

TOWN OF BLACKSBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
June 30, 2017

DEPARTMENT OF FINANCIAL SERVICES

TOWN OF BLACKSBURG, VIRGINIA

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INTRODUCTORY SECTION

November 28, 2017

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

Section 15.2-2511 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, 2017.

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, 2017, 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, 2017, 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.

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 19.7 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 2017 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. Lodging tax is expected to increase in 2018 due to the construction of a new hotel. 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. Student enrollment will increase by several thousand students over the next five years in what is the largest planned growth at Virginia Tech in decades.

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 in 33 buildings. 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 44th 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. The Old Blacksburg Middle School site is currently under rezoning and redevelopment review. This site has a lot of potential to draw in new business and revenue for the Town.

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 construction 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 2018 budget demonstrates a commitment to outstanding service delivery and progressiveness of local government. Revenue projections in fiscal year 2018 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 2017 was 1.963%.

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 will 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 114 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 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. An application for rezoning and redevelopment of the Old Blacksburg Middle School property has just been submitted and it plans to be the anchor to 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 is 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 have evaluated the stormwater program and have recommend changes and improvements to be implemented in 2018 and 2019.

Awards and Acknowledgements

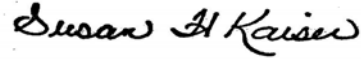
Certificate of Achievement The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Blacksburg for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the thirty-seventh 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, 2017. This is the twenty-sixth 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,

A handwritten signature in black ink, reading "Susan A. Kaiser". The signature is written in a cursive style with a large, stylized 'S' and 'K'.

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, 2016



Executive Director/CEO

TOWN OF BLACKSBURG, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2017

MEMBERS OF TOWN COUNCIL

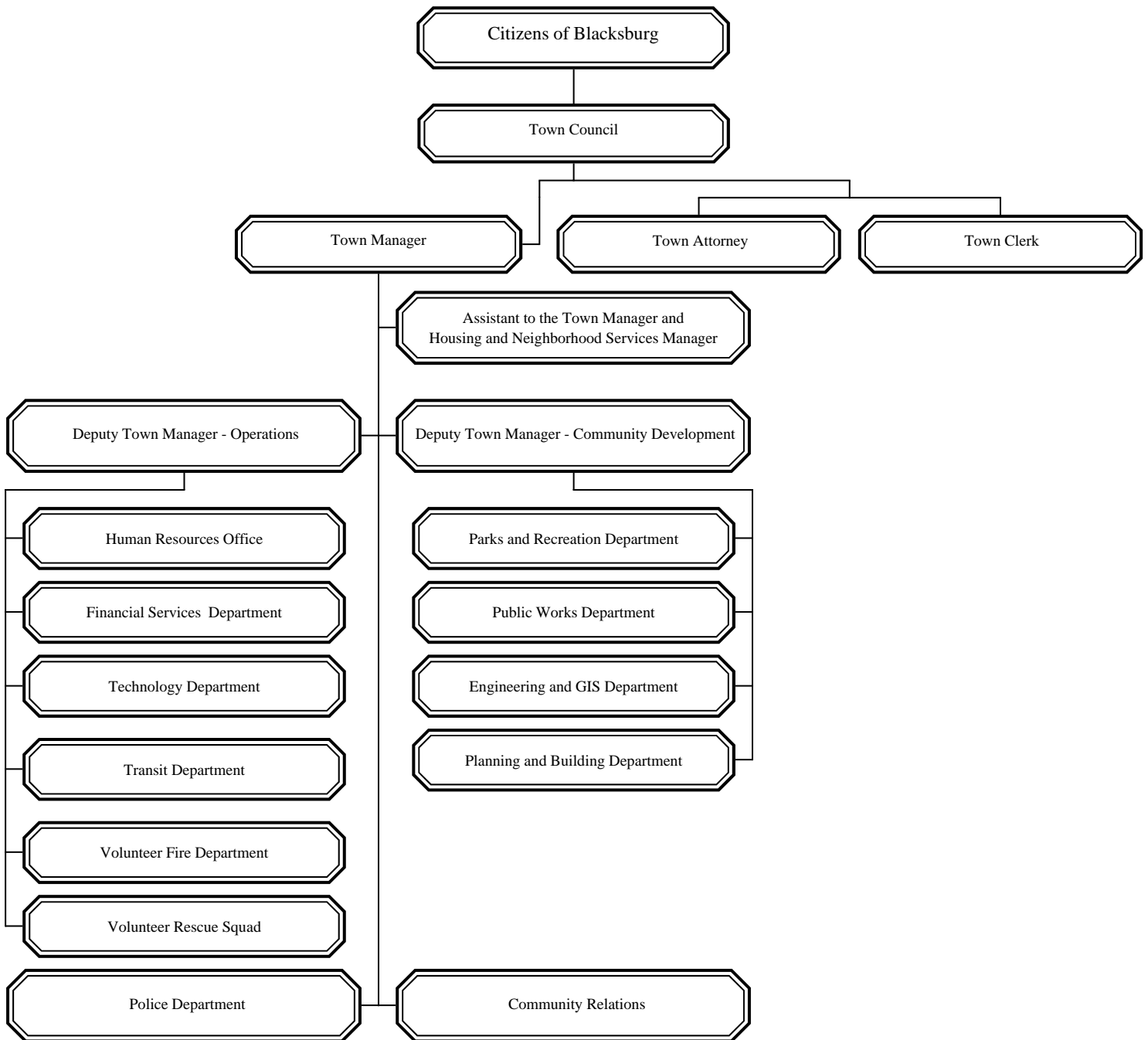
Ron Rordam.Mayor
Leslie Hager-Smith.....Vice-Mayor
John Bush
Michael Sutphin
Krisha Chachra
Cecile Newcomb
Susan Anderson

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, M.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, P.E. Director of Public Works
Dean B. CraneDirector of Parks and Recreation
Tom D. Fox Director of Transit
Steven B. Jones..... Director of Technology

INDEPENDENT AUDITORS

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



Please note that the number of employees in each Department is reflected in each Department's Funding Summary.

FINANCIAL SECTION

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, 2017, 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, 2017, 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.

Change in Accounting Principle

As described in Note 11 to the financial statements, in 2017, the Town adopted new accounting guidance, *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pensions*. Our opinion is not modified with respect to this matter.

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 Awards*, and is also not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

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.

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, 2017, 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, 2017

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, 2017. 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 \$95,732,099 (net position). Of this amount, \$6,936,009 (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 \$1,353,689. This increase is primarily attributable to an increase in real estate taxes, meals taxes and other local 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 \$14,561,704 an increase of \$404,381 due to controlled spending. Of this total amount, \$3,918,173 represents unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,286,239, or 18 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 18 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 or to account for the Town's other post employment benefits trust. 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 24 and 25 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 26 through 66 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 the Town's other post-employment benefits plan. Required supplementary information can be found on pages 68 through 72 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 \$95,732,099 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (92 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 18,552,703	\$ 19,384,212	\$ 13,327,366	\$ 13,253,409	\$ 31,880,069	\$ 32,637,621
Capital assets	81,975,229	82,124,061	31,138,071	32,043,281	113,113,300	114,167,342
Total assets	100,527,932	101,508,273	44,465,437	45,296,690	144,993,369	146,804,963
Deferred outflows of resources	3,563,260	1,910,304	1,145,325	579,275	4,708,585	2,489,579
Long-term liabilities outstanding	38,818,924	37,814,133	9,668,293	9,063,032	48,487,217	46,877,165
Other liabilities	2,394,996	3,706,368	2,836,378	2,872,857	5,231,374	6,579,225
Total liabilities	41,213,920	41,520,501	12,504,671	11,935,889	53,718,591	53,456,390
Deferred inflows of resources	112,880	1,083,801	138,384	375,941	251,264	1,459,742
Net position						
Net investment in capital assets	61,688,322	61,556,627	26,811,761	27,111,499	88,500,083	88,668,126
Restricted	296,007	602,302	-	-	296,007	602,302
Unrestricted	780,063	(1,344,654)	6,155,946	6,452,636	6,936,009	5,107,982
Total net position	\$ 62,764,392	\$ 60,814,275	\$ 32,967,707	\$ 33,564,135	\$ 95,732,099	\$ 94,378,410

The balance of *unrestricted net position*, \$6,936,009 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.

Government-wide Financial Analysis (Continued)

Governmental activities – Governmental activities increased net position by \$1,950,117 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 ball fields at South Point park and an increase in real estate, meals taxes, and other local taxes revenue.

Business-type activities – Business-type activities decreased the Town's net position by \$596,428. This decrease is mainly attributable to the decrease in net position to the transit fund.

The Town's Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 5,102,985	\$ 5,225,611	\$ 16,938,032	\$ 17,120,115	\$ 22,041,017	\$ 22,345,726
Operating grants and contributions	4,519,119	4,277,408	3,638,434	3,380,129	8,157,553	7,657,537
Capital grants and contributions	1,316,730	7,804,684	2,968,324	2,402,524	4,285,054	10,207,208
General revenues						
Property taxes	7,278,919	7,140,994	-	-	7,278,919	7,140,994
Other taxes	13,495,056	13,381,712	-	-	13,495,056	13,381,712
Other	1,199,052	1,176,170	213,485	352,432	1,412,537	1,528,602
Total revenues	32,911,861	39,006,579	23,758,275	23,255,200	56,670,136	62,261,779
Expenses						
Legislative	283,446	276,373	-	-	283,446	276,373
Executive	2,456,229	2,343,384	-	-	2,456,229	2,343,384
Legal	359,036	318,363	-	-	359,036	318,363
Financial services	1,706,593	1,623,761	-	-	1,706,593	1,623,761
Technology	651,746	767,541	-	-	651,746	767,541
Police	8,136,657	7,805,731	-	-	8,136,657	7,805,731
Fire and rescue	1,754,609	1,493,402	-	-	1,754,609	1,493,402
Public works	7,997,543	8,106,501	-	-	7,997,543	8,106,501
Recreation	2,426,104	2,404,483	-	-	2,426,104	2,404,483
Engineering and GIS	1,285,509	1,116,935	-	-	1,285,509	1,116,935
Planning and building	1,099,762	1,029,530	-	-	1,099,762	1,029,530
CDBG entitlement	520,577	707,711	-	-	520,577	707,711
HOME consortium	105,081	826,954	-	-	105,081	826,954
Interest on long-term debt	696,604	738,393	-	-	696,604	738,393
Unallocated depreciation	1,698,347	1,634,138	-	-	1,698,347	1,634,138
Water and sewer	-	-	10,315,742	9,816,136	10,315,742	9,816,136
Transit system	-	-	11,418,619	10,068,972	11,418,619	10,068,972
Solid waste and recycling	-	-	1,736,542	1,660,484	1,736,542	1,660,484
Stormwater	-	-	667,701	685,973	667,701	685,973
Total expenses	31,177,843	31,193,200	24,138,604	22,231,565	55,316,447	53,424,765
Excess before transfers	1,734,018	7,813,379	(380,329)	1,023,635	1,353,689	8,837,014
Transfers	216,099	29,864	(216,099)	(29,864)	-	-
Change in net position	1,950,117	7,843,243	(596,428)	993,771	1,353,689	8,837,014
Net position at July 1	60,814,275	52,971,032	33,564,135	32,570,364	94,378,410	85,541,396
Net position at June 30	\$ 62,764,392	\$ 60,814,275	\$ 32,967,707	\$ 33,564,135	\$ 95,732,099	\$ 94,378,410

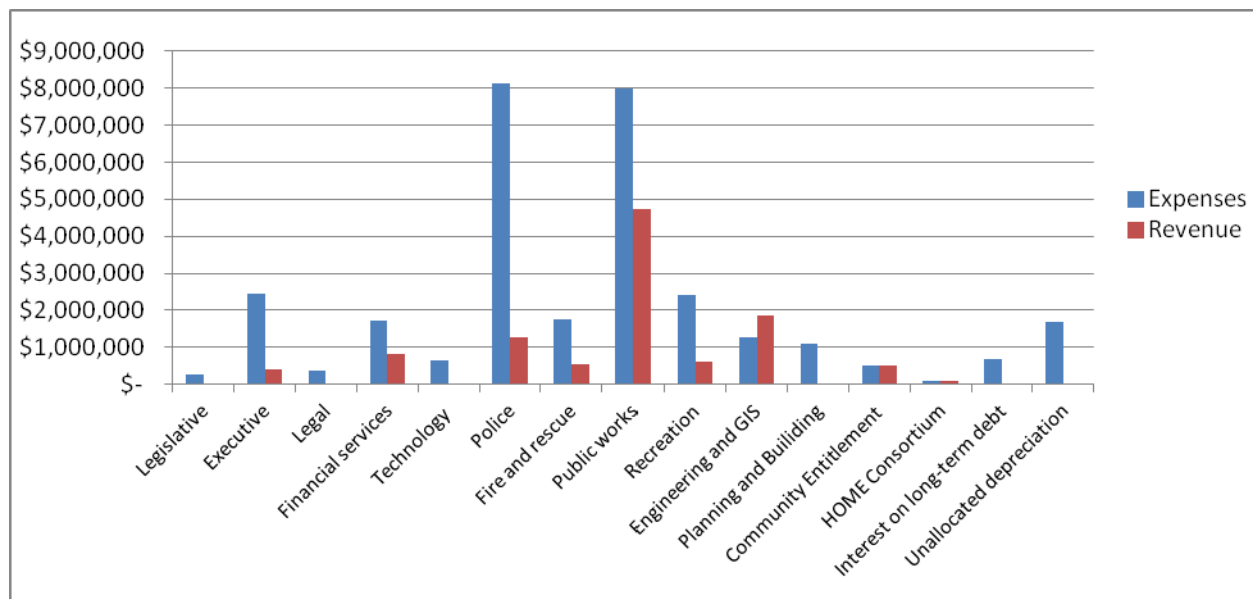
Government-wide Financial Analysis (Continued)

