



THE TOWN OF
VINTON
V I R G I N I A

Comprehensive Annual Financial Report

For Fiscal Year Ending June 30, 2017



TOWN OF VINTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

Prepared by the Town of Vinton

Finance Department/Treasurer's Office

TOWN OF VINTON, VIRGINIA

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INTRODUCTORY SECTION



TOWN OF VINTON

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VINTON, VIRGINIA 24179

PHONE (540) 983-0608
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November 15, 2017

To the Honorable Mayor, Members of Town Council, and Citizens of the Town of Vinton, Virginia

We are pleased to present the Town of Vinton, Virginia (the Town) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017 in accordance with Section 15.1-167 of the 1950 *Code of Virginia*, (1950 as amended). The *Code* requires that the Town issues an annual report on its financial accounts and records. In addition, the report must be audited. The report was prepared by the Treasurer's Office and audited independently by the accounting firm Brown, Edwards & Company, L.L.P.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the Town's management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

The Reporting Entity and Services Provided

The financial reporting entity includes all of the funds of the primary government of the Town of Vinton, as legally defined. The reporting entity does not include legally separate entities (component units) for which a primary government is financially accountable because there are no such component units within the Town. The Town jointly operates the Roanoke Valley Resource Authority and the Regional Center for Animal Care and Protection through membership on the multi-jurisdictional boards.

The Town of Vinton provides a full range of municipal services. These services include police protection, fire and first aid services, refuse and recycling functions, general public improvements, street and right-of-way maintenance, recreational and cultural activities, and planning and zoning. The Town also provides potable water distribution, wastewater collection, maintenance and service of line, meters, and other components related to its utility system. Based on the latest Water Quality Report, the water system meets all state and federal requirements administered by the Office of Drinking Water under the Virginia Department of Health. According to the 2016 Water Quality Report, the Town had no water quality violations. The Virginia Department of Environmental Quality reported statewide recycling rates for calendar year 2016. The Town of Vinton's rate was 53.7% and was ranked sixth out of all of the waste planning units in the Commonwealth.

Local Economic Condition and Outlook

The Town of Vinton is located in the southern end of the Shenandoah Valley, in the southwestern region of Virginia. Vinton is a part of the Roanoke Metropolitan Statistical Area, which includes the Cities of Roanoke and Salem and Counties of Roanoke, Botetourt, and Craig. The Town is a compact, urban area of 3.2 square miles located within eastern Roanoke County and shares a common border with the City of Roanoke. It is approximately 170 miles west of Richmond, Virginia, the State capital. The Town is a major gateway to the recreational attractions of Smith Mountain Lake and the Blue Ridge Parkway. Approximately 78.8% of the total land within the Town is developed; 50.6% for residential use, 13.8% for commercial or industrial development (within the Town industrial park and at various other locations) and 14.4% for public facility development.

The Town of Vinton is full of a depth of history in the region. The oldest running business to date is Southern States, which began operations in the Town limits during the year 1935. In 2015, the Town purchased the former Gish's Mill property that dates back to the late 1800's, due to it being one of the founding properties of the Vinton Community and the primary feature of our Town Seal. The Town recently began the process of developing a Feasibility Study for the site to encourage its restoration and redevelopment as a commercial property.

Vinton is proud of its small size in relation to the surrounding dense urban areas. It has a reputation as a friendly community with much scenic charm and beauty, and is often the urban center of choice for residents in east Roanoke County and the surrounding population centers of Bedford, Botetourt, and Franklin counties.

The location of the Town provides quick and easy access from neighboring jurisdictions via US Interstates 81 and 581, U.S. Routes 460 and 220, and Virginia Routes 24 and 634. This also provides an opportunity for citizens to be able to drive to a community college, two private colleges, and two public universities in less than one hour. The Town's location also means that its economy is impacted by the economic conditions of its neighbors, and by decisions made by these larger neighboring jurisdictions.

Since the Town of Vinton is highly concerned with providing a positive atmosphere and quality of life for its citizens, it has taken an active role in various regional authorities and activities. The Town participates in economic development by being a member of the Roanoke Regional Partnership and working closely with Roanoke County on development opportunities and promoting a shared industrial park. The Town also partners with community groups to hold two major festivals and over a dozen smaller community events and concerts throughout the year. The Town also continues to partner with the Vinton Area Chamber of Commerce for economic development and business retention, recruitment, and promotion.

The Town also participates in the Greenway Commission, the purpose of which is to identify and develop possible greenway connections throughout the Roanoke Valley. Through this effort, the Town has recently completed the first phase of the Glade Creek Greenway that will assist to connect the downtown business district with the Roanoke City's Tinker Creek Greenway and the entire valley-wide greenway system. This will allow for an individual to travel from Vinton to Salem via the bike and pedestrian trail network. In 2016, Botetourt County petitioned to join the Greenway Commission and was accepted by all participating members, which expands the economic development opportunities in the valley through more connections in the region. Vinton is also partnering with the Roanoke-Alleghany Regional Commission to promote a Blueway Trail on the Roanoke River.

