 1,585,151 | $ 1,563,977 |
| Unreserved, reported in: | | | | |
| Special Revenue funds | 1,708,900 | 7,874,938 | - | - |
| Capital projects funds | 7,574,327 | 5,730,126 | 4,805,665 | 4,973,017 |
| Total all other governmental funds | $ 17,158,922 | $ 16,014,189 | $ 6,390,816 | $ 6,536,994 |

TABLE 4

**Town of Blacksburg, Virginia**

**Changes in Fund Balances - Governmental Funds**
**Last Ten Fiscal Years**
(modified accrual basis of accounting)

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | | | |
| Taxes | $ 18,179,697 | $ 17,057,725 | $ 15,979,783 | $ 15,904,094 | $ 15,354,299 | $ 14,731,137 | $ 13,714,423 | $ 13,137,175 | $ 12,498,249 | $ 11,233,510 |
| Permits, privilege fees, and licenses | 2,936,235 | 2,517,700 | 2,587,860 | 2,211,583 | 2,484,167 | 2,321,328 | 2,319,880 | 2,582,295 | 2,585,021 | 2,439,479 |
| Fines and forfeitures | 170,986 | 240,394 | 236,673 | 344,153 | 450,017 | 347,444 | 345,875 | 274,391 | 286,725 | 309,227 |
| Revenue from use of money | 243,680 | 121,682 | 228,134 | 346,906 | 385,608 | 84,894 | 356,410 | 499,393 | 502,546 | 430,446 |
| Charges for services | 3,596,057 | 3,111,037 | 2,994,939 | 2,813,066 | 2,969,731 | 2,738,117 | 3,245,746 | 2,177,797 | 2,312,046 | 2,019,273 |
| Other | 1,237,138 | 1,197,960 | 1,059,617 | 654,999 | 607,268 | 619,939 | 850,887 | 838,495 | 696,708 | 711,019 |
| Intergovernmental | 7,866,927 | 8,144,768 | 7,617,779 | 11,929,785 | 9,195,584 | 9,802,060 | 10,204,189 | 17,872,740 | 6,068,544 | 10,804,616 |
| Total revenues | 34,230,720 | 32,391,266 | 30,704,785 | 34,204,586 | 31,446,674 | 30,644,919 | 31,037,410 | 37,382,286 | 24,949,839 | 27,947,570 |
| **Expenditures** | | | | | | | | | | |
| General government | 5,104,713 | 5,836,463 | 4,820,475 | 4,433,781 | 3,980,022 | 4,157,031 | 4,011,434 | 4,093,075 | 7,642,094 | 4,100,184 |
| Judicial | - | - | - | - | 5,720 | 7,705 | 8,094 | 6,996 | 12,115 | 8,399 |
| Public safety | 8,558,742 | 8,673,279 | 8,099,953 | 8,471,349 | 7,897,882 | 7,321,785 | 7,438,072 | 7,124,781 | 6,839,827 | 6,806,920 |
| Public works | 5,851,727 | 5,904,498 | 5,438,879 | 5,676,805 | 5,654,285 | 5,364,738 | 5,138,371 | 4,557,804 | 4,692,086 | 4,530,464 |
| Recreation | 2,153,379 | 2,301,245 | 2,065,887 | 2,036,250 | 1,972,667 | 1,938,326 | 1,539,526 | 1,641,839 | 1,587,494 | 1,357,801 |
| Planning and engineering | 2,131,305 | 2,266,072 | 2,247,140 | 2,225,383 | 2,062,767 | 1,995,305 | 1,969,816 | 1,787,791 | 1,774,597 | 1,771,483 |
| Other | 1,534,665 | 1,976,044 | 1,074,576 | 1,350,158 | 1,027,777 | 910,914 | 2,775,065 | 914,393 | 814,775 | 785,708 |
| Capital outlays | 11,761,229 | 8,049,302 | 10,423,543 | 12,937,636 | 9,557,271 | 7,107,725 | 6,755,768 | 6,484,576 | 3,393,977 | 9,521,188 |
| Debt service | | | | | | | | | | |
| Principal retirement | 1,809,486 | 1,506,403 | 1,535,192 | 1,522,291 | 1,339,083 | 1,216,743 | 1,064,287 | 1,072,009 | 1,027,118 | 911,853 |
| Interest and fiscal charges | 734,720 | 582,601 | 539,668 | 651,726 | 791,066 | 759,790 | 735,455 | 621,646 | 676,907 | 621,810 |
| Total expenditures | 39,639,966 | 37,095,907 | 36,245,313 | 39,305,379 | 34,288,540 | 30,780,062 | 31,435,888 | 28,304,910 | 28,460,990 | 30,415,810 |
| Excess of revenues over (under) expenditures | (5,409,246) | (4,704,641) | (5,540,528) | (5,100,793) | (2,841,866) | (135,143) | (398,478) | 9,077,376 | (3,511,151) | (2,468,240) |
| **Other Financing Sources (Uses)** | | | | | | | | | | |
| Proceeds from issuance of debt | - | 9,495,000 | - | 3,855,000 | - | 1,270,000 | 4,515,750 | - | - | 3,046,875 |
| Capital lease proceeds | 312,701 | - | - | - | - | - | - | - | - | - |
| Premium on debt proceeds | - | 268,138 | - | 60,661 | | | | | | |
| Proceeds from issuance of refunding debt | - | 3,813,690 | - | - | 5,387,540 | 1,994,645 | - | - | - | - |
| Sale of general capital assets | 66,326 | 21,093 | 844,711 | 70,347 | - | - | - | - | - | - |
| Payments to bond escrow agents | - | (3,982,356) | - | - | (5,154,011) | (1,976,665) | (1,307,861) | - | - | - |
| Transfers in | 6,060,345 | 9,923,375 | 4,862,515 | 4,475,827 | 10,094,828 | 6,230,527 | 5,943,752 | 4,584,280 | 7,051,980 | 5,897,146 |
| Transfers out | (6,030,481) | (9,589,390) | (4,702,363) | (4,267,222) | (9,853,262) | (6,033,361) | (7,517,774) | (4,472,739) | (6,999,384) | (6,028,390) |
| Total other financing sources (uses) | 408,891 | 9,949,550 | 1,004,863 | 4,194,613 | 475,095 | 1,485,146 | 1,633,867 | 111,541 | 52,596 | 2,915,631 |
| Net change in fund balances | $ (5,000,355) | $ 5,244,909 | $ (4,535,665) | $ (906,180) | $ (2,366,771) | $ 1,350,003 | $ 1,235,389 | $ 9,188,917 | $ (3,458,555) | $ 447,391 |
| Debt service as a percentage of noncapital expenditures | 10.33% | 7.13% | 7.79% | 8.08% | 8.76% | 8.25% | 7.31% | 7.62% | 6.57% | 7.34% |

**TABLE 5**

## Town of Blacksburg, Virginia

## Assessed Value and Actual Value of Taxable Property
## Last Ten Fiscal Years

| Fiscal Year | Real Estate | Public Service Corporation | Total Assessed Value | Total Direct Tax Rate(1) |
|---|---|---|---|---|
| 2016 | $ 2,802,938,760 | $ 51,332,000 | $ 2,854,270,760 | $ 0.25 |
| 2015 | 2,718,917,780 | 51,197,160 | 2,770,114,940 | 0.25 |
| 2014 | 2,499,516,720 | 48,791,818 | 2,548,308,538 | 0.22 |
| 2013 | 2,476,699,300 | 47,898,182 | 2,524,597,482 | 0.22 |
| 2012 | 2,472,590,460 | 49,735,455 | 2,522,325,915 | 0.22 |
| 2011 | 2,467,477,960 | 46,881,818 | 2,514,359,778 | 0.22 |
| 2010 | 2,380,745,200 | 49,227,727 | 2,429,972,927 | 0.22 |
| 2009 | 2,336,135,300 | 42,748,182 | 2,378,883,482 | 0.22 |
| 2008 | 2,261,835,200 | 45,062,727 | 2,306,897,927 | 0.22 |
| 2007 | 2,222,213,820 | 36,465,455 | 2,258,679,275 | 0.22 |

**Notes**: Real property is assessed at full market value. Real Property assessments are made by the Commissioner of Revenue of Montgomery County for concurrent use of the County and Town. Public Service Corporation are assessed by the State Corporation Commission. Both Real Estate and Public Service rates are $.25.