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

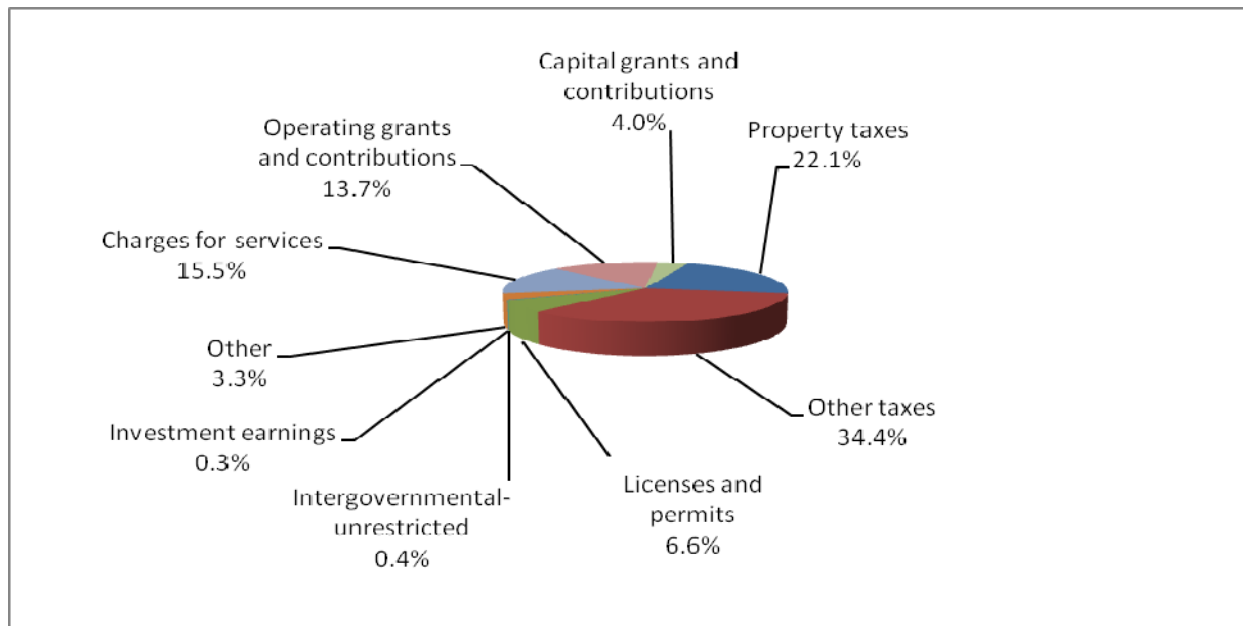
- Police expense increased due to the increase in operational support provided to the New River Valley Emergency Communications Regional Authority.
- Technology expense decreased due to the purchase of computers and the related peripheral equipment in the prior year.
- Fire and Rescue expenses increased due to placing the new rescue squad building into service causing a large increase in depreciation expense.
- CDBG and HOME expenses fluctuated due to timing of various projects and grant funding.

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 decrease in net position.

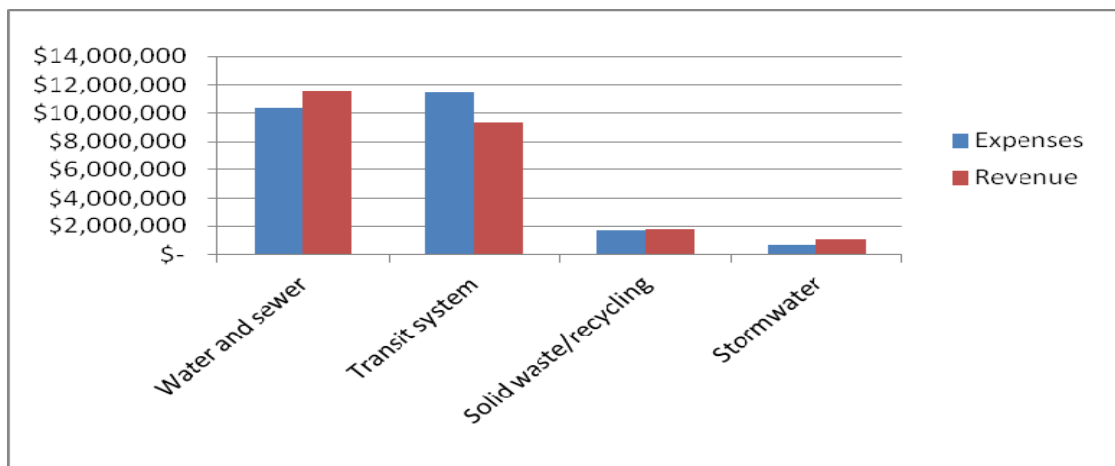
Expenses and Program Revenues – Governmental Activities



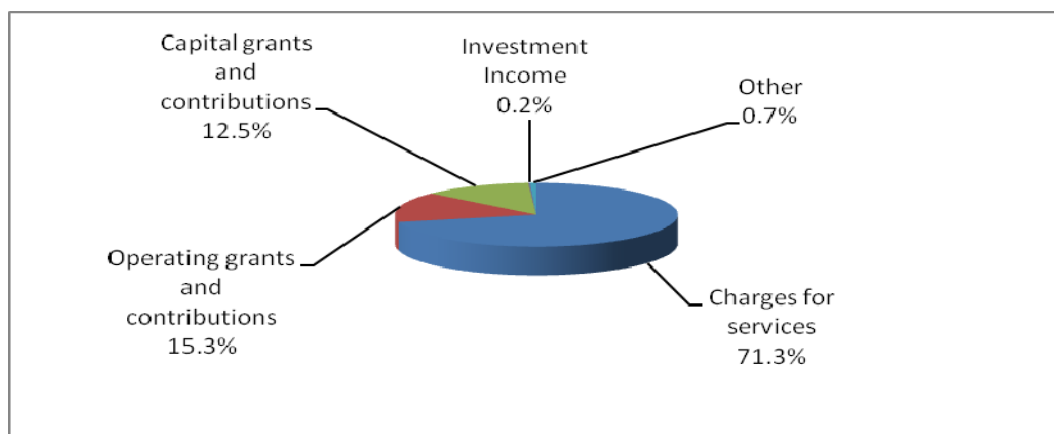
Revenues by Source – Governmental Activities



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 \$14,561,704, an increase of \$404,381 in comparison with the prior year. Of that amount, \$324,832 was nonspendable, \$296,007 was restricted, \$1,565,992 was committed, \$8,456,700 was assigned, and \$3,918,173 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 17.57% of total general fund expenditures exclusive of debt service, capital projects, and transfers, while total fund balance represents 22.40% of that same amount.

The fund balance of the Town's general fund increased by \$843,088 during the current fiscal year. Key factors in this change were due to increases in real estate, meals tax, and other local tax revenues.

The general capital projects fund decreased \$362,950 due to the spending of bond proceeds in the current year for various capital projects.

The urban construction fund decreased \$358,907 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 \$283,837 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 decreased \$687.

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 \$1,483,359, \$3,165,344, \$652,518, and \$854,725 respectively. The total decrease in net position was \$596,428. 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 \$455,205. Increases in appropriations can be briefly summarized as follows:

- \$197,058 in various departments for the reappropriation of prior year encumbrances and \$176,980 for paving.

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.
- Executive, Public Works, and Engineering and GIS were under budget due to controlled spending.
- Other local taxes, most notably meals taxes were over budget due to better economic conditions.
- Intergovernmental revenue was under budget due to timing of grant funding.

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, 2017, amounts to \$113,113,300 (net of accumulated depreciation). This includes land, buildings and system improvements, machinery and equipment, roads, highways, and bridges. The total decrease in the Town’s investment in capital assets for the current fiscal year was approximately 0.9 percent.

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

- Contributed capital amounting to \$1.1 million for the Kipps Farm and Retreat pump stations.
- Engineering and design services for the new Transit Multi-Modal facility totaling \$533,000.
- Infrastructure improvements in the amount of \$804,000 relating to various traffic signal projects.
- Construction activity relating to the South Point park totaling \$607,000.
- The prepayment of a new fire pumper totaling \$700,000.

The Town's Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 10,773,477	\$ 10,773,477	\$ 213,314	\$ 213,314	\$ 10,986,791	\$ 10,986,791
Buildings and improvements	22,705,759	23,504,995	3,240,844	3,493,096	25,946,603	26,998,091
Water system – plant	-	-	3,920,620	4,143,366	3,920,620	4,143,366
Sewer system – plant	-	-	8,913,954	8,212,539	8,913,954	8,212,539
Infrastructure	39,119,569	40,351,615	-	-	39,119,569	40,351,615
Machinery and equipment	6,861,764	6,922,200	12,283,893	13,813,003	19,145,657	20,735,203
Construction in progress	2,514,660	571,774	2,565,446	2,167,963	5,080,106	2,739,737
Total	\$ 81,975,229	\$ 82,124,061	\$ 31,138,071	\$ 32,043,281	\$ 113,113,300	\$ 114,167,342

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 \$25,639,646, 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	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 21,091,398	\$ 22,791,663	\$ 4,338,600	\$ 4,955,335	\$ 25,429,998	\$ 27,746,998
Capital lease obligations	209,648	269,336	-	-	209,648	269,336
	\$ 21,301,046	\$ 23,060,999	\$ 4,338,600	\$ 4,955,335	\$ 25,639,646	\$ 28,016,334

The Town's total debt decreased by \$2,376,688 (8.48 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 4.5 percent, which has increased slightly from a year ago. This compares to the state's average unemployment rate of 3.8 percent and the national average rate of 4.5 percent.
- Inflationary trends in the region compare favorably to national indices.
- A 2% cost-of-living adjustment was given to employees along with a pay for performance bonus which also increases most benefit costs.
- Water and Sewer rates are expected to increase to cover operational and capital costs.
- No future increase in tax rates is planned.

All of these factors were considered in preparing the Town's budget for the 2018 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.

BASIC FINANCIAL STATEMENTS

EXHIBIT 1**TOWN OF BLACKSBURG, VIRGINIA****STATEMENT OF NET POSITION****June 30, 2017**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents (Note 2)	\$ 8,935,156	\$ 5,784,445	\$ 14,719,601
Investments (Note 2)	4,618,741	3,242,314	7,861,055
Receivables, net (Note 3)	1,020,121	1,422,428	2,442,549
Due from other governmental units (Note 5)	1,210,950	1,428,008	2,638,958
Inventories	419,160	1,450,171	1,869,331
Building and land held for resale	912,472	-	912,472
Prepays	42,940	-	42,940
Restricted assets:			
Cash and cash equivalents (Note 2)	1,393,163	-	1,393,163
Capital assets: (Note 6)			
Land and construction in progress	13,288,137	2,778,760	16,066,897
Other capital assets, net	68,687,092	28,359,311	97,046,403
Total assets	<u>100,527,932</u>	<u>44,465,437</u>	<u>144,993,369</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions (Note 9)	3,453,777	1,081,694	4,535,471
Deferred charge on refunding	109,483	63,631	173,114
Total deferred outflows of resources	<u>3,563,260</u>	<u>1,145,325</u>	<u>4,708,585</u>
LIABILITIES			
Accounts payable and accrued liabilities	798,022	2,421,108	3,219,130
Accrued payroll and related liabilities	1,128,712	187,637	1,316,349
Accrued interest payable	218,635	44,217	262,852
Public improvement and other deposits	249,627	183,416	433,043
Long-term liabilities:			
Net pension liability (Note 9)	14,769,812	4,625,783	19,395,595
Due within one year (Note 7)	1,710,889	751,391	2,462,280
Due in more than one year (Note 7)	22,338,223	4,291,119	26,629,342
Total liabilities	<u>41,213,920</u>	<u>12,504,671</u>	<u>53,718,591</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes and grants (Note 3)	112,880	138,384	251,264
Total deferred inflows of resources	<u>112,880</u>	<u>138,384</u>	<u>251,264</u>
NET POSITION			
Net investment in capital assets	61,688,322	26,811,761	88,500,083
Restricted for:			
Capital outlay	296,007	-	296,007
Unrestricted	780,063	6,155,946	6,936,009
Total net position	<u>\$ 62,764,392</u>	<u>\$ 32,967,707</u>	<u>\$ 95,732,099</u>

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

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Governmental activities:						
Legislative	\$ 283,446	\$ -	\$ -	\$ -	\$ (283,446)	\$ -
Executive	2,456,229	406,895	-	-	(2,049,334)	-
Legal	359,036	33,549	-	-	(325,487)	-
Financial services	1,706,593	812,870	-	-	(893,723)	-
Technology	651,746	-	-	-	(651,746)	-
Police	8,136,657	211,454	1,056,141	-	(6,869,062)	-
Fire and rescue	1,754,609	324,414	89,565	138,307	(1,202,323)	-
Public works	7,997,543	1,371,477	3,373,413	-	(3,252,653)	-
Recreation	2,426,104	631,225	-	-	(1,794,879)	-
Engineering and GIS	1,285,509	1,239,985	-	624,568	579,044	-
Planning and building	1,099,762	-	-	-	(1,099,762)	-
CDBG entitlement	520,577	71,116	-	449,461	-	-
HOME consortium	105,081	-	-	104,394	(687)	-
Interest on long-term debt	696,604	-	-	-	(696,604)	-
Unallocated depreciation	1,698,347	-	-	-	(1,698,347)	-
Total governmental activities	31,177,843	5,102,985	4,519,119	1,316,730	(20,239,009)	-
Business-type activities:						
Water and sewer	10,315,742	10,240,386	-	1,175,539	-	1,100,183
Transit system	11,418,619	3,889,641	3,629,288	1,792,785	-	(2,106,905)
Solid waste and recycling	1,736,542	1,765,773	9,146	-	-	38,377
Stormwater	667,701	1,042,232	-	-	-	374,531
Total business-type activities	24,138,604	16,938,032	3,638,434	2,968,324	(593,814)	(593,814)
Total	\$ 55,316,447	\$ 22,041,017	\$ 8,157,553	\$ 4,285,054	(20,239,009)	(20,832,823)
General revenues:						
Property taxes					7,278,919	-
Sales and use taxes					1,387,766	-
Meals taxes					5,510,404	-
Utility taxes					97,400	-
Franchise taxes					612,908	-
Other local taxes					3,718,981	-
Business license taxes					2,167,597	-
Intergovernmental revenue-unrestricted					3,642	-
Gain on sale of assets					34,970	18,204
Unrestricted investment earnings					171,491	80,659
Unrealized loss on investments					(72,585)	(42,820)
Other					1,061,534	157,442
Transfers (Note 4)					216,099	(216,099)
Total general revenues and transfers					22,189,126	(2,614)
Change in net position					1,950,117	(596,428)
Net position at July 1					60,814,275	33,564,135
Net position at June 30					\$ 62,764,392	\$ 32,967,707
						\$ 95,732,099