(1) Per $100 of assessed value.

**Town of Blacksburg, Virginia**

**Principal Property Tax Payers**
**Current Year and Nine Years Ago**

| | Fiscal Year 2016 | | | Fiscal Year 2007 | | |
|---|---|---|---|---|---|---|
| **Taxpayer** | **Assessed Value** | **Rank** | **Percentage of Total Town Taxable Assessed Value** | **Assessed Value** | **Rank** | **Percentage of Total Town Taxable Assessed Value** |
| Foxridge Association | $ 104,500,000 | 1 | 3.73% | $ 61,604,900 | 1 | 2.77% |
| MCS Virginia Tech, LLC | 76,000,000 | 2 | 2.71% | - | - | - |
| Related Properties, LLC | 61,500,000 | 4 | 2.19% | - | - | - |
| SHP - The Village at BLBG LLC | 47,000,000 | 3 | 1.68% | 29,811,000 | 2 | 1.34% |
| BSE AH Blacksburg Apts LLC | 34,602,800 | 5 | 1.23% | - | - | - |
| Maple Ridge Land LLC | 32,911,500 | 6 | 1.17% | 24,182,400 | 3 | 1.09% |
| Blacksburg APF Partners LLC | 29,920,900 | 7 | 1.07% | - | - | - |
| University Mall LLC | 22,679,800 | 8 | 0.81% | - | - | - |
| Windsor Hills LP | 22,000,000 | 9 | 0.78% | 15,461,500 | 9 | 0.70% |
| CSB LLC II | 22,000,000 | 10 | 0.78% | 19,121,900 | 5 | 0.86% |
| HCA Montgomery Regional Hospital | - | - | - | 18,933,100 | 6 | 0.85% |
| Kroger Limited Partnership | - | - | - | 14,290,300 | 10 | 0.64% |
| Terrace View Association | - | - | - | 16,971,400 | 8 | 0.76% |
| Verizon Virginia Inc. | - | - | - | 18,085,944 | 7 | 0.81% |
| Diversified Interest | - | - | - | 20,850,200 | 4 | 0.94% |
| | $ 453,115,000 | | 16.17% | $ 239,312,644 | | 10.76% |

**Source**: Commissioner of Revenue, Montgomery County and Director of Financial Services, Town of Blacksburg.

**TABLE 7**

**Town of Blacksburg, Virginia**

**Property Tax Levies and Collections**
**Last Ten Fiscal Years**

| Fiscal Year Ended June 30, | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|---|---|---|---|---|---|---|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2016 | $ 7,092,708 | $ 6,864,745 | 96.79% | $ - | 6,864,745 | 96.79% |
| 2015 | 6,273,943 | 6,109,693 | 97.38% | 116,669 | 6,226,362 | 99.24% |
| 2014 | 5,585,423 | 5,407,901 | 96.82% | 169,012 | 5,576,913 | 99.85% |
| 2013 | 5,542,953 | 5,293,072 | 95.49% | 245,070 | 5,538,142 | 99.91% |
| 2012 | 5,539,488 | 5,319,413 | 96.03% | 217,521 | 5,536,934 | 99.95% |
| 2011 | 5,417,877 | 5,236,517 | 96.65% | 179,694 | 5,416,211 | 99.97% |
| 2010 | 5,302,922 | 5,052,796 | 95.28% | 248,970 | 5,301,766 | 99.98% |
| 2009 | 5,161,566 | 4,987,516 | 96.63% | 173,404 | 5,160,920 | 99.99% |
| 2008 | 5,038,150 | 4,847,447 | 96.21% | 189,880 | 5,037,327 | 99.98% |
| 2007 | 4,362,564 | 4,284,135 | 98.20% | 76,908 | 4,361,043 | 99.97% |

**Source:** Director of Financial Services, Town of Blacksburg

TABLE 8

## Town of Blacksburg, Virginia

### Water and Sewer Revenues By Component
### Last Ten Fiscal Years
(accrual basis of accounting)

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Water Revenues** | | | | | | | | | | |
| Residential | $ 2,538,354 | $ 2,520,194 | $ 2,424,371 | $ 2,254,407 | $ 2,199,971 | $ 2,031,664 | $ 1,958,341 | $ 1,934,448 | $ 1,881,208 | $ 1,682,289 |
| Commercial | 2,309,540 | 2,077,680 | 1,896,259 | 1,890,082 | 1,719,976 | 1,707,310 | 1,677,257 | 1,598,453 | 1,560,955 | 1,498,678 |
| Other | 610,472 | 317,531 | 434,628 | 311,287 | 313,704 | 317,962 | 316,771 | 588,799 | 668,552 | 455,788 |
| Total Water Revenues | 5,458,366 | 4,915,405 | 4,755,258 | 4,455,776 | 4,233,651 | 4,056,936 | 3,952,369 | 4,121,700 | 4,110,715 | 3,636,755 |
| **Sewer Revenues** | | | | | | | | | | |
| Residential | 2,181,450 | 2,281,379 | 2,214,446 | 2,147,557 | 2,147,604 | 2,194,556 | 2,185,772 | 2,082,715 | 1,924,259 | 1,745,208 |
| Commercial | 2,233,201 | 2,060,846 | 1,925,000 | 1,932,524 | 1,888,145 | 1,914,708 | 1,926,293 | 1,768,908 | 1,633,521 | 1,586,975 |
| Other | 19,219 | 12,632 | 11,441 | 7,677 | 9,624 | 5,594 | 7,222 | 3,406 | 4,302 | 7,359 |
| Total Sewer Revenues | 4,433,870 | 4,354,857 | 4,150,887 | 4,087,758 | 4,045,373 | 4,114,858 | 4,119,287 | 3,855,029 | 3,562,082 | 3,339,542 |
| **Availability Fees** | 938,888 | 197,798 | 765,235 | 305,962 | 261,151 | 107,103 | 172,396 | 381,541 | 919,673 | 483,559 |
| Total revenues | $ 10,831,124 | $ 9,468,060 | $ 9,671,380 | $ 8,849,496 | $ 8,540,175 | $ 8,278,897 | $ 8,244,052 | $ 8,358,270 | $ 8,592,470 | $ 7,459,856 |

*Detail breakdown between residential and commercial customer is not available for years prior to 2007.