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

TOWN OF BLACKSBURG, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

			Capital Projects				Total
	General	Urban Construction	General Capital Projects	Equipment Replacement	Debt Service	Nonmajor Funds	Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 3,251,016	\$ -	\$ 2,676,716	\$ 2,908,956	\$ -	\$ -	\$ 8,836,688
Cash and cash equivalents, restricted	-	296,007	1,097,156	-	-	-	1,393,163
Investments	2,262,525	-	333,174	2,023,042	-	-	4,618,741
Receivables, net	1,012,503	-	264	7,354	-	-	1,020,121
Due from other funds	274,312	-	-	-	-	-	274,312
Due from other governmental units	736,414	-	21,400	-	-	453,136	1,210,950
Inventories	281,892	-	-	-	-	-	281,892
Prepaid expenditures	-	-	42,940	-	-	-	42,940
Total assets	<u>\$ 7,818,662</u>	<u>\$ 296,007</u>	<u>\$ 4,171,650</u>	<u>\$ 4,939,352</u>	<u>\$ -</u>	<u>\$ 453,136</u>	<u>\$ 17,678,807</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 388,228	\$ 52,612	\$ 213,162	\$ 43,138	\$ -	\$ 83,414	\$ 780,554
Accrued payroll and related liabilities	1,115,380	-	-	-	-	3,955	1,119,335
Public improvement and other deposits	249,627	-	-	-	-	-	249,627
Due to other funds	-	-	-	-	-	274,312	274,312
Compensated absences	52,434	-	-	-	-	-	52,434
Total liabilities	<u>1,805,669</u>	<u>52,612</u>	<u>213,162</u>	<u>43,138</u>	<u>-</u>	<u>361,681</u>	<u>2,476,262</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable/unearned revenue	548,699	-	-	-	-	92,142	640,841
Total deferred inflows of resources	<u>548,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,142</u>	<u>640,841</u>
FUND BALANCES							
Nonspendable	281,892	-	42,940	-	-	-	324,832
Restricted	-	296,007	-	-	-	-	296,007
Committed	896,163	23,032	350,467	4,595	-	291,735	1,565,992
Assigned	-	-	3,565,081	4,891,619	-	-	8,456,700
Unassigned	4,286,239	(75,644)	-	-	-	(292,422)	3,918,173
Total fund balances	<u>5,464,294</u>	<u>243,395</u>	<u>3,958,488</u>	<u>4,896,214</u>	<u>-</u>	<u>(687)</u>	<u>14,561,704</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,818,662</u>	<u>\$ 296,007</u>	<u>\$ 4,171,650</u>	<u>\$ 4,939,352</u>	<u>\$ -</u>	<u>\$ 453,136</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	81,729,294
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	527,961
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	(21,301,046)
Accrued interest payable	(218,635)
Compensated absences	(1,753,912)
OPEB liability	(699,401)
Deferred amounts	(83,017)
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:	3,372,032
Net pension liability:	(14,420,237)
	(11,048,205)

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.

Net position of governmental activities \$ 62,764,392

TOWN OF BLACKSBURG, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	General	Urban Construction	Capital Projects General Capital Projects	Equipment Replacement	Debt Service	Nonmajor Funds	Total Governmental Funds
REVENUES							
General property taxes	\$ 7,272,645	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,272,645
Other local taxes	11,305,426	-	-	-	-	-	11,305,426
Business license taxes	2,155,424	-	-	-	-	-	2,155,424
Permits and fees	384,311	-	-	-	-	-	384,311
Intergovernmental	4,661,068	-	224,568	-	-	553,855	5,439,491
Charges for services	3,677,197	-	-	-	-	-	3,677,197
Fines and forfeitures	188,183	-	-	-	-	-	188,183
Unrealized loss on investments	(49,402)	-	-	(23,183)	-	-	(72,585)
Investment earnings	112,370	9,690	-	49,431	-	-	171,491
Other	709,975	-	2,533	-	-	71,116	783,624
Total revenues	30,417,197	9,690	227,101	26,248	-	624,971	31,305,207
EXPENDITURES							
Current:							
Legislative	281,047	-	-	-	-	-	281,047
Executive	2,414,343	-	-	-	-	-	2,414,343
Legal	361,134	-	-	-	-	-	361,134
Financial services	1,696,527	-	-	-	-	-	1,696,527
Technology	543,939	-	-	-	-	-	543,939
Police	7,745,463	-	-	-	-	-	7,745,463
Fire and rescue	1,200,794	-	-	-	-	-	1,200,794
Public works	5,770,596	-	-	-	-	-	5,770,596
Recreation	2,238,996	-	-	-	-	-	2,238,996
Engineering and GIS	1,041,413	-	-	-	-	-	1,041,413
Planning and building	1,096,336	-	-	-	-	-	1,096,336
CDBG Entitlement	-	-	-	-	-	520,577	520,577
HOME Consortium	-	-	-	-	-	105,081	105,081
Capital outlays	-	368,597	1,962,523	1,366,659	-	-	3,697,779
Debt service:							
Principal retirement	-	-	-	-	1,759,953	-	1,759,953
Interest and fiscal charges	-	-	-	-	696,804	-	696,804
Total expenditures	24,390,588	368,597	1,962,523	1,366,659	2,456,757	625,658	31,170,782
Excess (deficiency) of revenues over expenditures	6,026,609	(358,907)	(1,735,422)	(1,340,411)	(2,456,757)	(687)	134,425
OTHER FINANCING SOURCES (USES)							
Sale of general capital assets	53,857	-	-	-	-	-	53,857
Transfers in	162,630	-	1,535,102	1,801,769	2,456,757	-	5,956,258
Transfers out	(5,400,008)	-	(162,630)	(177,521)	-	-	(5,740,159)
Total other financing sources (uses)	(5,183,521)	-	1,372,472	1,624,248	2,456,757	-	269,956
Net change in fund balance	843,088	(358,907)	(362,950)	283,837	-	(687)	404,381
FUND BALANCES AT JULY 1	4,621,206	602,302	4,321,438	4,612,377	-	-	14,157,323
FUND BALANCES AT JUNE 30	\$ 5,464,294	\$ 243,395	\$ 3,958,488	\$ 4,896,214	\$ -	\$ (687)	\$ 14,561,704

(Continued)

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, 2017**

Net changes in fund balances	\$ 404,381
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	3,253,577
Capital contributions	400,000
Depreciation expense	(3,858,862)
Disposal of assets	(18,887)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	40,480
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	1,759,953
Amortization of deferred costs	(5,823)
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	14,034
Change in compensated absences	(55,022)
Change in OPEB liability	(48,117)
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.	40,500
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.	31,914
Change in net position of governmental activities	<u><u>\$ 1,950,117</u></u>

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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 7,263,000	\$ 7,263,000	\$ 7,272,645	\$ 9,645
Other local taxes	11,062,000	11,062,000	11,305,426	243,426
Business license taxes	2,161,600	2,161,600	2,155,424	(6,176)
Permits and fees	425,500	425,500	384,311	(41,189)
Intergovernmental	4,800,300	4,977,280	4,661,068	(316,212)
Charges for services	3,657,400	3,657,400	3,677,197	19,797
Fines and forfeitures	239,000	239,000	188,183	(50,817)
Unrealized gain on investments	-	-	(49,402)	(49,402)
Investment earnings	139,200	139,200	112,370	(26,830)
Other	781,200	781,200	709,975	(71,225)
Total revenues	30,529,200	30,706,180	30,417,197	(288,983)
EXPENDITURES				
Current:				
Legislative	298,870	298,870	281,047	17,823
Executive	2,759,163	2,790,401	2,600,041	190,360
Legal	363,161	400,154	379,017	21,137
Financial services	1,743,424	1,764,091	1,728,792	35,299
Technology	542,183	563,933	561,688	2,245
Police	8,264,120	7,969,908	7,774,966	194,942
Fire and rescue	1,080,890	1,226,877	1,226,877	-
Public works	5,966,692	6,170,871	6,043,815	127,056
Recreation	2,310,960	2,275,960	2,238,996	36,964
Engineering and GIS	1,187,781	1,164,994	1,047,106	117,888
Planning and building	1,112,151	1,254,406	1,254,406	-
Contingency	228,865	-	-	-
Total expenditures	25,858,260	25,880,465	25,136,751	743,714
Excess of revenues over expenditures	4,670,940	4,825,715	5,280,446	454,731
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	162,630	162,630
Transfers out	(5,544,240)	(5,977,240)	(5,550,008)	427,232
Bond proceeds	150,000	150,000	-	(150,000)
Sale of general capital assets	100,000	100,000	53,857	(46,143)
Prior year re-appropriations	623,300	692,800	-	(692,800)
Total other financing sources (uses)	(4,670,940)	(5,034,440)	(5,333,521)	(299,081)
Net change in fund balance	\$ -	\$ (208,725)	\$ (53,075)	\$ 155,650

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

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2017

	Business-type Activities – Enterprise Funds					Governmental Activities – Internal Service Fund
	Water and Sewer	Transit System	Solid Waste and Recycling	Stormwater	Total	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 2,072,115	\$ 2,319,867	\$ 642,982	\$ 749,481	\$ 5,784,445	\$ 98,468
Investments	1,434,119	1,613,383	-	194,812	3,242,314	-
Receivables, net	960,161	188,911	216,159	57,197	1,422,428	-
Due from other governmental units	-	1,428,008	-	-	1,428,008	-
Inventories	-	1,450,171	-	-	1,450,171	137,268
Total current assets	4,466,395	7,000,340	859,141	1,001,490	13,327,366	235,736
Noncurrent assets:						
Land and construction in progress	316,238	2,445,137	17,385	-	2,778,760	45,620
Other capital assets, net	13,906,820	14,056,930	366,090	29,471	28,359,311	200,315
Total noncurrent assets	14,223,058	16,502,067	383,475	29,471	31,138,071	245,935
Total assets	18,689,453	23,502,407	1,242,616	1,030,961	44,465,437	481,671
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions	301,261	725,260	21,259	33,914	1,081,694	81,745
Deferred charge on refunding	63,631	-	-	-	63,631	-
Total deferred outflows of resources	364,892	725,260	21,259	33,914	1,145,325	81,745
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	1,429,713	854,668	120,743	15,984	2,421,108	17,468
Accrued payroll and related liabilities	40,139	140,185	3,031	4,282	187,637	9,377
Accrued interest payable	44,217	-	-	-	44,217	-
Customer deposits	183,416	-	-	-	183,416	-
Compensated absences	50,858	117,194	4,422	4,422	176,896	11,056
Bonds payable	574,495	-	-	-	574,495	-
Total current liabilities	2,322,838	1,112,047	128,196	24,688	3,587,769	37,901
Noncurrent liabilities:						
Compensated absences	128,122	149,750	2,785	8,647	289,304	21,914
Other post-employment benefits	65,171	112,897	5,988	2,313	186,369	16,849
Net pension liability	1,288,321	3,101,518	90,913	145,031	4,625,783	349,575
Bonds and leases payable	3,815,446	-	-	-	3,815,446	-
Total noncurrent liabilities	5,297,060	3,364,165	99,686	155,991	8,916,902	388,338
Total liabilities	7,619,898	4,476,212	227,882	180,679	12,504,671	426,239
DEFERRED INFLOWS OF RESOURCES						
Grants	54,340	84,044	-	-	138,384	-
Total deferred inflows of resources	54,340	84,044	-	-	138,384	-
NET POSITION						
Net investment in capital assets	9,896,748	16,502,067	383,475	29,471	26,811,761	245,935
Unrestricted	1,483,359	3,165,344	652,518	854,725	6,155,946	(108,758)
Total net position	\$ 11,380,107	\$ 19,667,411	\$ 1,035,993	\$ 884,196	\$ 32,967,707	\$ 137,177

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

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2017

	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	\$ 9,892,531	\$ 3,889,641	\$ 1,765,773	\$ 1,042,232	\$ 16,590,177	\$ 1,126,804
Availability and transfer fees	212,612	-	-	-	212,612	-
Meter installation	69,596	-	-	-	69,596	-
Connection fees	65,647	-	-	-	65,647	-
Other	138,005	1,493	275	17,669	157,442	-
Total operating revenues	10,378,391	3,891,134	1,766,048	1,059,901	17,095,474	1,126,804
OPERATING EXPENSES						
Personal services	1,508,688	5,680,040	86,269	169,594	7,444,591	379,454
Contractual services	6,007,699	525,674	1,293,000	72,786	7,899,159	84,526
Administration	1,201,972	607,300	272,754	379,500	2,461,526	8,937
Depreciation	989,501	2,731,341	41,677	4,716	3,767,235	26,391
Other	487,627	1,874,264	42,842	41,105	2,445,838	599,982
Total operating expenses	10,195,487	11,418,619	1,736,542	667,701	24,018,349	1,099,290
Operating income (loss)	182,904	(7,527,485)	29,506	392,200	(6,922,875)	27,514
NONOPERATING REVENUES (EXPENSES)						
Gain (loss) on disposal of capital assets	25,000	(6,796)	-	-	18,204	4,400
Intergovernmental revenue	-	3,629,288	9,146	-	3,638,434	-
Unrealized loss on investments	(16,051)	(23,814)	-	(2,955)	(42,820)	-
Interest income	27,225	44,769	-	8,665	80,659	-
Interest expense	(120,255)	-	-	-	(120,255)	-
Net nonoperating revenues (expenses)	(84,081)	3,643,447	9,146	5,710	3,574,222	4,400
Income (loss) before contributions and transfers	98,823	(3,884,038)	38,652	397,910	(3,348,653)	31,914
CAPITAL CONTRIBUTIONS	1,175,539	1,792,785	-	-	2,968,324	-
TRANSFERS IN	177,521	-	-	-	177,521	-
TRANSFERS OUT	(266,937)	-	(51,683)	(75,000)	(393,620)	-
Change in net position	1,184,946	(2,091,253)	(13,031)	322,910	(596,428)	31,914
NET POSITION AT JULY 1	10,195,161	21,758,664	1,049,024	561,286	33,564,135	105,263
NET POSITION AT JUNE 30	\$ 11,380,107	\$ 19,667,411	\$ 1,035,993	\$ 884,196	\$ 32,967,707	\$ 137,177