TABLE 9

## Town of Blacksburg, Virginia

## Water and Sewer Rates
## Last Ten Fiscal Years

| Fiscal Year | Basic in Town Rate | | | | Outside Town Limits Rate | | | |
|---|---|---|---|---|---|---|---|---|
| | Volume Charge Per 1,000 Gallons | | Fixed Charge Per Bill | | Volume Charge Per 1,000 Gallons | | Fixed Charge Per Bill | |
| | Water | Sewer | Water | Sewer | Water | Sewer | Water | Sewer |
| 2016 | $ 5.21 | $ 5.43 | $ 3.09 | $ 3.12 | $ 9.09 | $ 9.50 | $ 5.39 | $ 5.45 |
| 2015 | $ 4.88 | $ 5.17 | $ 3.05 | $ 3.08 | $ 8.52 | $ 9.04 | $ 5.33 | $ 5.39 |
| 2014 | $ 4.55 | $ 4.85 | $ 3.03 | $ 3.06 | $ 7.95 | $ 8.49 | $ 5.30 | $ 5.36 |
| 2013 | $ 4.22 | $ 4.70 | $ 2.94 | $ 2.97 | $ 7.38 | $ 8.23 | $ 5.15 | $ 5.20 |
| 2012 | $ 3.92 | $ 4.64 | $ 2.62 | $ 2.65 | $ 6.85 | $ 8.14 | $ 4.59 | $ 4.65 |
| 2011 | $ 3.76 | $ 4.77 | $ 2.58 | $ 2.61 | $ 6.57 | $ 8.35 | $ 4.52 | $ 4.57 |
| 2010 | $ 3.58 | $ 4.77 | $ 2.55 | $ 2.58 | $ 6.26 | $ 8.35 | $ 4.46 | $ 4.52 |
| 2009 | $ 3.51 | $ 4.47 | $ 2.47 | $ 2.50 | $ 6.14 | $ 7.82 | $ 4.32 | $ 4.38 |
| 2008 | $ 3.30 | $ 4.00 | $ 2.40 | $ 2.43 | $ 5.78 | $ 7.00 | $ 4.20 | $ 4.25 |
| 2007 | $ 3.16 | $ 3.80 | $ 2.26 | $ 2.29 | $ 5.53 | $ 6.65 | $ 3.96 | $ 4.01 |

TABLE 10

**TOWN OF BLACKSBURG, VIRGINIA**

**PRINCIPAL WATER AND SEWER CUSTOMERS**
**Current Year and Nine Years Ago**

| | Fiscal Year 2016 | | | Fiscal Year 2007 | | |
|---|---|---|---|---|---|---|
| **Customer** | **Revenue** | **Rank** | **Percentage of Total Town Revenue** | **Revenue** | **Rank** | **Percentage of Total Town Revenue** |
| HH Hunt | $ 1,007,271 | 1 | 9.30% | $ 560,202 | 1 | 7.51% |
| MCS Virginia Tech, LLC | 270,150 | 2 | 2.49% | - | - | - |
| Federal Mogul Division | 207,542 | 3 | 1.92% | 131,806 | 3 | 1.77% |
| Chasewood Apartments | 143,281 | 4 | 1.32% | - | - | - |
| Related Properties, LLC | 131,725 | 5 | 1.22% | - | - | - |
| Montgomery Regional Hospital | 115,391 | 6 | 1.07% | 78,039 | 6 | 1.05% |
| Chase Management Group | 109,400 | 7 | 1.01% | 74,518 | 7 | 1.00% |
| BSE AH Blacksburg Apts LLC | 100,998 | 8 | 0.93% | - | - | - |
| Dutch Village, LLC | 95,038 | 9 | 0.88% | - | - | - |
| Moog Components Group | 93,624 | 10 | 0.86% | 68,656 | 9 | 0.92% |
| CMH Parks, Inc. | - | - | - | 128,444 | 4 | 1.72% |
| Windsor Hills Apartments | - | - | - | 69,975 | 8 | 0.94% |
| Terrace View | - | - | - | 245,820 | 2 | 3.30% |
| Montgomery County PSA | - | - | - | 87,722 | 5 | 1.18% |
| Oakbridge Apartments | - | - | - | 66,838 | 10 | 0.90% |
| | $ 2,274,420 | | 21.00% | $ 1,512,020 | | 20.27% |

TABLE 11

**Town of Blacksburg, Virginia**

**Legal Debt Margin Information**
**Last Ten Fiscal Years**

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| Debt limit | $ 285,427,076 | $ 277,011,494 | $ 254,830,854 | $ 252,459,748 | $ 252,232,592 | $ 251,435,978 | $ 242,997,293 | $ 237,888,348 | $ 230,689,793 | $ 225,867,928 |
| Total net debt applicable to limit | 28,016,334 | 30,115,454 | 22,866,069 | 25,047,773 | 23,390,669 | 24,927,552 | 25,361,515 | 23,749,761 | 25,350,867 | 26,880,559 |
| Legal debt margin | $ 257,410,742 | $ 246,896,040 | $ 231,964,785 | $ 227,411,975 | $ 228,841,923 | $ 226,508,426 | $ 217,635,778 | $ 214,138,587 | $ 205,338,926 | $ 198,987,369 |
| Total net debt applicable to the limit as a percentage of debt limit | 9.82% | 10.87% | 8.97% | 9.92% | 9.27% | 9.91% | 10.44% | 9.98% | 10.99% | 11.90% |

**Legal Debt Margin Calculation for Fiscal Year 2016**

| | |
|---|---|
| Assessed value | $ 2,854,270,760 |
| Debt limit (10% of assessed value) | $ 285,427,076 |
| Less debt applicable to limit: | |
| General obligation bonds | 27,746,998 |
| Other long-term obligations | 269,336 |
| Legal debt margin | $ 257,410,742 |

**Note:** Under state finance law, the Town's outstanding general obligation debt should not exceed 10 percent of the total assessed property value

**TABLE 12**

**Town of Blacksburg, Virginia**

**Ratios of Outstanding Debt by Type**
**Last Ten Fiscal Years**

| | General Bonded Debt | | | | |
|---|---|---|---|---|---|
| **Fiscal Year** | **General Obligation Bonds** | **Less: Amounts Restricted to Repaying Principal** | **Total General Bonded Debt** | **Percentage of Actual Value of Taxable Property** | **Per Capita** |
| 2016 | $ 22,978,340 | $ - | $ 22,978,340 | 0.805% | $ 519.70 |
| 2015 | 24,651,641 | - | 24,651,641 | 0.890% | 560.46 |
| 2014 | 16,471,607 | - | 16,471,607 | 0.646% | 377.71 |
| 2013 | 17,953,095 | - | 17,953,095 | 0.711% | 421.17 |
| 2012 | 15,568,488 | - | 15,568,488 | 0.617% | 365.29 |
| 2011 | 16,623,947 | - | 16,623,947 | 0.661% | 390.05 |
| 2010 | 16,506,446 | - | 16,506,446 | 0.679% | 363.43 |
| 2009 | 14,011,262 | - | 14,011,262 | 0.589% | 310.83 |
| 2008 | 15,044,001 | - | 15,044,001 | 0.652% | 342.49 |
| 2007 | 16,034,305 | - | 16,034,305 | 0.710% | 367.59 |