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

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2017

	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	\$ 10,236,213	\$ 4,004,473	\$ 1,759,818	\$ 1,045,395	\$ 17,045,899	\$ 1,126,804
Payments to suppliers	(7,520,410)	(3,307,445)	(1,600,192)	(479,091)	(12,907,138)	(753,473)
Payments to employees	(1,478,727)	(5,327,095)	(99,058)	(160,481)	(7,065,361)	(363,157)
Other receipts	138,005	1,493	275	17,669	157,442	-
Net cash provided by (used in) operating activities	1,375,081	(4,628,574)	60,843	423,492	(2,769,158)	10,174
NONCAPITAL FINANCING ACTIVITIES						
Transfers to other funds	(266,937)	-	(51,683)	(75,000)	(393,620)	-
Operating assistance grants received	-	3,875,968	7,053	-	3,883,021	-
Interfund borrowing	177,521	-	-	-	177,521	-
Net cash provided by (used in) noncapital financing activities	(89,416)	3,875,968	(44,630)	(75,000)	3,666,922	-
CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of capital assets	(282,049)	(1,232,305)	(17,385)	(14,730)	(1,546,469)	(148,543)
Proceeds from sale of capital assets	-	-	-	-	-	4,400
Contribution of capital by other governments	-	1,276,944	-	-	1,276,944	-
Principal paid on capital debt	(616,735)	-	-	-	(616,735)	-
Interest paid on capital debt	(113,898)	-	-	-	(113,898)	-
Net cash provided by (used in) capital and related financing activities	(1,012,682)	44,639	(17,385)	(14,730)	(1,000,158)	(144,143)
INVESTING ACTIVITIES						
Net purchases of investments	(471,651)	(229,468)	-	(104,803)	(805,922)	-
Interest received	27,225	44,769	-	8,665	80,659	-
Net cash provided by (used in) investing activities	(444,426)	(184,699)	-	(96,138)	(725,263)	-
Net (decrease) increase in cash and cash equivalents	(171,443)	(892,666)	(1,172)	237,624	(827,657)	(133,969)
CASH AND CASH EQUIVALENTS						
Beginning at July 1	2,243,558	3,212,533	644,154	511,857	6,612,102	232,437
Ending at June 30	\$ 2,072,115	\$ 2,319,867	\$ 642,982	\$ 749,481	\$ 5,784,445	\$ 98,468

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

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2017

	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)	\$ 182,904	\$ (7,527,485)	\$ 29,506	\$ 392,200	\$ (6,922,875)	\$ 27,514
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	989,501	2,731,341	41,677	4,716	3,767,235	26,391
Pension expense net of employer contributions	41,725	274,988	(10,454)	8,182	314,441	25,292
Change in assets and liabilities						
(Increase) decrease in:						
Receivable, net	32,933	103,528	(5,955)	3,163	133,669	-
Inventories	-	(3,020)	-	-	(3,020)	263
(Decrease) increase in:						
Accounts payable and accrued liabilities	176,888	(297,187)	8,404	14,300	(97,595)	(60,291)
Accrued payroll and related liabilities	(11,764)	77,957	(2,335)	931	64,789	(8,995)
Unearned grants	54,340	11,304	-	-	65,644	-
Customer deposits	(91,446)	-	-	-	(91,446)	-
Net cash provided by (used in) operating activities	<u>\$ 1,375,081</u>	<u>\$ (4,628,574)</u>	<u>\$ 60,843</u>	<u>\$ 423,492</u>	<u>\$ (2,769,158)</u>	<u>\$ 10,174</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital asset purchases financed by accounts payable	<u>\$ -</u>	<u>\$ 713,517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 713,517</u>	<u>\$ -</u>
Capital contributions received	<u>\$ 1,175,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,175,539</u>	<u>\$ -</u>
Increase in due from other governmental units for capital and operating grants	<u>\$ -</u>	<u>\$ 269,161</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,161</u>	<u>\$ -</u>

(Continued)

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

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	Other Post- Employment Benefits	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 2,291,396
Investments	3,399,522	-
	<u>3,399,522</u>	<u>2,291,396</u>
LIABILITIES		
Liability to agency	-	2,291,396
	<u>-</u>	<u>2,291,396</u>
NET POSITION		
Other post-employment benefits	3,399,522	-
	<u>3,399,522</u>	<u>-</u>
Total net position restricted for post-employment benefits	<u><u>\$ 3,399,522</u></u>	<u><u>\$ -</u></u>

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

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

June 30, 2017

	Other Post- Employment Benefits
ADDITIONS	
Employer contributions	\$ 927,406
Investment earnings	<u>328,404</u>
Total additions	<u>1,255,810</u>
DEDUCTIONS	
Retirement benefits	403,756
Administrative expenses	<u>3,474</u>
Total deductions	<u>407,230</u>
Change in net position	<u>848,580</u>
NET POSITION AT JULY 1	<u>2,550,942</u>
NET POSITION AT JUNE 30	<u><u>\$ 3,399,522</u></u>

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

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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 2017, the Town paid \$2,153,468 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 \$296,918 in tipping fees during fiscal year 2017.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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 2017, the Town paid \$3,072,194 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 2017, 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 2017, the Town paid \$6,000 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 2017, the Town paid \$135,405 to the MRTB.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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 2017, the Town paid \$784,970 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)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

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

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

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

D. Budgets and Budgetary Accounting

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

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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:

	<u>General Fund</u>
Net change in fund balance (non-GAAP budgetary basis)	\$ (53,075)
Encumbrances at June 30, 2017	<u>896,163</u>
Net change in fund balance (GAAP basis)	<u>\$ 843,088</u>

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, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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 two 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.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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 \$896,163 in the general fund, \$23,032 in the urban construction fund, \$355,062 in the capital projects fund, and \$291,735 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)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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 carrying value of the position in LGIP and SNAP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share) in accordance with GASB 79. SNAP is designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. These programs provide comprehensive investment management, accounting, and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia local governments. The SNAP has been assigned an "AAAm" rating by Standard & Poor's. The maturity of the SNAP is less than one year.

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

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 32.33% 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, 2017 are shown in the table below under Interest Rate Risk.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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	\$ 1,097,156	1	10.16%
LGIP	1,443,850	1	13.38%
Certificates of deposit	<u>8,252,667</u>	1,917	<u>76.46%</u>
Total investments	<u>\$ 10,793,673</u>		<u>100.00%</u>
Portfolio weighted average maturity			

*Weighted average maturity in days

Investments	\$ 10,793,673
Deposits	<u>13,180,146</u>
Total deposits and investments	<u>\$ 23,973,819</u>
Reconciliation of deposits and investments to Exhibit 1:	
Cash and cash equivalents	\$ 14,719,601
Cash and cash equivalents, restricted	1,393,163
Investments	<u>7,861,055</u>
Total deposits and investments	<u>\$ 23,973,819</u>

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)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 3. Receivables, Net

Receivables are as follows:

	Governmental Activities			Business-Type Activities			
	General		Equipment	Water and Sewer	Transit System	Solid	
	General	Capital Projects	Replacement			Waste and Recycling	Stormwater
Receivables							
Interest	\$ 10,170	\$ -	\$ 7,354	\$ 4,208	\$ 6,713	\$ -	\$ 1,232
Taxes	913,887	-	-	-	-	-	-
Accounts	119,115	264	-	958,133	182,198	216,904	55,965
	1,043,172	264	7,354	962,341	188,911	216,904	57,197
Less: allowance for uncollectibles	(30,669)	-	-	(2,180)	-	(745)	-
Receivables, net	<u>\$ 1,012,503</u>	<u>\$ 264</u>	<u>\$ 7,354</u>	<u>\$ 960,161</u>	<u>\$ 188,911</u>	<u>\$ 216,159</u>	<u>\$ 57,197</u>

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:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Included in receivables:			
Delinquent property taxes	\$ 161,317	\$ -	\$ 161,317
Sales tax	110,800	-	110,800
Telecommunication tax	94,614	-	94,614
Meals tax and BPOL	152,200	-	152,200
Other	9,030	-	9,030
	<u>527,961</u>	<u>-</u>	<u>527,961</u>
Included in cash:			
Grants	-	92,142	92,142
Other	-	1,000	2,944
Subsequent years' tax collections	-	19,738	24,419
Total deferred/unearned revenue for governmental funds	<u>\$ 527,961</u>	<u>\$ 112,880</u>	<u>\$ 640,841</u>

Deferred inflows of resources for unearned revenue in the transit fund and the water and sewer fund represent grant payments and development fees received for future year activities. Amounts in the non-major governmental funds relate to program income received under the CDBG program.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 4. Interfund Receivables, Payables, and Transfers

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	CDBG	\$ 181,614
General	HOME	<u>92,698</u>
		<u><u>\$ 274,312</u></u>

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:

<u>Transfers In:</u>						
	<u>General</u>	<u>General Capital</u>	<u>Equipment Replacement</u>	<u>Water and Sewer</u>	<u>Debt Service</u>	<u>Total</u>
Transfers out:						
General	\$ -	\$ 1,460,102	\$ 1,483,149	\$ -	\$ 2,456,757	\$ 5,400,008
General capital	162,630	-	-	-	-	162,630
Equipment replacement	-	-	-	177,521	-	177,521
Solid waste and recycling	-	-	51,683	-	-	51,683
Stormwater	-	75,000	-	-	-	75,000
Water and sewer	-	-	266,937	-	-	266,937
Total	<u>\$ 162,630</u>	<u>\$ 1,535,102</u>	<u>\$ 1,801,769</u>	<u>\$ 177,521</u>	<u>\$ 2,456,757</u>	<u>\$ 6,133,779</u>

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.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 5. Due from Other Governmental Units

Amounts due from other governmental units are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Federal:		
Transit capital assistance grant	\$ -	\$ 1,102,431
Transit operational assistance grant		11,483
Community Development Planning Entitlement Grant	343,146	-
HOME funding	109,990	-
Other Federal:		
Transit Grants	-	52,678
Commonwealth of Virginia:		
Transit Grants	-	261,416
Telecommunications tax	191,673	-
VDOT Revenue Sharing	21,400	-
Other:		
Sales tax	224,144	-
Other – includes airport and VASAP	320,597	-
	<u>\$ 1,210,950</u>	<u>\$ 1,428,008</u>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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	\$ 10,773,477	\$ -	\$ -	\$ 10,773,477
Construction in progress	571,774	2,134,025	(191,139)	2,514,660
Total capital assets, not depreciated	11,345,251	2,134,025	(191,139)	13,288,137
Capital assets, depreciated				
Buildings and improvements	34,312,905	184,441	-	34,497,346
Infrastructure	55,786,711	466,299	-	56,253,010
Machinery and equipment	19,805,195	1,161,682	(343,618)	20,623,259
Total capital assets depreciated	109,904,811	1,812,422	(343,618)	111,373,615
Less accumulated depreciation for:				
Buildings and improvements	10,807,910	983,677	-	11,791,587
Infrastructure	15,435,096	1,698,345	-	17,133,441
Machinery and equipment	12,882,995	1,203,231	(324,731)	13,761,495
Total accumulated depreciation	39,126,001	3,885,253	(324,731)	42,686,523
Total capital assets, depreciated, net	70,778,810	(2,072,831)	(18,887)	68,687,092
Governmental activities, capital assets, net	\$ 82,124,061	\$ 61,194	\$ (210,026)	\$ 81,975,229
Business-Type Activities				
Capital assets, not depreciated				
Land	\$ 213,314	\$ -	\$ -	\$ 213,314
Construction in progress	2,167,963	628,529	(231,046)	2,565,446
Total capital assets, not depreciated	2,381,277	628,529	(231,046)	2,778,760
Capital assets, depreciated				
Buildings and improvements	7,653,531	-	-	7,653,531
Water system-plant	11,410,075	34,754	-	11,444,829
Sewer system-plant	14,563,952	1,175,537	-	15,739,489
Machinery and equipment	32,374,677	1,333,487	(553,563)	33,154,601
Total capital assets depreciated	66,002,235	2,543,778	(553,563)	67,992,450
Less accumulated depreciation for:				
Buildings and improvements	4,160,435	252,252	-	4,412,687
Water system-plant	7,266,709	257,500	-	7,524,209
Sewer system-plant	6,351,413	474,122	-	6,825,535
Machinery and equipment	18,561,674	2,783,361	(474,327)	20,870,708
Total accumulated depreciation	36,340,231	3,767,235	(474,327)	39,633,139
Total capital assets, depreciated, net	29,662,004	(1,223,457)	(79,236)	28,359,311
Business-Type activities, capital assets, net	\$ 32,043,281	\$ (594,928)	\$ (310,282)	\$ 31,138,071

(Continued)

TOWN OF BLACKSBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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	\$ 8,431
Financial services	1,302
Technology	2,777
Police	390,031
Fire and rescue	574,172
Public works	919,051
Recreation	240,372
Planning and engineering	24,381
Unallocated depreciation	1,698,346
Internal service fund	26,390
	<u>\$ 3,885,253</u>
Business-type activities:	
Water and sewer	\$ 989,501
Transit system	2,731,341
Stormwater	4,716
Solid Waste and Recycling	41,677
	<u>\$ 3,767,235</u>