| | Business-type Activities | | | | | |
|---|---|---|---|---|---|---|
| **Fiscal Year** | **General Obligation Bonds** | **Capital Leases** | **Total Primary Government** | **Percentage of Actual Value of Taxable Property** | **Percentage of Personal Income** | **Per Capita** |
| 2016 | $ 5,000,069 | $ - | $ 27,978,409 | 0.980% | 0.12% | $ 632.78 |
| 2015 | 5,594,540 | - | 30,246,181 | 1.092% | 0.10% | 687.65 |
| 2014 | 6,256,391 | - | 22,727,998 | 0.892% | 0.13% | 521.18 |
| 2013 | 6,902,903 | - | 24,855,998 | 0.985% | 0.12% | 583.10 |
| 2012 | 7,578,509 | - | 23,146,997 | 0.918% | 0.12% | 543.10 |
| 2011 | 8,009,837 | - | 24,633,784 | 0.661% | 0.11% | 577.99 |
| 2010 | 8,515,037 | - | 25,361,515 | 0.679% | 0.11% | 558.39 |
| 2009 | 9,355,808 | - | 23,749,761 | 0.589% | 0.11% | 526.87 |
| 2008 | 9,884,905 | - | 25,350,867 | 0.652% | 0.10% | 577.13 |
| 2007 | 10,387,519 | - | 26,880,599 | 0.710% | 0.12% | 616.24 |

**Notes:** Details regarding the Town's outstanding debt can be found in the notes to the financial statements on page 43. See Table 14 for personal income and population data. These ratios are calculated using personal income for the prior calendar year.

**TABLE 13**

**Town of Blacksburg, Virginia**

**Pledged Revenue Coverage**
**Last Ten Fiscal Years**

| Fiscal Year | Gross Revenue | Less: Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
|---|---|---|---|---|---|---|
| | | | | Principal | Interest | |
| 2016 | $ 10,831,124 | $ 8,695,812 | $ 2,135,312 | $ 602,335 | $ 137,567 | 2.89 |
| 2015 | 9,468,060 | 8,500,153 | 967,907 | 664,211 | 194,525 | 1.13 |
| 2014 | 9,671,380 | 8,236,126 | 1,435,254 | 646,512 | 190,382 | 1.71 |
| 2013 | 8,849,496 | 7,779,527 | 1,069,969 | 675,606 | 205,213 | 1.21 |
| 2012 | 8,540,175 | 7,469,812 | 1,070,363 | 601,205 | 263,889 | 1.24 |
| 2011 | 8,278,897 | 7,546,113 | 732,784 | 555,546 | 326,962 | 0.83 |
| 2010 | 8,244,052 | 7,342,883 | 901,169 | 798,457 | 347,884 | 0.79 |
| 2009 | 8,358,270 | 7,121,807 | 1,236,463 | 529,097 | 390,962 | 1.34 |
| 2008 | 8,592,470 | 6,982,179 | 1,610,291 | 480,275 | 408,442 | 1.81 |
| 2007 | 7,459,856 | 6,846,820 | 613,036 | 426,995 | 359,371 | 0.78 |

**Notes**: Details regarding the Town's outstanding debt can be found in the Notes to Financial Statements.
Operating expenses do not include depreciation, interest, or amortization expenses.

**TABLE 14**

**Town of Blacksburg, Virginia**

**Demographic and Economic Statistics**
**Last Ten Fiscal Years**

| Fiscal Year Ended (1) | Population (2) | Total Personal Income (3) Thousands of Dollars | Per Capita Personal Income (3) | Unemployment Rate |
|---|---|---|---|---|
| 2016 | 44,215 | * | * | 4.10% |
| 2015 | 43,985 | $ 3,818,058 | $ 33,184 | 5.10 |
| 2014 | 43,609 | 3,649,374 | 31,800 | 6.30 |
| 2013 | 42,627 | 3,534,206 | 31,168 | 6.30 |
| 2012 | 42,620 | 3,404,296 | 30,428 | 6.40 |
| 2011 | 42,620 | 3,175,190 | 28,668 | 6.50 |
| 2010 | 45,419 | 3,089,516 | 27,844 | 8.90 |
| 2009 | 45,077 | 2,927,637 | 27,308 | 9.40 |
| 2008 | 43,926 | 2,880,134 | 27,102 | 4.80 |
| 2007 | 43,620 | 2,686,200 | 25,545 | 3.40 |

* Information not yet available.

(1) Unemployment figures are based on fiscal years ending June 30.
Per Capita Income is as of December 31.

(2) Population is based on figures available from the US Census Bereau.

(3) Source: Bureau of Economic Analysis. Information not available for towns in Virginia. Blacksburg is included in statistics for Montgomery County and Radford City. Latest available data.

**Town of Blacksburg, Virginia**

**Principal Employers**
**Current Year and Nine Years Ago**

| | Fiscal Year 2016 | | | Fiscal Year 2007* | | |
|---|---|---|---|---|---|---|
| **Employer** | **Rank** | **Number of Employees** | **Percent of Total Employment** | **Rank** | **Number of Employees** | **Percent of Total Employment** |
| Virginia Tech | 1 | > 1,000 | | 1 | - | |
| Virginia Tech Corporate Research Center | 2 | > 1,000 | | - | - | |
| Moog | 3 | > 1,000 | | 3 | - | |
| HCA Montgomery Regional Hospital | 4 | 500 to 999 | | 4 | - | |
| NRV Community Services | 5 | 250 to 499 | | - | - | |
| Town of Blacksburg | 6 | 250 to 499 | | 5 | - | |
| United Pet Group (Tetra) | 7 | 100 to 249 | | 10 | - | |
| Federal-Mogul Corporation | 8 | 100 to 249 | | 7 | - | |
| Eaglepicher Wolverine LLC | 9 | 100 to 249 | | 8 | - | |
| Virginia Tech Services, Inc. | 10 | 100 to 249 | | - | - | |
| Poly-Scientific Division of Litton Industries | - | - | | - | - | |
| Electro-Tec Corporation | - | - | | - | - | |
| Montgomery County School Board | - | - | | 2 | - | |
| Kroger | - | - | | 6 | - | |
| H.H. Hunt | - | - | | 9 | - | |

**Source**: Virginia Employment Commission. Current year rankings of largest employers were establish; however only a range of employees was provided. Exact employment numbers were not obtained.

* - Employment numbers not available.