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
Kersey Bottom Project	\$ 35,205	\$ 154,795
South Main Paving	-	176,980
Multi-Modal Facility Design	1,828,903	896,708
South Point Park	607,546	72,179
	<u>\$ 2,471,654</u>	<u>\$ 1,300,662</u>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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
<u>Governmental Activities:</u>					
General obligation bonds \$	22,791,663 \$	- \$	1,700,265 \$	21,091,398 \$	1,585,505
Net discounts/premiums	186,677	-	(5,823)	192,500	-
Total bonds payable	22,978,340	-	1,694,442	21,283,898	1,585,505
Capital lease	269,336	-	59,688	209,648	61,894
Compensated absences	1,831,834	1,130,817	1,123,335	1,839,316	63,490
Other post-employment benefits	667,008	640,053	590,811	716,250	-
	<u>\$ 25,746,518</u>	<u>\$ 1,770,870</u>	<u>\$ 3,468,276</u>	<u>\$ 24,049,112</u>	<u>\$ 1,710,889</u>
<u>Business-Type Activities:</u>					
General obligation bonds \$	4,955,335 \$	- \$	616,735 \$	4,338,600 \$	574,495
Net discounts/premiums	44,734	-	(6,607)	51,341	-
Total bonds payable	5,000,069	-	610,128	4,389,941	574,495
Compensated absences	452,443	425,902	412,145	466,200	176,896
Other post-employment benefits	170,992	156,010	140,633	186,369	-
	<u>\$ 5,623,504</u>	<u>\$ 581,912</u>	<u>\$ 1,162,906</u>	<u>\$ 5,042,510</u>	<u>\$ 751,391</u>

Governmental activities compensated absences, pension liabilities, 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)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS June 30, 2017

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				Business-Type Activities	
	General Obligation Bonds		Capital Lease		General Obligations Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
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	1,391,240	458,886	-	-	448,760	51,804
2023-2027	5,518,360	1,776,058	-	-	1,586,640	105,689
2028-2032	3,980,000	989,963	-	-	-	-
2033-2037	1,775,000	534,306	-	-	-	-
2038-2042	1,310,000	295,800	-	-	-	-
2043-2045	900,000	63,700	-	-	-	-
	<u>\$ 21,091,398</u>	<u>\$ 6,276,768</u>	<u>\$ 209,648</u>	<u>\$ 13,619</u>	<u>\$ 4,338,600</u>	<u>\$ 481,987</u>

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Date	Amount of Original Issue	Governmental Activities	Business-type Activities
<u>General Obligation Bonds:</u>						
General Obligation Bonds	2.13	10-09	09-18	\$ 1,625,000	\$ 324,688	\$ 70,310
General Obligation Bonds	5.21	10-09	03-30	3,180,000	2,265,000	-
General Obligation Bonds	1.92	11-11	10-25	9,545,000	3,125,760	2,664,240
General Obligation Bonds	1.94	11-12	03-32	3,855,000	3,030,000	-
General Obligation Bonds	2.00-5.00	03-15	06-45	15,170,000	12,345,950	1,604,050
					21,091,398	4,338,600
			Net discounts/premiums		192,500	51,341
					<u>\$ 21,283,898</u>	<u>\$ 4,389,941</u>
<u>Capital Lease:</u>						
Parking meters and pay stations	3.65	08-15	08-20	\$ 312,701	\$ 209,648	\$ -

Subsequent to year end, the Town issued \$4,740,000 in general obligation bonds at a premium of \$228,829 with interest at 2.98% and maturing in March of 2037. The proceeds will be used to fund various capital projects in the Town for both governmental and business-type activities.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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	\$ 281,892	\$ -
Prepays	-	42,940
Total nonspendable	<u>281,892</u>	<u>42,940</u>
Restricted for:		
Urban construction – capital outlays	-	296,007
Committed to:		
Executive	185,698	-
Legal	17,883	-
Financial services	32,265	-
Technology	17,749	-
Police	29,503	-
Fire and rescue	26,083	-
Public works	273,219	-
Engineering and GIS	5,693	-
Planning and building	158,070	-
Bond closing cost	150,000	-
Urban construction – capital projects	-	23,032
General capital projects	-	350,467
Equipment replacement	-	4,595
CDBG capital projects	-	100,697
HOME capital projects	-	191,038
Total committed	<u>896,163</u>	<u>669,829</u>
Assigned to:		
General capital projects	-	3,565,081
Equipment replacement	-	4,891,619
Total assigned	<u>-</u>	<u>8,456,700</u>
Unassigned	<u>4,286,239</u>	<u>(368,066)</u>
Total fund balance	<u>\$ 5,464,294</u>	<u>\$ 9,097,410</u>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 9. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the Town of Blacksburg, 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/2017-annual-report.pdf>.

The Town is the fiscal agent for separate legal entities, the New River Valley Alcohol Safety Action Program and the Virginia Tech/Montgomery Regional Airport Authority (the “Fiduciary Entities”). The Fiduciary Entities participate in VRS through inclusion in the Town’s pension plan. This participation is considered a cost sharing relationship for the Fiscal Entities. As a result, the proportionate share of the Fiscal Entities’ participation in the Town’s pension plan is excluded from the Town’s pension related balances. However, the Required Supplementary Information included after the notes to the financial statements, is reported for the VRS plan of the Town as a whole, including the Fiscal Entities.

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.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **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.
- **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.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
 - **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
 - **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- **Disability Coverage** 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.
- **Purchase of Prior Service** – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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%.
 - **Eligibility** – Same as Plan 1.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1.
- **Purchase of Prior Service** – Same as Plan 1.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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.
 - **Defined Contribution Component –** Not Applicable.
 - **Eligibility –** Same as Plan 1 and 2.
 - **Exceptions to COLA Effective Dates –** Same as Plan 1 and 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 –**
 - **Defined Benefit Component –** Same as Plan 1, with the following exceptions:
 - Hybrid Retirement Plan members are ineligible for ported service.
 - The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
 - Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.
 - **Defined Contribution Component –** Not Applicable.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 9. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>161</u>
Inactive members:	
Vested inactive members	39
Non-vested inactive members	56
Inactive members active elsewhere in VRS	<u>92</u>
Total inactive members	187
Active members	<u>278</u>
Total covered employees	<u><u>626</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. 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, 2017 was 13.89% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$1,936,145 and \$1,886,193 for the years ended June 30, 2017 and June 30, 2016, respectively.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 9. Defined Benefit Pension Plan (Continued)

Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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, 2016.

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, 2015 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)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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	<u>100.00 %</u>		<u>5.83 %</u>
	Inflation		<u>2.50 %</u>
	* Expected arithmetic nominal return		<u>8.33 %</u>

* 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)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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, 2015	\$ 68,291,013	\$ 52,811,057	\$ 15,479,956
Changes for the year:			
Service cost	1,471,629	-	1,471,629
Interest	4,668,809	-	4,668,809
Differences between expected and actual experience	1,207,545	-	1,207,545
Contributions – employer	-	1,872,394	(1,872,394)
Contributions – employee	-	684,358	(684,358)
Net investment income	-	908,640	(908,640)
Benefit payments, including refunds of employee contributions	(3,187,459)	(3,187,459)	-
Administrative expenses	-	(32,661)	32,661
Other changes	-	(388)	388
Net changes	4,160,524	244,885	3,915,639
Balances at June 30, 2016	\$ 72,451,537	\$ 53,055,942	\$ 19,395,595

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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:

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
Town's net pension liability	\$ 29,506,005	\$ 19,395,595	\$ 11,036,729

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

For the year ended June 30, 2017, the Town recognized pension expense \$2,250,415. At June 30, 2017, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,210,002	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,389,323	-
Employer contributions subsequent to the measurement date	1,936,146	-
Total	<u>\$ 4,535,471</u>	<u>\$ -</u>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 9. Defined Benefit Pension Plan (Continued)

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

The \$1,936,146 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, 2017. 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	\$ 434,831
2018	434,831
2019	1,113,727
2020	615,936

Payables to the Pension Plan

At June 30, 2017, approximately \$223,672 was payable to the Virginia Retirement System for the legally required contributions related to June 2017 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 2017 and 2016 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)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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.

Trust Fund Investments

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

The following was the Board's adopted asset allocation policy as of June 30, 2017:

<u>Asset Class (Strategy)</u>	<u>Allocation - Portfolio I</u>	<u>Allocation - Portfolio II</u>
Total Equity	59%	32%
Total Fixed Income	21%	58%
Total Real Assets	10%	5%
Diversified Hedge Funds	10%	5%
Total	100%	100%

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

Rate of Return – For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 12.69 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

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, 2017 was as follows:

Retirees and spouses currently receiving benefits	80
Active employees	<u>276</u>
Total	<u><u>356</u></u>

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 \$509,401 to the VACo/VML Pooled OPEB Trust Fund.

Annual Other Post-employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2017, the Town's annual OPEB cost (expense) was \$796,063. The payment of current health insurance premiums and contributions to the Trust, which totaled \$731,444 for retirees, resulted in an increase to the Net OPEB obligation of \$64,619 for the year ended June 30, 2017.

Annual required contribution	\$ 786,500
Interest on net OPEB obligation	59,369
Adjustment to annual required contribution	<u>(49,806)</u>
Annual OPEB cost	796,063
Contributions made	<u>(731,444)</u>
Increase in net OPEB obligation	64,619
Net OPEB obligation-beginning of year	<u>838,000</u>
Net OPEB obligation-end of year	<u><u>\$ 902,619</u></u>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

Annual Other Post-employment Benefit Cost and Net OPEB Obligation (Continued)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 are as follows.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2017	\$796,063	92%	\$902,619
06/30/2016	\$708,313	65%	\$838,000
06/30/2015	\$467,779	86%	\$590,376

Net OPEB Liability

The components of the net OPEB liability at June 30, 2017 were as follows:

Total OPEB Liability	\$ 12,631,141
Plan fiduciary net position	<u>(3,399,522)</u>
Net OPEB liability	<u>\$ 9,231,619</u>
Plan fiduciary net position as a percentage of the total OPEB liability	26.9%

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2017 was as follows:

Actuarial Accrued Liability (AAL)	\$11,965,800
Actuarial Value of Plan Assets	\$ 2,550,900
Unfunded Actuarial Liability (UAL)	\$ 9,414,900
Funded Ratio (Actuarial Value of Plan Assets/AAL)	21.32%
Covered Payroll (Active Plan Members)	\$13,896,600
UAAL as a Percentage of Covered Payroll	67.75%

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.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

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, 2016 actuarial valuation, the entry age normal method was used to determine liabilities. Under this method, the actuarial present value of all plan benefits is determined as of the valuation date and then allocated between the period before and after the valuation date. The present value of plan benefits earned prior to the valuation date is called the actuarial liability. The present value of plan benefits to be earned after the valuation date is called the present value of future normal costs. The actuarial assumptions used a 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 were used. The unfunded actuarial accrued liability is being amortized over a closed period of 29 years as of July 1, 2016 as a level percent of payroll.

Sensitivity of the Net OPEB Liability

The following presents the Net OPEB Liability of the Town, calculated using the discount rate of 7.00%, as well as what the Town's Net OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 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 OPEB liability	\$ 14,610,833	\$ 12,631,141	\$ 11,019,019
Town's fiduciary net position	3,399,522	3,399,522	3,399,522
Net OPEB Liability	<u>\$ 11,211,311</u>	<u>\$ 9,231,619</u>	<u>\$ 7,619,497</u>

The following presents the Net OPEB Liability of the Town, calculated using the current healthcare cost trend rates, as well as what the Town's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current rates.

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Town's OPEB liability	\$ 10,770,966	\$ 12,631,141	\$ 14,971,854
Town's fiduciary net position	3,399,522	3,399,522	3,399,522
Net OPEB Liability	<u>\$ 7,371,444</u>	<u>\$ 9,231,619</u>	<u>\$ 11,572,332</u>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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.

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 2018.

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 selling the property.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 13. Commitments and Contingencies (Continued)

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.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 15. New Accounting Standards

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

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 replaces the requirements of Statements No. 45 and No. 57 and establishes new accounting requirements for OPEB plans. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest 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.

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 the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and 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, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement will be effective for the year ending June 30, 2019.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 15. New Accounting Standards

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ending June 30, 2020.

GASB Statement No. 85, *Omnibus 2017* addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 87, *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will be effective for the year ending June 30, 2021.

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BLACKSBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2017

	Plan Year		
	2016	2015	2014
Total Pension Liability			
Service cost	\$ 1,526,474	\$ 1,529,256	\$ 1,485,346
Interest on total pension liability	4,842,808	4,590,812	4,369,226
Changes in benefit terms	-	-	-
Difference between expected and actual experience	1,252,548	565,459	-
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(3,306,250)	(2,864,895)	(2,513,240)
Net change in total pension liability	4,315,580	3,820,632	3,341,332
Total pension liability - beginning	70,836,103	67,015,471	63,674,139
Total pension liability - ending	75,151,683	70,836,103	67,015,471
Plan Fiduciary Net Position			
Contributions - employer	1,942,175	1,915,988	1,761,278
Contributions - employee	709,864	690,768	689,129
Net investment income	942,503	2,417,663	7,204,828
Benefit payments, including refunds of employee contributions	(3,306,250)	(2,864,895)	(2,513,240)
Administrative expenses	(33,878)	(32,864)	(38,519)
Other	(402)	(510)	379
Net change in plan fiduciary net position	254,012	2,126,150	7,103,855
Plan fiduciary net position - beginning	54,779,236	52,653,086	45,549,231
Plan fiduciary net position - ending	55,033,248	54,779,236	52,653,086
Net pension liability - ending	\$ 20,118,435	\$ 16,056,867	\$ 14,362,385
Plan fiduciary net position as a percentage of total pension liability	73%	77%	79%
Covered employee payroll	\$ 13,279,500	\$ 13,766,189	\$ 13,426,101
Net pension liability as a percentage of covered employee payroll	151%	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 information was presented in the entity's 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.

TOWN OF BLACKSBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2017

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
2017	\$ 2,008,302	\$ 2,008,302	\$ -	\$ 13,896,600	14.45%
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.