TABLE 16

**Town of Blacksburg, Virginia**

**Full-Time Equivalent Town Government Employees by Function/Program**
**Last Ten Fiscal Years**

| Function/Program | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| General government | | | | | | | | | | |
| Management | 18.84 | 18.84 | 19.87 | 21.37 | 20.37 | 20.37 | 19.87 | 21.71 | 22.07 | 21.21 |
| Finance | 15.00 | 15.00 | 14.50 | 14.50 | 13.50 | 13.50 | 13.50 | 15.00 | 14.50 | 13.50 |
| Technology | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.50 | 3.63 | 3.60 |
| Police | | | | | | | | | | |
| Officers | 64.00 | 63.00 | 63.00 | 63.00 | 63.00 | 62.00 | 62.00 | 62.00 | 58.00 | 58.00 |
| Civilians | 17.78 | 17.78 | 17.78 | 18.18 | 18.78 | 18.78 | 18.78 | 19.08 | 18.08 | 18.08 |
| Fire and Rescue | | | | | | | | | | |
| Firefighters | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | - |
| Civilians (all volunteer professionals) | 1.00 | 1.00 | 1.63 | 1.00 | 2.00 | 2.00 | 2.00 | 2.63 | 2.63 | 4.63 |
| Public works | 64.33 | 63.29 | 61.92 | 64.52 | 56.90 | 58.77 | 58.77 | 65.25 | 62.25 | 59.91 |
| Parks and recreation | 42.26 | 41.39 | 41.12 | 47.12 | 46.37 | 46.37 | 40.83 | 23.54 | 39.12 | 39.12 |
| Planning and Engineering | 24.00 | 24.00 | 24.60 | 22.00 | 21.98 | 21.50 | 21.50 | 40.41 | 23.54 | 19.00 |
| Water and Sewer | 25.07 | 23.73 | 24.23 | 24.23 | 24.25 | 24.25 | 24.25 | 24.37 | 24.37 | 24.24 |
| Golf Course | * | * | * | * | * | * | 6.00 | 6.00 | 6.00 | 6.00 |
| Solid Waste | 2.00 | 2.00 | 2.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Stormwater | 2.00 | - | - | - | - | - | - | - | - | - |
| Transit | 113.49 | 105.94 | 105.07 | 104.07 | 97.14 | 95.14 | 89.21 | 93.18 | 90.27 | 84.60 |
| Total | 394.77 | 380.97 | 380.72 | 387.99 | 372.29 | 370.68 | 364.71 | 381.67 | 369.46 | 354.89 |

**Source:** Town's Adopted Operating Budget

**Notes:** A full-time employee is scheduled to work 2,080 hours per year (including holiday, vacation, and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080.

* Golf Course was rolled into the General Fund in 2011 and is included with Parks and recreation.

TABLE 17

**Town of Blacksburg, Virginia**

**Operating Indicators by Function/Program**
**Last Ten Fiscal Years**

| Function/Program | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| General Government | | | | | | | | | | |
| Fleet | | | | | | | | | | |
| Pieces of equipment maintained | 410 | 406 | 391 | 377 | 376 | 371 | 378 | 379 | 358 | 328 |
| Building permits issued | 3,278 | 1,717 | 1,864 | 1,730 | 596 | 1,291 | 1,323 | 783 | 138 | 126 |
| Public safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Physical arrests | 774 | 793 | 915 | 1,097 | 1,195 | 1,688 | 1,598 | 1,077 | 930 | 1,239 |
| Parking violations | 1,999 | 3,240 | 3,727 | 5,689 | 7,252 | 7,051 | 5,486 | 5,717 | 6,153 | 1,444 |
| Traffic violations | 2,915 | 3,219 | 3,443 | 4,206 | 5,213 | 3,735 | 3,580 | 6,223 | 5,343 | 3,078 |
| Fire | | | | | | | | | | |
| Emergency responses | 918 | 916 | 982 | 973 | 889 | 973 | 1,018 | 1,035 | 1,048 | 1,050 |
| Public works | | | | | | | | | | |
| Refuse collection | | | | | | | | | | |
| Refuse collected (tons per day) | 19 | 20 | 20 | 20 | 20 | 20 | 20 | 19 | 21 | 22 |
| Recyclables collected (tons per day) | 6 | 5 | 5 | 5 | 5 | 5 | 4 | 4 | 3 | 3 |
| Other public works | | | | | | | | | | |
| Street resurfacing (miles) | 5.50 | 5.80 | 4.80 | 4.80 | 3.63 | 3.57 | 4.00 | 2.25 | 2.99 | 4.73 |
| Parks, recreation, and cultural | | | | | | | | | | |
| Parks and recreation | | | | | | | | | | |
| Park acreage owned by the Town | 544 | 544 | 544 | 544 | 544 | 544 | 544 | 428 | 428 | 428 |
| Library | | | | | | | | | | |
| Volumes in collection | 83,165 | 83,165 | 83,165 | 86,137 | 86,280 | 86,280 | 84,886 | 83,575 | 78,312 | 78,757 |
| Water | | | | | | | | | | |
| Number of customer accounts | 9,159 | 9,203 | 9,159 | 8,917 | 8,927 | 8,832 | 8,791 | 8,724 | 8,591 | 8,413 |
| Miles of distribution lines | 177 | 177 | 177 | 169 | 168 | 168 | 168 | 168 | 168 | 165.3 |
| Volume pumped (million gallons per day average) | 2.3 | 2.3 | 2.3 | 2.2 | 2.5 | 2.5 | 2.6 | 2.6 | 3.3 | 3.6 |
| Sewer | | | | | | | | | | |
| Number of customer accounts | 8,484 | 8,509 | 8,260 | 8,213 | 8,174 | 8,124 | 8,080 | 8,016 | 7,897 | 7,741 |
| Miles of sanitary sewers | 156 | 156 | 156 | 156 | 155 | 155 | 154 | 154 | 154 | 148.0 |

**Source: Town individual departments and Budget Document.**

**TABLE 18**

**Town of Blacksburg, Virginia**

**Capital Asset and Infrastructure Statistics by Function/Program**
**Last Ten Fiscal Years**

| Function/Program | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| Public safety | | | | | | | | | | |
| Law enforcement vehicles | 73 | 74 | 70 | 69 | 72 | 62 | 56 | 56 | 54 | 49 |
| Fire stations | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 2 |
| Public works | | | | | | | | | | |
| Miles of streets | 354 | 354 | 354 | 350 | 344 | 344 | 343 | 306 | 263 | 229 |
| Streetlights | 1,826 | 1,804 | 1,804 | 1,804 | 1,613 | 1,613 | 1,585 | 1,565 | 1,536 | 1,565 |
| Parks, recreation, and cultural | | | | | | | | | | |
| Community centers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Parks/athletic fields | 35 | 35 | 35 | 35 | 30 | 30 | 30 | 30 | 29 | 20 |
| Water and sewage | | | | | | | | | | |
| Water mains (miles) | 177 | 177 | 177 | 169 | 168 | 168 | 168 | 168 | 168 | 165 |
| Storm sewers (miles) | 83 | 35 | 35 | 46 | 37 | 37 | 37 | 37 | 37 | 36 |
| Sanitary sewers (miles) | 156 | 156 | 156 | 156 | 155 | 155 | 154 | 154 | 154 | 148 |

**Source: Town individual departments and Budget Document.**

TABLE 19

**TOWN OF BLACKSBURG, VIRGINIA**

**CONTINUING BOND DISCLOSURES**
**SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**
**GENERAL FUND**
**Last Ten Fiscal Years**

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | | | | |
| Taxes | $ 18,179,697 | $ 17,057,725 | $ 15,979,783 | $ 15,904,094 | $ 15,354,299 | $ 14,731,137 | $ 13,714,423 | $ 13,137,175 | $ 12,498,249 | $ 11,233,510 |
| Licenses and permits | 2,936,235 | 2,517,700 | 2,587,860 | 2,211,583 | 2,484,167 | 2,321,328 | 2,319,880 | 2,582,295 | 2,585,021 | 2,439,479 |
| Intergovernmental | 4,493,518 | 4,355,564 | 4,386,406 | 4,375,613 | 4,348,396 | 4,046,573 | 4,088,926 | 3,978,598 | 5,040,567 | 4,915,791 |
| Charges for services | 3,596,057 | 3,111,037 | 2,994,939 | 2,813,066 | 2,969,731 | 2,738,117 | 3,245,746 | 2,177,797 | 2,080,056 | 2,019,273 |
| Fines and forfeitures | 170,986 | 240,394 | 236,673 | 344,153 | 450,017 | 347,444 | 345,875 | 274,391 | 286,725 | 309,227 |
| Investment earnings | 130,313 | 143,674 | 112,883 | 215,624 | 195,149 | 155,437 | 230,070 | 253,226 | 369,300 | 295,746 |
| Unrealized gain/(loss) | 42,634 | (42,994) | 32,203 | 31,281 | 63,339 | (167,835) | - | - | - | - |
| Other | 1,082,572 | 819,082 | 607,722 | 649,599 | 601,113 | 611,757 | 656,452 | 708,743 | 686,555 | 689,435 |
| Other financing sources | 434,783 | 3,962,746 | 94,711 | 186,008 | 5,399,273 | 3,365,573 | 2,520,095 | - | 83,957 | 97,589 |
| Total revenues | 31,066,795 | 32,164,928 | 27,033,180 | 26,731,021 | 31,865,484 | 28,149,531 | 27,121,467 | 23,112,225 | 23,630,430 | 22,000,050 |
| **EXPENDITURES** | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Legislative | 281,218 | 278,374 | 269,326 | 253,817 | 240,263 | 231,586 | 243,323 | 226,409 | 221,809 | 205,155 |
| Executive | 2,319,402 | 3,086,873 | 2,150,690 | 1,850,440 | 1,609,640 | 1,611,610 | 1,547,838 | 1,657,238 | 2,003,955 | 1,900,931 |
| Legal | 325,269 | 333,877 | 330,220 | 298,964 | 270,487 | 257,808 | 247,270 | 282,623 | 344,093 | 267,249 |
| Judicial | - | - | - | - | 5,720 | 7,705 | 8,094 | 6,996 | 12,115 | 8,399 |
| Financial services | 1,655,338 | 1,625,381 | 1,566,972 | 1,555,497 | 1,419,112 | 1,611,673 | 1,528,293 | 1,497,448 | 1,421,990 | 1,320,930 |
| Technology | 523,486 | 511,958 | 503,267 | 475,063 | 440,520 | 444,354 | 444,710 | 429,357 | 433,278 | 405,919 |
| Police | 7,498,893 | 7,698,863 | 7,142,942 | 7,512,440 | 7,023,927 | 6,446,560 | 6,623,523 | 6,349,597 | 5,927,303 | 5,517,896 |
| Fire and rescue | 1,059,849 | 974,416 | 957,011 | 958,909 | 873,955 | 875,225 | 814,549 | 775,184 | 912,524 | 1,289,024 |
| Public works | 5,851,727 | 5,904,498 | 5,438,879 | 5,676,805 | 5,654,285 | 5,364,738 | 5,138,371 | 4,557,804 | 4,692,086 | 4,530,464 |
| Recreation | 2,153,379 | 2,301,245 | 2,065,887 | 2,036,250 | 1,972,667 | 1,938,326 | 1,539,526 | 1,641,839 | 1,587,494 | 1,357,801 |
| Planning and engineering | 2,131,305 | 2,266,072 | 2,247,140 | 2,225,383 | 2,062,767 | 1,995,305 | 1,969,816 | 1,787,791 | 1,774,597 | 1,771,483 |
| Nondepartmental and transfers | 2,628,079 | 7,171,887 | 2,528,204 | 2,141,589 | 2,550,139 | 1,831,484 | 5,125,726 | 2,640,740 | 5,907,538 | 1,843,867 |
| Debt service | 2,544,206 | 2,089,004 | 2,074,860 | 2,149,825 | 7,284,160 | 3,953,198 | 1,799,742 | 1,693,655 | 1,704,025 | 1,533,663 |
| Total expenditures | 28,972,151 | 34,242,448 | 27,275,398 | 27,134,982 | 31,407,642 | 26,569,572 | 27,030,781 | 23,546,681 | 26,942,807 | 21,952,781 |
| Excess (deficiency) of revenues over expenditures | 2,094,644 | (2,077,520) | (242,218) | (403,961) | 457,842 | 1,579,959 | 90,686 | (434,456) | (3,312,377) | 47,269 |
| **FUND BALANCES AT JULY 1** | 2,526,562 | 4,604,082 | 4,846,300 | 5,250,261 | 4,792,419 | 3,212,460 | 3,121,774 | 3,556,230 | 6,868,607 | 6,821,338 |
| **FUND BALANCES AT JUNE 30** | $ 4,621,206 | $ 2,526,562 | $ 4,604,082 | $ 4,846,300 | $ 5,250,261 | $ 4,792,419 | $ 3,212,460 | $ 3,121,774 | $ 3,556,230 | $ 6,868,607 |
| **Reserved:** | | | | | | | | | | |
| Reserved/Committed* for encumbrances | $ 208,725 | $ 232,077 | $ 362,950 | $ 248,061 | $ 295,076 | $ 392,826 | $ 454,443 | $ 366,398 | $ 230,839 | $ 309,185 |
| Reserved/Nonspendable* for inventories | 293,667 | 276,220 | 254,012 | 244,566 | 215,145 | 183,615 | 158,005 | 127,676 | 128,819 | 129,441 |
| Reserved/Restricted for museum lifetime memberships | - | - | - | 19,161 | 18,969 | 18,614 | 18,158 | 17,737 | 16,546 | 16,546 |
| Reserved for Toms Creek Interchange | - | - | - | - | - | - | - | - | - | - |
| Reserved/Nonspendable* for prepaid expenditures | - | - | - | - | 222,761 | 211,630 | 190,545 | 234,716 | 244 | 9,935 |
| Total | 502,392 | 508,297 | 616,962 | 511,788 | 751,951 | 806,685 | 821,151 | 746,527 | 376,448 | 465,107 |
| Total unreserved/unassigned* fund balance | 4,118,814 | 2,018,265 | 3,987,120 | 4,334,512 | 4,498,310 | 3,985,734 | 2,391,309 | 2,375,247 | 3,179,782 | 6,403,500 |
| Ending fund balance | $ 4,621,206 | $ 2,526,562 | $ 4,604,082 | $ 4,846,300 | $ 5,250,261 | $ 4,792,419 | $ 3,212,460 | $ 3,121,774 | $ 3,556,230 | $ 6,868,607 |

* During 2011, the Town implemented GASB 54, as a result fund balance categories were revised as required by the standard.