TOWN OF BLACKSBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT BENEFITS
June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
July 1, 2016	\$ 2,550,900	\$ 11,965,800	\$ 9,414,900	21.32%	\$ 13,896,600	67.75%
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

TOWN OF BLACKSBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
June 30, 2017

	Fiscal Year
	2017
Total Pension Liability	
Service cost	\$ 229,349
Interest on total pension liability	839,767
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(403,756)
Net change in total pension liability	665,360
Total pension liability - beginning	11,965,781
Total pension liability - ending	12,631,141
Plan Fiduciary Net Position	
Contributions - employer	927,406
Net investment income	328,404
Benefit payments, including refunds of employee contributions	(403,756)
Administrative expenses	(3,474)
Net change in plan fiduciary net position	848,580
Plan fiduciary net position - beginning	2,550,942
Plan fiduciary net position - ending	3,399,522
Net pension liability - ending	\$ 9,231,619
Plan fiduciary net position as a percentage of total pension liability	27%
Covered employee payroll	\$ 13,896,607
Net pension liability as a percentage of covered employee payroll	66%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2017 information will be presented in the entity's fiscal year 2018 financial report.

Schedule is intended to show information for 10 years. Since 2017 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

TOWN OF BLACKSBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2017

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
2017	\$ 808,500	\$ 927,406	\$ (118,906)	\$ 13,896,600	6.67%
2016	725,400	598,280	127,120	13,279,500	4.51%
2015	475,816	417,561	58,255	13,469,522	3.10%
2014	417,061	417,561	(500)	13,030,418	3.20%
2013	417,061	544,900	(127,839)	13,030,418	4.18%
2012	513,141	513,700	(559)	12,584,838	4.08%
2011	513,141	422,800	90,341	12,584,838	3.36%
2010	511,958	302,900	209,058	12,218,220	2.48%
2009	511,958	219,500	292,458	12,218,220	1.80%

Schedule is intended to show information for 10 years. Since 2009 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

* - For fiscal years ending June 30, 2016 and June 30, 2017, employer contributions include an estimated implicit subsidy payment for retirees from the Town's own resources.

TOWN OF BLACKSBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS - OPEB TRUST
June 30, 2017

Annual money-weighted rate of return, net of investment expense:

2017 12.69%

Schedule is intended to show information for 10 years. Since 2017 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

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, 2016 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

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.

TOWN OF BLACKSBURG, VIRGINIA

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2017

	CDBG	HOME	Total
ASSETS			
Due from other governmental units	\$ 343,146	\$ 109,990	\$ 453,136
Total assets	<u>\$ 343,146</u>	<u>\$ 109,990</u>	<u>\$ 453,136</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 67,299	\$ 16,115	\$ 83,414
Accrued payroll and related liabilities	2,091	1,864	3,955
Due to other funds	<u>181,614</u>	<u>92,698</u>	<u>274,312</u>
Total liabilities	<u>251,004</u>	<u>110,677</u>	<u>361,681</u>
DEFERRED INFLOWS OF RESOURCES			
Grants	<u>92,142</u>	<u>-</u>	<u>92,142</u>
Total deferred inflows of resources	<u>92,142</u>	<u>-</u>	<u>92,142</u>
FUND BALANCES			
Committed	100,697	191,038	291,735
Unassigned	<u>(100,697)</u>	<u>(191,725)</u>	<u>(292,422)</u>
Total fund balances	<u>-</u>	<u>(687)</u>	<u>(687)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 343,146</u>	<u>\$ 109,990</u>	<u>\$ 453,136</u>

TOWN OF BLACKSBURG, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2017

	CDBG	HOME	Total
REVENUES			
Intergovernmental	\$ 449,461	\$ 104,394	\$ 553,855
Other	71,116	-	71,116
Total revenues	520,577	104,394	624,971
EXPENDITURES			
CDBG Entitlement	520,577	-	520,577
HOME Consortium	-	105,081	105,081
Total expenditures	520,577	105,081	625,658
Net change in fund balance	-	(687)	(687)
FUND BALANCES AT JULY 1	-	-	-
FUND BALANCES AT JUNE 30	\$ -	\$ (687)	\$ (687)

FIDUCIARY FUNDS

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

New River Valley Alcohol Safety Action Program

Virginia Tech/Montgomery Regional Airport Authority

TOWN OF BLACKSBURG, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2017

	<u>New River Valley Alcohol Safety Action Program</u>	<u>Virginia Tech/ Montgomery Regional Airport Authority</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 194,661	\$ 2,096,735	\$ 2,291,396
Total assets	<u>\$ 194,661</u>	<u>\$ 2,096,735</u>	<u>\$ 2,291,396</u>
LIABILITIES			
Liability to agency	\$ 194,661	\$ 2,096,735	\$ 2,291,396
Total liabilities	<u>\$ 194,661</u>	<u>\$ 2,096,735</u>	<u>\$ 2,291,396</u>

TOWN OF BLACKSBURG, VIRGINIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
New River Valley Alcohol				
Safety Action Program				
ASSETS				
Cash and cash equivalents	\$ 85,510	\$ 109,151	\$ -	\$ 194,661
Total assets	<u>\$ 85,510</u>	<u>\$ 109,151</u>	<u>\$ -</u>	<u>\$ 194,661</u>
LIABILITIES				
Liability to agency	\$ 85,510	\$ 109,151	\$ -	\$ 194,661
Total liabilities	<u>\$ 85,510</u>	<u>\$ 109,151</u>	<u>\$ -</u>	<u>\$ 194,661</u>
Virginia Tech/Montgomery Regional				
Airport Authority				
ASSETS				
Cash and cash equivalents	\$ 2,118,761	\$ -	\$ 22,026	\$ 2,096,735
Total assets	<u>\$ 2,118,761</u>	<u>\$ -</u>	<u>\$ 22,026</u>	<u>\$ 2,096,735</u>
LIABILITIES				
Liability to agency	\$ 2,118,761	\$ -	\$ 22,026	\$ 2,096,735
Total liabilities	<u>\$ 2,118,761</u>	<u>\$ -</u>	<u>\$ 22,026</u>	<u>\$ 2,096,735</u>
Total All Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 2,204,271	\$ 109,151	\$ 22,026	\$ 2,291,396
Total assets	<u>\$ 2,204,271</u>	<u>\$ 109,151</u>	<u>\$ 22,026</u>	<u>\$ 2,291,396</u>
LIABILITIES				
Liability to agency	\$ 2,204,271	\$ 109,151	\$ 22,026	\$ 2,291,396
Total liabilities	<u>\$ 2,204,271</u>	<u>\$ 109,151</u>	<u>\$ 22,026</u>	<u>\$ 2,291,396</u>

SUPPORTING SCHEDULES

TOWN OF BLACKSBURG, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures	Expenditures to Subrecipients
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Community Development Block Grants	14.218	\$ 520,577	\$ 180,403
HOME Investment Partnership Program	14.239	104,394	-
<u>DEPARTMENT OF JUSTICE</u>			
Edward Byrne Memorial Formula Grant Program	16.579	2,235	-
<u>DEPARTMENT OF TRANSPORTATION</u>			
<u>Transit Cluster:</u>			
Federal Transit - Capital Investment Grant	20.500	1,499,045	-
Federal Transit - Formula Grant	20.507	1,656,257	-
<u>Virginia Department of Rail and Public Transportation</u>			
Job Access Reverse Commute	20.516	112,257	-
VA-90-X422, VA-90-X522			
73013-80			
73114-16/18/25			
73115-35/36/37/43/44			
73116-28/31/34/36/37/38			
73117-13/14/17/19/20/21/46/47/49/51/52/53/54/55/56			
43016-02			
MPO Grant	20.500	60,755	-
46017-11			
<u>Department of Motor Vehicles</u>			
Alcohol Impaired Driving Countermeasurer Incentive Grant	20.601	25,454	-
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	71,461	-
FEMA-4072-DR-VA			
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>			
<u>Virginia Department of Forestry</u>			
Partnership Agreements	10.699	3,482	-
16VTCW24			
Total Expenditures of Federal Awards		<u>\$ 4,055,917</u>	

Notes to Schedule of Expenditures of Federal Awards**Basis of Accounting**

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

Subrecipients

The federal expenditures of the Community Development Block Grants Program include grants to subrecipients for various rehabilitation projects throughout the Town

De Minimis 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, 2017

Total assessed value of real estate (including public service corporations)	<u>\$ 2,935,798,817</u>
Debt limit: 10% of total assessed value of real estate (1)	<u>\$ 293,579,882</u>
Less: Amount of debt applicable to debt limit:	
General bonded debt	21,091,398
Enterprise debt	4,338,600
Capital lease obligations	<u>209,648</u>
	<u>25,639,646</u>
Legal debt margin	<u>\$ 267,940,236</u>

(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.

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.

<u>Contents</u>	<u>Table</u>
Financial Trends These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	1-4
Revenue Capacity 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.	5-10
Debt Capacity 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.	11-13
Demographic and Economic Information 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.	14-15
Operating Information 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.	16-18
Continuing Disclosures These schedules are used to meet the Town's continuing disclosure responsibility.	19

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)

	2017	2016	2015*	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Net investment in capital assets	\$ 61,688,322	\$ 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
Restricted	296,007	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
Unrestricted	780,063	(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
Total governmental activities net position	\$ 62,764,392	\$ 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
Business-type activities										
Net investment in capital assets	\$ 26,811,761	\$ 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
Restricted	-	-	132,442	-	49,080	49,080	191,159	101,920	49,702	49,702
Unrestricted	6,155,946	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
Total business-type activities net position	\$ 32,967,707	\$ 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
Primary government										
Net investment in capital assets	\$ 88,500,083	\$ 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
Restricted	296,007	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
Unrestricted	6,936,009	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
Total primary government net position	\$ 95,732,099	\$ 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

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

TABLE 2

Town of Blacksburg, Virginia

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities										
Legislative	\$ 283,446	\$ 276,373	\$ 277,068	\$ 270,763	\$ 251,958	\$ 241,530	\$ 231,703	\$ 245,076	\$ 232,377	\$ 222,711
Executive	2,456,229	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
Legal	359,036	318,363	324,788	331,616	294,699	273,191	264,370	249,725	294,780	349,234
Judicial	-	-	-	-	-	6,100	8,467	8,856	7,758	12,877
Financial services	1,706,593	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
Technology	651,746	767,541	632,548	626,438	601,503	551,139	527,641	534,597	549,092	558,463
Police	8,136,657	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
Fire and rescue	1,754,609	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
Public works	7,997,543	8,106,501	8,137,865	7,736,614	6,919,603	6,919,603	8,112,983	8,389,547	7,349,912	7,409,206
Recreation	2,426,104	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
Engineering and GIS	1,285,509	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	1,099,762	1,029,530	917,969	1,231,734	953,747	901,087	857,945	865,270	927,270	-
Planning and engineering	-	-	-	-	-	-	-	-	-	2,818,511
CDBG entitlement	520,577	707,711	514,028	402,360	623,505	379,983	437,066	1,111,071	416,456	-
HOME consortium	105,081	826,954	1,462,016	672,216	726,653	647,794	473,848	1,163,994	203,055	-
Interest on long-term debt	696,604	738,393	552,382	694,561	684,779	622,997	719,046	735,300	615,742	673,520
Unallocated depreciation	1,698,347	1,634,138	1,520,348	1,258,229	945,610	755,705	470,750	428,824	264,006	251,360
Total governmental activities	31,177,843	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
Business-type activities										
Water and sewer	10,315,742	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
Transit system	11,418,619	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
Solid waste and recycling	1,736,542	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
Stormwater	667,701	685,973	199,721	-	-	-	-	-	-	-
Golf course	-	-	-	-	-	-	-	-	-	-
Total business-type activities expense	24,138,604	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
Total primary government expenses	\$ 55,316,447	\$ 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
Program Revenues										
Governmental activities										
Charges for services										
Public Safety	\$ 535,868	\$ 515,691	\$ 571,652	\$ 510,587	\$ 597,170	\$ 705,233	\$ 579,807	\$ 565,693	\$ 516,416	\$ 508,605
Public Works	1,371,477	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
Other Activities	3,195,640	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
Operating grants and contributions	4,519,119	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
Capital grants and contributions	1,316,730	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
Total governmental activities program revenues	10,938,834	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

(Continued)

TABLE 2

Town of Blacksburg, Virginia

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Business-type activities										
Charges for services	\$ 10,240,386	\$ 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
Water and sewer	3,889,641	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
Transit system	1,765,773	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
Solid waste and recycling	1,042,232	1,014,048	529,585	-	-	-	-	-	-	-
Stormwater	-	-	-	-	-	-	-	-	-	-
Golf course	3,638,434	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
Operating grants and contributions	2,968,324	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
Capital grants and contributions	23,544,790	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
Total business-type activities program revenues	\$ 34,483,624	\$ 40,210,471	\$ 34,871,630	\$ 37,319,052	\$ 36,647,021	\$ 32,432,847	\$ 31,576,763	\$ 38,450,227	\$ 38,377,978	\$ 25,627,480
Net (expense) revenue										
Governmental activities	\$ (20,239,009)	\$ (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)
Business-type activities	(593,814)	671,203	(3,057)	3,443,008	1,511,089	(299,703)	(112,853)	6,442,007	48,628	(573,317)
Total primary government net expense	\$ (20,832,823)	\$ (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)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 7,278,919	\$ 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
Other local taxes	11,327,459	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
Business license taxes	2,167,597	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
Intergovernmental revenue unrestricted	3,642	81,781	70,146	19,911	125,615	89,005	641,965	201,150	148,427	128,601
Investment earnings	171,491	179,249	188,008	178,730	301,616	298,900	262,730	356,410	499,393	502,546
Unrealized gain/(loss) on investments	(72,585)	64,431	(66,326)	49,404	45,290	86,708	(230,085)	-	-	-
Other	1,096,504	850,709	954,538	1,017,954	1,126,961	1,288,300	1,270,394	1,375,506	912,687	1,049,392
Transfers	216,099	29,864	321,301	259,451	208,605	241,566	197,166	(1,187,081)	111,541	115,874
Total governmental activities	22,189,126	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
Business-type activities:										
Investment earnings	80,659	109,330	56,527	57,799	44,049	91,241	115,643	171,771	397,264	421,832
Unrealized gain/(loss) on investments	(42,820)	41,114	(19,629)	20,796	9,662	44,437	(123,550)	-	-	-
Other	175,646	201,988	303,302	190,604	150,801	151,689	240,032	204,039	342,509	322,102
Transfers	(216,099)	(29,864)	(321,301)	(259,451)	(208,605)	(241,566)	(197,166)	1,187,081	(11,541)	(115,874)
Total business-type activities	(2,614)	322,568	18,899	9,748	(4,093)	45,801	34,959	1,562,891	628,232	628,060
Total primary government	\$ 22,186,512	\$ 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
Changes in Net Position										
Governmental activities	\$ 1,950,117	\$ 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)
Business-type activities	(596,428)	993,771	15,842	3,452,756	1,506,996	(253,902)	(77,894)	8,004,898	676,860	54,743
Total primary government	\$ 1,353,689	\$ 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)