(Continued)

TABLE 19

**TOWN OF BLACKSBURG, VIRGINIA**

**CONTINUING BOND DISCLOSURES**
**SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**WATER AND SEWER FUND**
**Last Ten Fiscal Years**

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| **OPERATING REVENUES** | | | | | | | | | | |
| Charges for services | $ 9,352,300 | $ 9,027,449 | $ 8,573,721 | $ 8,304,725 | $ 8,041,176 | $ 7,861,176 | $ 7,751,109 | $ 7,389,028 | $ 7,029,604 | $ 6,519,956 |
| Availability and transfer fees | 938,888 | 197,798 | 765,235 | 305,962 | 261,151 | 159,153 | 222,256 | 432,081 | 969,933 | 529,779 |
| Meter installation | 310,743 | 68,924 | 145,874 | 84,857 | 63,363 | 48,488 | 71,210 | 142,700 | 189,560 | 108,288 |
| Connection fees | 94,831 | 55,519 | 73,566 | 34,575 | 40,738 | 69,762 | 54,550 | 80,102 | 97,012 | 75,127 |
| Other | 134,362 | 118,370 | 112,984 | 119,377 | 133,747 | 140,318 | 144,927 | 314,359 | 306,361 | 226,706 |
| Total operating revenues | 10,831,124 | 9,468,060 | 9,671,380 | 8,849,496 | 8,540,175 | 8,278,897 | 8,244,052 | 8,358,270 | 8,592,470 | 7,459,856 |
| **OPERATING EXPENSES** | | | | | | | | | | |
| Personal services | 1,223,565 | 1,527,626 | 1,512,028 | 1,531,539 | 1,406,099 | 1,402,094 | 1,429,945 | 1,362,647 | 1,371,601 | 1,250,949 |
| Contractual services | 5,735,846 | 5,238,730 | 5,003,294 | 4,617,489 | 4,613,068 | 4,758,024 | 4,545,424 | 4,372,996 | 4,176,133 | 4,243,537 |
| Administration | 1,199,587 | 1,328,574 | 1,266,064 | 1,194,376 | 1,101,954 | 887,100 | 867,200 | 850,000 | 810,000 | 798,200 |
| Depreciation | 982,757 | 948,684 | 918,456 | 877,397 | 854,420 | 894,398 | 761,403 | 758,919 | 737,094 | 622,785 |
| Other | 536,814 | 405,223 | 454,740 | 436,123 | 348,691 | 498,895 | 500,314 | 536,164 | 624,445 | 554,134 |
| Total operating expenses | 9,678,569 | 9,448,837 | 9,154,582 | 8,656,924 | 8,324,232 | 8,440,511 | 8,104,286 | 7,880,726 | 7,719,273 | 7,469,605 |
| Operating income (loss) | 1,152,555 | 19,223 | 516,798 | 192,572 | 215,943 | (161,614) | 139,766 | 477,544 | 873,197 | (9,749) |
| **NONOPERATING EXPENSES** | | | | | | | | | | |
| Intergovernmental revenue | - | - | - | - | 15,000 | - | - | - | - | - |
| Interest income | 46,476 | 5,446 | 7,868 | 44,049 | 46,158 | 74,796 | 143,402 | 320,949 | 376,316 | 310,059 |
| Interest expense | (137,567) | (212,208) | (190,382) | (205,213) | (263,889) | (326,962) | (347,884) | (374,730) | (408,442) | (373,684) |
| Unrealized gain/(loss) on investments | 15,346 | (8,237) | 4,914 | 9,662 | 29,800 | (90,690) | - | - | - | - |
| Gain (loss) on disposition of asset | 25,804 | 329 | 4,610 | 19,123 | - | - | - | 7,910 | - | 23,059 |
| Net nonoperating expenses | (49,941) | (214,670) | (172,990) | (132,379) | (172,931) | (342,856) | (204,482) | (45,871) | (32,126) | (40,566) |
| Income (loss) before contributions and transfers | 1,102,614 | (195,447) | 343,808 | 60,193 | 43,012 | (504,470) | (64,716) | 431,673 | 841,071 | (50,315) |
| **CAPITAL CONTRIBUTIONS** | 43,997 | 120,338 | 259,502 | - | 340,000 | 340,000 | - | - | - | 540,366 |
| **TRANSFERS IN** | 445,848 | 170,183 | - | - | - | - | 214,675 | 64,169 | 55,361 | 269,355 |
| **TRANSFERS OUT** | (467,125) | (263,034) | (214,784) | (168,383) | (211,010) | (164,110) | (184,045) | (164,323) | (136,545) | (128,332) |
| Change in net position | 1,125,334 | (167,960) | 388,526 | (108,190) | 172,002 | (328,580) | (34,086) | 331,519 | 759,887 | 631,074 |
| **NET POSITION AT JULY 1** | 9,069,827 | 9,237,787 | 10,002,488 | 10,110,678 | 9,938,676 | 10,267,256 | 10,301,342 | 9,969,823 | 9,209,936 | 8,508,659 |
| **NET POSITION AT JUNE 30** | $ 10,195,161 | $ 9,069,827 | $ 10,391,014 | $ 10,002,488 | $ 10,110,678 | $ 9,938,676 | $ 10,267,256 | $ 10,301,342 | $ 9,969,823 | $ 9,139,733 |

(Continued)

**TABLE 19**

**TOWN OF BLACKSBURG, VIRGINIA**

**CONTINUING BOND DISCLOSURES**
**TAXABLE RETAIL SALES AND**
**TAXABLE RETAIL SALES PER CAPITA**
**MONTGOMERY COUNTY (INCLUDING BLACKSBURG)**
**Last Ten Calendar Years**

| Calendar Year | Population | Taxable Retail Sales | Taxable Retail Sales Per Capita |
|---|---|---|---|
| 2015 | 97,653 | $ 1,045,664,373 | $ 10,708 |
| 2014 | 97,244 | 988,622,704 | 10,166 |
| 2013 | 96,207 | 975,623,640 | 10,141 |
| 2012 | 95,626 | 967,667,151 | 10,119 |
| 2011 | 94,392 | 911,189,094 | 9,653 |
| 2010 | 94,392 | 892,050,066 | 9,450 |
| 2009 | 91,395 | 897,455,302 | 9,820 |
| 2008 | 90,517 | 925,283,130 | 10,222 |
| 2007 | 88,834 | 925,898,590 | 10,423 |
| 2006 | 88,454 | 865,232,779 | 9,782 |

(Continued)

**TABLE 19**

**TOWN OF BLACKSBURG, VIRGINIA**

**CONTINUING BOND DISCLOSURES**
**SUMMARY OF CAPITAL IMPROVEMENT PROGRAM**

| | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 |
|---|---|---|---|---|---|
| General Fund | | | | | |
| Finance | $ - | $ 50,000 | $ 70,000 | $ 40,000 | $ 66,500 |
| Fire | 283,500 | 283,500 | 283,500 | 283,500 | 283,500 |
| Rescue | 153,125 | 195,125 | 328,125 | 328,125 | 153,125 |
| Parks and Recreation | 110,000 | 1,473,500 | 336,728 | 35,000 | 35,000 |
| Planning and Building | - | - | - | - | - |
| Engineering and GIS | 363,000 | 65,000 | 30,000 | 5,000 | 105,000 |
| Police | 483,900 | 328,900 | 343,900 | 393,900 | 10,343,900 |
| Public Works | 1,000,819 | 995,819 | 820,819 | 950,819 | 825,819 |
| Technology | 334,000 | 242,000 | 63,000 | 93,000 | 63,000 |
| Town Manager's Office | - | 118,000 | 75,000 | - | - |
| Housing and Neighborhood Services | 266,500 | 30,000 | - | - | - |
| WTOB | 24,490 | - | 57,200 | - | - |
| General Fund Total | 3,019,334 | 3,781,844 | 2,408,272 | 2,129,344 | 11,875,844 |
| Water/Sewer | | | | | |
| Finance Department | 478,500 | 105,000 | 105,000 | 140,000 | 105,000 |
| Engineering and GIS | 514,629 | 844,750 | - | - | - |
| Public Works | 681,509 | 672,509 | 650,099 | 631,979 | 631,859 |
| Water/Sewer Total | 1,674,638 | 1,622,259 | 755,099 | 771,979 | 736,859 |
| VDOT Revenue Sharing | | | | | |
| Public Works | 675,000 | 710,000 | 772,000 | 772,000 | 772,000 |
| Engineering and GIS | 632,000 | 2,330,206 | 30,000 | 30,000 | 430,000 |
| Parks and Recreation | - | 114,000 | - | 200,000 | - |
| VDOT Revenue Sharting Total | 1,307,000 | 3,154,206 | 802,000 | 1,002,000 | 1,202,000 |
| Stormwater Fund | 305,000 | 190,000 | 290,000 | 300,000 | 310,000 |
| Urban Construction Initiative Fund | 350,000 | - | - | - | - |
| CDBG Entitlement Fund | - | - | - | - | - |
| Transit Fund | 2,113,152 | 2,563,993 | 1,622,619 | 4,999,422 | 1,569,911 |
| Equipment Replacement Fund | 1,578,000 | 2,048,000 | 1,889,000 | 3,012,000 | 609,000 |
| Major Building Systems Replacement Fund | 54,880 | 232,650 | 455,450 | 41,850 | 64,050 |
| Solid Waste & Recycling Fund | 48,350 | 48,350 | 48,350 | 48,350 | 48,350 |
| Grand Total | $ 10,450,354 | $ 13,641,302 | $ 8,270,790 | $ 12,304,945 | $ 16,416,014 |