Town of Blacksburg, Virginia

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

Post-GASB 54 Implementation:	2017	2016	2015	2014	2013	2012	2011
General Fund							
Nonspendable	\$ 281,892	\$ 293,667	\$ 276,220	\$ 254,012	\$ 244,566	\$ 437,906	\$ 395,245
Restricted	-	-	-	-	19,161	18,969	18,614
Committed	896,163	208,725	232,077	362,950	248,061	295,076	392,826
Unassigned	4,286,239	4,118,814	2,018,265	3,987,120	4,334,512	4,498,310	3,985,734
Total general fund	<u>\$ 5,464,294</u>	<u>\$ 4,621,206</u>	<u>\$ 2,526,562</u>	<u>\$ 4,604,082</u>	<u>\$ 4,846,300</u>	<u>\$ 5,250,261</u>	<u>\$ 4,792,419</u>
All Other Governmental Funds							
Nonspendable	\$ 42,940	\$ 71,567	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	296,007	602,302	1,029,041	1,999,902	4,213,307	4,958,138	8,158,947
Committed	669,829	1,111,021	8,672,105	3,305,731	7,219,912	9,280,961	4,375,945
Assigned	8,456,700	7,954,443	8,199,620	6,396,132	6,194,653	6,737,264	6,857,823
Unassigned	(368,066)	(203,216)	(1,269,650)	(2,393,078)	(4,025,738)	(6,872,010)	(2,463,749)
Total all other governmental funds	<u>\$ 9,097,410</u>	<u>\$ 9,536,117</u>	<u>\$ 16,631,116</u>	<u>\$ 9,308,687</u>	<u>\$ 13,602,134</u>	<u>\$ 14,104,353</u>	<u>\$ 16,928,966</u>

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

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

TABLE 4

Town of Blacksburg, Virginia

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Taxes	\$ 18,578,071	\$ 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
Permits, privilege fees, and licenses	2,539,735	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
Fines and forfeitures	188,183	170,986	240,394	236,673	344,153	450,017	347,444	345,875	274,391	286,725
Revenue from use of money	98,906	243,680	121,682	228,134	346,906	385,608	84,894	356,410	499,393	502,546
Charges for services	3,677,197	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
Other	783,624	1,237,138	1,197,960	1,059,617	654,999	607,268	619,939	850,887	838,495	696,708
Intergovernmental	5,439,491	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
Total revenues	31,305,207	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
Expenditures										
General government	5,296,990	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
Judicial	8,946,257	8,558,742	8,673,279	8,099,953	8,471,349	7,897,882	7,321,785	7,438,072	6,996	12,115
Public works	5,770,596	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
Recreation	2,238,996	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
Planning and engineering	2,137,749	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
Other	625,658	1,534,665	1,976,044	1,074,576	1,350,158	1,027,777	910,914	2,775,065	914,393	814,775
Capital outlays	3,697,779	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
Debt service										
Principal retirement	1,759,953	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
Interest and fiscal charges	696,804	734,720	582,601	539,668	651,726	791,066	759,790	735,455	621,646	676,907
Total expenditures	31,170,782	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
Excess of revenues over (under) expenditures	134,425	(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)
Other Financing Sources (Uses)										
Proceeds from issuance of debt	-	-	9,495,000	-	3,855,000	-	1,270,000	4,515,750	-	-
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	53,857	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	5,956,258	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
Transfers out	(5,740,159)	(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)
Total other financing sources (uses)	269,956	408,891	9,949,550	1,004,863	4,194,613	475,095	1,485,146	1,633,867	111,541	52,596
Net change in fund balances	\$ 404,381	\$ (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)
Debt service as a percentage of noncapital expenditures	8.93%	10.33%	7.13%	7.79%	8.08%	8.76%	8.25%	7.31%	7.62%	6.57%

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)
2017	\$ 2,882,249,520	\$ 53,549,297	2,935,798,817	0.25
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

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.

TABLE 6

Town of Blacksburg, Virginia
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	Fiscal Year 2017			Fiscal Year 2008		
	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	3.63%	\$ 61,604,900	1	2.67%
MCS Virginia Tech, LLC	76,000,000	2	2.64%	-	-	-
Related Properties, LLC	61,500,000	3	2.13%	-	-	-
Retreat at Blacksburg LLC	50,000,000	4	1.73%			
The Village at Blacksburg LLC	47,000,000	5	1.63%	29,811,000	2	1.29%
BSE AH Blacksburg Apts LLC	34,602,800	6	1.20%	-	-	-
Maple Ridge Land LLC	34,085,700	7	1.18%	20,116,766	3	0.87%
Blacksburg APF Partners LLC	30,249,100	8	1.05%	-	-	-
University Mall LLC	22,590,900	9	0.78%	18,457,800	7	0.80%
Windsor Hills LP	22,000,000	10	0.76%	15,461,500	10	0.67%
CSB LLC II	-	-	-	19,121,900	4	0.83%
HCA Montgomery Regional Hospital	-	-	-	18,933,100	5	0.82%
Terrace View Association	-	-	-	16,971,400	8	0.74%
Verizon Virginia Inc.	-	-	-	15,637,079	9	0.68%
Diversified Interest	-	-	-	18,845,200	6	0.82%
	<u>\$ 482,528,500</u>		<u>16.74%</u>	<u>\$ 234,960,645</u>		<u>10.19%</u>

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
2017	\$ 7,246,451	\$ 7,049,974	97.29%	\$ -	7,049,974	97.29%
2016	7,092,708	6,864,745	96.79%	184,075	7,048,820	99.38%
2015	6,273,943	6,109,693	97.38%	140,861	6,250,554	99.63%
2014	5,585,423	5,407,901	96.82%	170,929	5,578,830	99.88%
2013	5,542,953	5,293,072	95.49%	245,777	5,538,849	99.93%
2012	5,539,488	5,319,413	96.03%	217,529	5,536,942	99.95%
2011	5,417,877	5,236,517	96.65%	179,702	5,416,219	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%

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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Water Revenues										
Residential	\$ 2,885,426	\$ 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
Commercial	2,200,186	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
Other	339,839	610,472	317,531	434,628	311,287	313,704	317,962	316,771	588,799	668,552
Total Water Revenues	5,425,451	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
Sewer Revenues										
Residential	2,603,412	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
Commercial	2,122,261	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
Other	14,655	19,219	12,632	11,441	7,677	9,624	5,594	7,222	3,406	4,302
Total Sewer Revenues	4,740,328	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
Availability Fees										
	212,612	938,888	197,798	765,235	305,962	261,151	107,103	172,396	381,541	919,673
Total revenues	\$ 10,378,391	\$ 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

*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
2017	\$ 5.49	\$ 5.69	\$ 2.94	\$ 2.96	\$ 9.61	\$ 9.96	\$ 5.15	\$ 5.18
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

TABLE 10

TOWN OF BLACKSBURG, VIRGINIA
PRINCIPAL WATER AND SEWER CUSTOMERS
Current Year and Nine Years Ago

Customer	Fiscal Year 2017			Fiscal Year 2008		
	Revenue	Rank	Percentage of Total Town Revenue	Revenue	Rank	Percentage of Total Town Revenue
HH Hunt	\$ 956,389	1	9.22%	\$ 637,391	1	9.80%
MCS Virginia Tech, LLC	261,038	2	2.52%	-	-	-
Federal Mogul Division	177,663	3	1.71%	129,162	3	1.99%
Chasewood Apartments	158,543	4	1.53%	90,381	5	1.39%
Related Properties, LLC	154,669	5	1.49%	-	-	-
Montgomery Regional Hospital	120,255	6	1.16%	85,037	6	1.31%
Mid-Atlantic Apt. Mgmt, LLC	110,134	7	1.06%	-	-	-
Chase Management Group	105,548	8	1.02%	-	-	-
Venture Investment Prop Grp	104,100	9	1.00%	-	-	-
BSE AH Blacksburg Apts LLC	103,717	10	1.00%	-	-	-
Moog Component Group	-	-	-	79,364	7	1.22%
Windsor Hills Apartments	-	-	-	77,816	8	1.20%
Terrace View	-	-	-	223,451	2	3.44%
Montgomery County PSA	-	-	-	104,822	4	1.61%
University Terrace	-	-	-	73,940	9	1.14%
Sturbridge Square Apartments	-	-	-	70,260	10	1.08%
	<u>\$ 2,252,056</u>		<u>21.70%</u>	<u>\$ 1,571,624</u>		<u>24.18%</u>

TABLE 11

Town of Blacksburg, Virginia

Legal Debt Margin Information
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Debt limit	\$ 293,579,882	\$ 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
Total net debt applicable to limit	25,639,646	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
Legal debt margin	<u>\$ 267,940,236</u>	<u>\$ 257,410,742</u>	<u>\$ 246,896,040</u>	<u>\$ 231,964,785</u>	<u>\$ 227,411,975</u>	<u>\$ 228,841,923</u>	<u>\$ 226,508,426</u>	<u>\$ 217,635,778</u>	<u>\$ 214,138,587</u>	<u>\$ 205,338,926</u>
Total net debt applicable to the limit as a percentage of debt limit	8.73%	9.82%	10.87%	8.97%	9.92%	9.27%	9.91%	10.44%	9.98%	10.99%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	<u>\$ 2,935,798,817</u>
Debt limit (10% of assessed value)	\$ 293,579,882
Less debt applicable to limit:	
General obligation bonds	25,429,998
Other long-term obligations	209,648
Legal debt margin	<u>\$ 267,940,236</u>

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

Fiscal Year	General Bonded Debt			Percentage of Actual Value of Taxable Property	Per Capita	Other Governmental Debt
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total General Bonded Debt			Capital Leases
2017	\$ 21,283,898	\$ -	\$ 21,283,898	0.725%	\$ 472.58	\$ 209,648
2016	22,978,340	-	22,978,340	0.805%	519.70	269,336
2015	24,651,641	-	24,651,641	0.890%	560.46	82,456
2014	16,471,607	-	16,471,607	0.646%	377.71	138,071
2013	17,953,095	-	17,953,095	0.711%	421.17	191,775
2012	15,568,488	-	15,568,488	0.617%	365.29	243,673
2011	16,623,947	-	16,623,947	0.661%	390.05	293,768
2010	16,506,446	-	16,506,446	0.679%	363.43	340,032
2009	14,011,262	-	14,011,262	0.589%	310.83	382,691
2008	15,044,001	-	15,044,001	0.652%	342.49	421,961

Fiscal Year	Business-type Activities		Total Primary Government	Percentage of Actual Value of Taxable Property	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases				
2017	\$ 4,389,941	\$ -	\$ 25,883,487	0.882%	0.13%	\$ 574.70
2016	5,000,069	-	28,247,745	0.990%	0.12%	638.87
2015	5,594,540	-	30,328,637	1.095%	0.10%	689.52
2014	6,256,391	-	22,866,069	0.897%	0.13%	524.34
2013	6,902,903	-	25,047,773	0.992%	0.11%	587.60
2012	7,578,509	-	23,390,670	0.927%	0.12%	548.82
2011	8,009,837	-	24,927,552	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

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	
2017	\$ 10,378,391	\$ 9,205,986	\$ 1,172,405	\$ 616,735	\$ 120,255	1.59
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

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
2017	45,038	*	*	4.20%
2016	44,215	\$ 3,906,250	\$ 33,650	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

* 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 Bureau.

(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.