Source: Adopted Capital Improvement Program Fiscal Years Ending 201452016-2019/2020

(Continued)

TABLE 19

**TOWN OF BLACKSBURG, VIRGINIA**

**CONTINUING BOND DISCLOSURES**
**RATIO OF GROSS BONDED DEBT TO ASSESSED VALUATION**
**AND GROSS BONDED DEBT PER CAPITA**

**Last Ten Fiscal Years**

| Fiscal Year | Population | Total Assessed Valuation | Total Bonded Debt | Ratio of Total Bonded Debt to Assessed Valuation | Total Bonded Debt Per Capita |
|---|---|---|---|---|---|
| 2016 | 44,215 | $ 2,854,270,760 | $ 27,978,409 | 0.9802% | $ 632.78 |
| 2015 | 43,985 | 2,770,114,940 | 30,246,181 | 1.0919 | 687.65 |
| 2014 | 43,609 | 2,548,308,538 | 22,727,998 | 0.8919 | 521.18 |
| 2013 | 42,627 | 2,524,597,482 | 24,855,998 | 0.9846 | 583.10 |
| 2012 | 42,620 | 2,522,325,915 | 23,146,997 | 0.9180 | 543.36 |
| 2011 | 42,620 | 2,514,359,778 | 24,633,787 | 0.9800 | 578.26 |
| 2010 | 45,419 | 2,429,972,927 | 25,361,515 | 1.0440 | 595.06 |
| 2009 | 45,077 | 2,378,883,342 | 23,367,071 | 0.9820 | 558.39 |
| 2008 | 43,926 | 2,306,897,927 | 24,928,906 | 1.0810 | 567.52 |
| 2007 | 43,620 | 2,258,679,275 | 26,421,824 | 1.1700 | 605.73 |

(Continued)

**TABLE 19**

**TOWN OF BLACKSBURG, VIRGINIA**

**CONTINUING BOND DISCLOSURES**
**CERTAIN OTHER REVENUES**

**Last Ten Fiscal Years**

| Fiscal Year | Vehicle License Receipts[1] | Business License Receipts | Meals Tax Receipts[2] |
|---|---|---|---|
| 2016 | $ 225,065 | $ 2,304,720 | $ 5,374,077 |
| 2015 | 237,129 | 2,170,173 | 5,051,799 |
| 2014 | 235,411 | 2,066,822 | 4,579,931 |
| 2013 | 246,334 | 1,908,934 | 4,459,804 |
| 2012 | 234,208 | 1,860,603 | 4,237,159 |
| 2011 | 253,230 | 1,658,993 | 4,177,991 |
| 2010 | 239,507 | 1,605,817 | 3,558,541 |
| 2009 | 190,041 | 1,690,776 | 3,318,092 |
| 2008 | 189,318 | 1,620,888 | 2,696,373 |
| 2007 | 253,655 | 1,493,465 | 2,448,102 |

[1] The Vehicle License fee was increased to $25 effective May 1, 2004 and replaced by a vehicle license tax effective May, 2008.

[2] The Town adopted a meals tax effective January 1, 1984, or 2% on all prepared food; effective July 1, 1989, the meals tax was increased to 3%; effective July 1, 1992, the meals tax was increased to 4%; and effective August 1, 2003, the meals tax was increased to 5% and effective July 1, 2009, the meals tax rate was increased to 6%.

# COMPLIANCE SECTION

BROWNEDWARDS
*certified public accountants*

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

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

We have audited, 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 Town,* 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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 28, 2016.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 were not 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 2006-001, that we consider to be a significant deficiency.**

**Compliance and Other Matters**

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

**Town of Blacksburg's Response to Findings**

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 28, 2016

BROWNEDWARDS
*certified public accountants*

# 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 Town Council
Town of Blacksburg, Virginia

## Report 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 described 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, 2016. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for the Town's major federal program, based on our audit of the types of compliance requirements referred to above. 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 Award*s (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

### *Opinion on Each Major Federal Program*

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 its major federal program for the year ended June 30, 2016.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on the major federal program is not modified with respect to this matter.

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

**Report on Internal Control Over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

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, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 28, 2016

**TOWN OF BLACKSBURG, VIRGINIA**

**SUMMARY OF COMPLIANCE MATTERS**
**June 30, 2016**

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 programs selected for testing.

**TOWN OF BLACKSBURG, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**Year Ended June 30, 2016**

## A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **One significant deficiency** relating to the audit of the financial statements was 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** relating to the audit of 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 **one finding related to the major programs**.
7. The programs tested as major are:

| **Name of Program:** | **CFDA #** |
|---|---|
| Transit Grant Cluster | 20.500 and 20.507 |

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

### 2006-001: Segregation of Duties (Significant Deficiency)

*Condition:*

A fundamental concept of internal controls is the separation of duties. 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. Due to the limited staff size, a proper segregation has not been established. The Town has put compensating controls in place, to the extent practical for day-to-day operation.

*Recommendation:*

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

*Management's Response:*

The auditee concurs with this recommendation.

(Continued)

**TOWN OF BLACKSBURG, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**Year Ended June 30, 2016**

## C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

### 2016-001: Approval of Transit Disposals

*Condition:*

The U.S. Department of Transportation requires that proceeds from the sale of vehicles, originally acquired with federal funding and sold for more than $5,000 be paid back to the Federal Transit Administration ("FTA") or amounts may be restricted to be used for the purchase of additional vehicles. Such disposals must be approved by the FTA before disposal or sale. During our testing, we noted that a transit support vehicle was sold and proper approval from the FTA for this disposal was not obtained. Proceeds from the sale, however, were used appropriately towards FTA grant funded projects.

*Recommendation:*

Steps should be taken to ensure that all disposals are properly and timely submitted to the FTA for approval.

*Management's Response:*

The auditee concurs with this recommendation. The Town has prepared a letter to be sent to the FTA requesting approval for this disposal.

## D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

None noted.

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