TABLE 15

Town of Blacksburg, Virginia

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2017			Fiscal Year 2008		
	Rank	Number of Employees	Percent of Total Employment	Rank	Number of Employees	Percent of Total Employment
Virginia Tech	1	> 5,000		1	6,494	
Virginia Tech Corporate Research Center	2	> 1,000		-	-	
Moog	3	> 1,000		3	866	
HCA Montgomery Regional Hospital	4	500 to 999		4	530	
NRV Community Services	5	250 to 499		-	-	
Town of Blacksburg	6	250 to 499		5	369	
Spectrum (Tetra)	7	100 to 249		9	228	
Federal-Mogul Corporation	8	100 to 249		8	309	
Eaglepicher Wolverine LLC	9	100 to 249		7	330	
Virginia Tech Services, Inc.	10	100 to 249		-	-	
Luna Innovations	-	-		10	130	
Montgomery County School Board	-	-		2	2,025	
Kroger	-	-		6	*	

Source: Virginia Employment Commission. Current year rankings of largest employers were established; 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	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General government										
Management	20.12	18.84	18.84	19.87	21.37	20.37	20.37	19.87	21.71	22.07
Finance	13.60	15.00	15.00	14.50	14.50	13.50	13.50	13.50	15.00	14.50
Technology	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.50	3.63
Police										
Officers	64.00	64.00	63.00	63.00	63.00	63.00	62.00	62.00	62.00	58.00
Civilians	14.50	17.78	17.78	17.78	18.18	18.78	18.78	18.78	19.08	18.08
Fire and Rescue										
Firefighters	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Civilians (all volunteer professionals)	1.50	1.00	1.00	1.63	1.00	2.00	2.00	2.00	2.63	2.63
Public works	64.44	64.33	63.29	61.92	64.52	56.90	58.77	58.77	65.25	62.25
Parks and recreation	42.53	42.26	41.39	41.12	47.12	46.37	46.37	40.83	23.54	39.12
Planning and Engineering	22.00	24.00	24.00	24.60	22.00	21.98	21.50	21.50	40.41	23.54
Water and Sewer	24.94	25.07	23.73	24.23	24.23	24.25	24.25	24.25	24.37	24.37
Golf Course	*	*	*	*	*	*	*	6.00	6.00	6.00
Solid Waste	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00
Stormwater	2.00	2.00	-	-	-	-	-	-	-	-
Transit	111.67	113.49	105.94	105.07	104.07	97.14	95.14	89.21	93.18	90.27
Total	388.30	394.77	380.97	380.72	387.99	372.29	370.68	364.71	381.67	369.46

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	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government										
Fleet										
Pieces of equipment maintained	417	410	406	391	377	376	371	378	379	358
Building permits issued	3,278	3,278	1,717	1,864	1,730	596	1,291	1,323	783	138
Public safety										
Police										
Physical arrests	751	774	793	915	1,097	1,195	1,688	1,598	1,077	930
Parking violations	2,500	1,999	3,240	3,727	5,689	7,252	7,051	5,486	5,717	6,153
Traffic violations	2,539	2,915	3,219	3,443	4,206	5,213	3,735	3,580	6,223	5,343
Fire										
Emergency responses	930	918	916	982	973	889	973	1,018	1,035	1,048
Public works										
Refuse collection										
Refuse collected (tons per day)	19.68	19.23	20	20	20	20	20	20	19	21
Recyclables collected (tons per day)	6.57	6.42	5	5	5	5	5	4	4	3
Other public works										
Street resurfacing (miles)	5.50	5.50	5.80	4.80	4.80	3.63	3.57	4.00	2.25	2.99
Parks, recreation, and cultural										
Parks and recreation										
Park acreage owned by the Town	544	544	544	544	544	544	544	544	428	428
Library										
Volumes in collection	78,603	83,165	83,165	83,165	86,137	86,280	86,280	84,886	83,575	78,312
Water										
Number of customer accounts	9,446	9,159	9,203	9,159	8,917	8,927	8,832	8,791	8,724	8,591
Miles of distribution lines	182	177	177	177	169	168	168	168	168	168
Volume pumped (million gallons per day average)	2.5	2.3	2.3	2.3	2.2	2.5	2.5	2.6	2.6	3.3
Sewer										
Number of customer accounts	8,753	8,484	8,509	8,260	8,213	8,174	8,124	8,080	8,016	7,897
Miles of sanitary sewers	144	156	156	156	156	155	155	154	154	154

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

<u>Function/Program</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Public safety										
Law enforcement vehicles	75	73	74	70	69	72	62	56	56	54
Fire stations	3	3	3	3	3	3	3	3	3	2
Public works										
Miles of streets	325	354	354	354	350	344	344	343	306	263
Streetlights	1,828	1,826	1,804	1,804	1,804	1,613	1,613	1,585	1,565	1,536
Parks, recreation, and cultural										
Community centers	1	1	1	1	1	1	1	1	1	1
Parks/athletic fields	35	35	35	35	35	30	30	30	30	29
Water and sewage										
Water mains (miles)	182	177	177	177	169	168	168	168	168	168
Storm sewers (miles)	83	83	35	35	46	37	37	37	37	37
Sanitary sewers (miles)	144	156	156	156	156	155	155	154	154	154

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**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
REVENUES										
Taxes	\$ 18,578,071	\$ 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
Licenses and permits	2,539,735	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
Intergovernmental	4,661,068	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
Charges for services	3,677,197	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
Fines and forfeitures	188,183	170,986	240,394	236,673	344,153	450,017	347,444	345,875	274,391	286,725
Investment earnings	112,370	130,313	143,674	112,883	215,624	195,149	155,437	230,070	253,226	369,300
Unrealized gain/(loss)	(49,402)	42,634	(42,994)	32,203	31,281	63,339	(167,835)	-	-	-
Other	709,975	1,082,572	819,082	607,722	649,599	601,113	611,757	656,452	708,743	686,555
Other financing sources	216,487	434,783	3,962,746	94,711	186,008	5,399,273	3,365,573	2,520,095	-	83,957
Total revenues	30,633,684	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
EXPENDITURES										
Current:										
Legislative	281,047	281,218	278,374	269,326	253,817	240,263	231,586	243,323	226,409	221,809
Executive	2,414,343	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
Legal	361,134	325,269	333,877	330,220	298,964	270,487	257,808	247,270	282,623	344,093
Judicial	-	-	-	-	-	5,720	7,705	8,094	6,996	12,115
Financial services	1,696,527	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
Technology	543,939	523,486	511,958	503,267	475,063	440,520	444,354	444,710	429,357	433,278
Police	7,745,463	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
Fire and rescue	1,200,794	1,059,849	974,416	957,011	958,909	873,955	875,225	814,549	775,184	912,524
Public works	5,770,596	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
Recreation	2,238,996	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
Planning and engineering	2,137,749	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
Nondepartmental and transfers	2,943,251	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
Debt service	2,456,757	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
Total expenditures	29,790,596	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
Excess (deficiency) of revenues over expenditures	843,088	2,094,644	(2,077,520)	(242,218)	(403,961)	457,842	1,579,959	90,686	(434,456)	(3,312,377)
FUND BALANCES AT JULY 1	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
FUND BALANCES AT JUNE 30	\$ 5,464,294	\$ 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
Reserved:										
Reserved/Committed* for encumbrances	\$ 896,163	\$ 208,725	\$ 232,077	\$ 362,950	\$ 248,061	\$ 295,076	\$ 392,826	\$ 454,443	\$ 366,398	\$ 230,839
Reserved/Nonspendable* for inventories	281,892	293,667	276,220	254,012	244,566	215,145	183,615	158,005	127,676	128,819
Reserved/Restricted for museum lifetime memberships	-	-	-	-	19,161	18,969	18,614	18,158	17,737	16,546
Reserved for Toms Creek Interchange	-	-	-	-	-	-	-	-	-	-
Reserved/Nonspendable* for prepaid expenditures	-	-	-	-	-	222,761	211,630	190,545	234,716	244
Total	1,178,055	502,392	508,297	616,962	511,788	751,951	806,685	821,151	746,527	376,448
Total unreserved/unassigned* fund balance	4,286,239	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
Ending fund balance	\$ 5,464,294	\$ 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

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

(Continued)

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
OPERATING REVENUES										
Charges for services	\$ 9,892,531	\$ 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
Availability and transfer fees	212,612	938,888	197,798	765,235	305,962	261,151	159,153	222,256	432,081	969,933
Meter installation	69,596	310,743	68,924	145,874	84,857	63,363	48,488	71,210	142,700	189,560
Connection fees	65,647	94,831	55,519	73,566	34,575	40,738	69,762	54,550	80,102	97,012
Other	138,005	134,362	118,370	112,984	119,377	133,747	140,318	144,927	314,359	306,361
Total operating revenues	10,378,391	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
OPERATING EXPENSES										
Personal services	1,508,688	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
Contractual services	6,007,699	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
Administration	1,201,972	1,199,587	1,328,574	1,266,064	1,194,376	1,101,954	887,100	867,200	850,000	810,000
Depreciation	989,501	982,757	948,684	918,456	877,397	854,420	894,398	761,403	758,919	737,094
Other	487,627	536,814	405,223	454,740	436,123	348,691	498,895	500,314	536,164	624,445
Total operating expenses	10,195,487	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
Operating income (loss)	182,904	1,152,555	19,223	516,798	192,572	215,943	(161,614)	139,766	477,544	873,197
NONOPERATING EXPENSES										
Intergovernmental revenue	-	-	-	-	-	15,000	-	-	-	-
Interest income	27,225	46,476	5,446	7,868	44,049	46,158	74,796	143,402	320,949	376,316
Interest expense	(120,255)	(137,567)	(212,208)	(190,382)	(205,213)	(263,889)	(326,962)	(347,884)	(374,730)	(408,442)
Unrealized gain/(loss) on investments	(16,051)	15,346	(8,237)	4,914	9,662	29,800	(90,690)	-	-	-
Gain (loss) on disposition of asset	25,000	25,804	329	4,610	19,123	-	-	-	7,910	-
Net nonoperating expenses	(84,081)	(49,941)	(214,670)	(172,990)	(132,379)	(172,931)	(342,856)	(204,482)	(45,871)	(32,126)
Income (loss) before contributions and transfers	98,823	1,102,614	(195,447)	343,808	60,193	43,012	(504,470)	(64,716)	431,673	841,071
1,175,539	43,997	120,338	259,502	-	-	340,000	340,000	-	-	-
CAPITAL CONTRIBUTIONS										
TRANSFERS IN										
TRANSFERS OUT										
Change in net position	(266,937)	(467,125)	(263,034)	(214,784)	(168,383)	(211,010)	(164,110)	(184,045)	(164,323)	(136,545)
1,184,946	1,125,334	(167,960)	388,526	(108,190)	172,002	(34,086)	331,519	759,887	9,209,936	9,209,936
NET POSITION AT JULY 1	10,195,161	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
NET POSITION AT JUNE 30	\$ 11,380,107	\$ 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

(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
2016	98,602	\$ 1,086,987,143	\$ 11,024
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

(Continued)

TABLE 19

TOWN OF BLACKSBURG, VIRGINIA

CONTINUING BOND DISCLOSURES

SUMMARY OF CAPITAL IMPROVEMENT PROGRAM

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
<u>General Fund</u>					
Finance	\$ -	\$ 90,000	\$ 35,000	\$ 75,000	\$ -
Fire	283,500	283,500	283,500	283,500	283,500
Rescue	200,958	508,958	158,958	158,958	158,958
Parks and Recreation	1,528,500	150,625	197,600	35,000	35,000
Planning and Building	-	-	-	-	-
Engineering and GIS	84,000	60,000	5,000	105,000	50,000
Police	386,775	531,775	345,775	345,775	345,775
Public Works	1,141,218	992,948	1,056,692	904,763	841,918
Technology	353,000	142,000	93,000	63,000	111,000
Town Manager's Office	58,000	-	100,000	70,000	-
Housing and Neighborhood Services	-	-	30,000	-	-
WTOB	55,800	-	16,692	-	-
General Fund Total	<u>4,091,751</u>	<u>2,759,806</u>	<u>2,322,217</u>	<u>2,040,996</u>	<u>1,826,151</u>
<u>Water/Sewer</u>					
Finance Department	105,000	105,000	140,000	105,000	105,000
Engineering and GIS	580,250	-	-	-	-
Public Works	796,787	668,377	650,257	650,137	696,937
Water/Sewer Total	<u>1,482,037</u>	<u>773,377</u>	<u>790,257</u>	<u>755,137</u>	<u>801,937</u>
<u>VDOT Revenue Sharing</u>					
Public Works	390,000	655,000	655,000	655,000	585,000
Engineering and GIS	2,152,206	30,000	30,000	130,000	30,000
Parks and Recreation	114,000	-	200,000	-	-
VDOT Revenue Sharing Total	<u>2,656,206</u>	<u>685,000</u>	<u>885,000</u>	<u>785,000</u>	<u>615,000</u>
Stormwater Fund	190,000	290,000	300,000	310,000	310,000
Urban Construction Initiative Fund	-	-	-	-	-
CDBG Entitlement Fund	-	-	-	-	-
Transit Fund	2,680,117	3,389,666	4,180,143	4,196,042	9,544,082
Equipment Replacement Fund	2,048,000	1,904,000	2,962,000	609,000	1,337,000
Major Building Systems Replacement Fund	284,000	455,450	41,850	77,050	13,800
Solid Waste & Recycling Fund	51,683	51,683	51,683	51,683	51,683
Grand Total	<u>\$ 13,483,794</u>	<u>\$ 10,308,982</u>	<u>\$ 11,533,150</u>	<u>\$ 8,824,908</u>	<u>\$ 14,499,653</u>

Source: Adopted Capital Improvement Program Fiscal Years Ending 2016/2017-2020/2021

(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
2017	45,038	\$ 2,935,798,817	\$ 25,673,839	0.8745%	\$ 570.05
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

(Continued)

TABLE 19**TOWN OF BLACKSBURG, VIRGINIA****CONTINUING BOND DISCLOSURES
CERTAIN OTHER REVENUES****Last Ten Fiscal Years**

Fiscal Year	Vehicle License Receipts¹	Business License Receipts	Meals Tax Receipts²
2017	\$ 252,233	\$ 2,155,424	\$ 5,493,780
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

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

**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 Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Blacksburg, Virginia (the "Town"), as of and for the year ended June 30, 2017, 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, 2017.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-001.**

Town of Blacksburg's Responses 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, 2017

**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's") 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, 2017. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal programs, 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 Awards* (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 each 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 each of its major federal programs for the year ended June 30, 2017.

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, 2017

TOWN OF BLACKSBURG, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2017

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

June 30, 2017

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 with Requirements for Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no findings related to the major programs**.
7. The programs tested as major are:

<u>Name of Program:</u>	<u>CFDA #</u>
Federal Transit – Capital Improvement Grants	20.500
Federal Transit – Formula Grants	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.

TOWN OF BLACKSBURG, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2017

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

None noted.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

2017-001: Stormwater Utility Reporting

Condition:

The Virginia Auditor of Public Accounts (“APA”) requires that the locality’s Stormwater Utility Report be submitted to the APA by October 1. During our testing, we noted that this report was not filed for the year ended June 30, 2017.

Recommendation:

Steps should be taken to ensure that all required reports are submitted to the APA timely.

Management’s Response:

The auditee concurs with this recommendation. The Town will file the report for the year ended June 30, 2017 and going forward.

TOWN OF BLACKSBURG, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2017

A. 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.

Current Status:

Condition still present.

B. 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

Current Status

Condition cleared in the current year. The Town obtained approval for the sale of the transit support vehicle noted above in the current year. We also tested for approval of the sale of transit support vehicles sold in the current year, noting that all were properly approved.