Vinton has maintained stable property tax rates over the years, while continuing to provide high quality municipal services and responsive government. The combined real estate and personal property tax collections for fiscal year 2017 generate approximately \$678,000 or 7.8% of total revenue in the general fund.

Local Economic Condition and Outlook (Continued)

The nearby educational institutions allow opportunities for Town citizens to receive higher education and technical training. Expansion of industry, tourism facilities, and conference centers in the region continue to enhance the reputation of the Town as a highly desirable residential area.

Long-term Financial Planning

Barry W. Thompson was appointed as Town Manager in June 2016. Mr. Thompson has served the Town of Vinton prior as the Interim Town Manager from January 2016 to June 2016, and also as the Treasurer/Finance Director since December 2004. Mr. Thompson worked with the City of Bedford as the Finance Director and Assistant City Manager for 14 years from November 1984 to October 1998. After leaving the City of Bedford, Mr. Thompson worked as a consultant in governmental accounting and as a Director of Financial Support for a governmental accounting software company. Based on his work experience and education, Mr. Thompson has a strong understanding of local government, as well as an economic development and community focus. Under Mr. Thompson's leadership, the Town has worked closely with Roanoke County to develop a relationship for mutually beneficial economic development opportunities ranging from short-term and long-term financial goals.

The Town Council approved a balanced budget for the upcoming fiscal year. The budget provides for maintaining the existing levels of services provided to the Town's citizens while increasing an effort on economic development through revitalizing the downtown business area.

The Town received notification of the \$700,000 Block Grant Award in 2012 to assist with revitalization of our downtown. The grant was funded through the Federal Government and administered through the Virginia Department of Housing and Community Development and was completed on December 31, 2016. The Town utilized its commitment to assist with the purchase of property for the relocation of the Vinton Branch Library to leverage the CDBG funds.

The revitalization efforts focused on four key areas: (1) streetscape improvements, (2) business facade improvements, (3) branding and marketing of the downtown, and (4) a revolving loan fund to support business development. The grant was managed by the Assistant Town Manager, with guidance provided by a Project Management Team comprised of Town Officials and Community Stakeholders.

The grant assisted in several Town projects, such as the Farmers Market Stage Renovations, downtown park benches and trash receptacles, business storefront façade improvements, a \$100,000 revolving loan fund for building renovations and job creation, the "In-Vinton" brand, the downtown shopping guide, as well as the completion of sidewalk improvements and the replacement of the street lamps on Pollard and Lee Streets. The Town had a "Downtown Grand Re-Opening" in April 2017 at the annual Dogwood Festival.

The Town continues to commit to the improvement of the highways, streets, and roads by including approximately \$374,984 for paving and milling of streets throughout the Town in the upcoming budget year.

Major Initiatives

The Vinton Business Center is open for business. Cardinal Glass Industries of Minnesota is the first company located in the Vinton Business Center. It has completed its 222,000 square-foot building at an investment of approximately \$23.9 million. Currently, it is fully staffed.

Major Initiatives (Continued)

There are two additional prepared sites at the Vinton Business Center which are being marketed. A picnic shelter has been completed while the Greenway Trail is planned to eventually connect with the existing Greenway System running through the Town of Vinton and east Roanoke County. In 2016, the County and the Town partnered to contract with Poe & Cronk Realtors to market the remaining available sites.

In June 2017, the Town finalized the project with the Western Virginia Water Authority for Peak Flow Enhancement.

The Town continues to update with the County of Roanoke, the Real Estate Tax and Appraisal and Personal Property Tax Software and billing has been successfully implemented. Roanoke County/Town of Vinton also has implemented and continues to update an Appraisal System. DMV imports have been automated and set-off debts have been automated and have improved delinquent collections. In January 2012, the Town implemented an agreement with ACS Enterprise, Inc. for Application Hosting and Technology Support Systems and Services for the Financial Applications. They provide the Town with Technical Support, continuous software updating on the financial applications, and a disaster recovery plan in the event of some unforeseen emergency. The Town is looking to partner with Roanoke County to issue a request for proposal on electronic payment options to improve efficiency and better serve its customers.

Prospects for the Future

The Town of Vinton worked successfully with Roanoke County in 2016 to market two surplus schools that are located within the Town's boundaries. Both schools were approved for re-zoning as mixed-use developments. The former Roland E. Cook was renovated into loft apartments and opened in July 2017, and a similar apartment renovation is underway for the former William Byrd High School building. The prior Roanoke County Library has also been purchased, and construction is underway to convert the building into a Macado's Restaurant.

In spring of 2017, the Town acquired an Option to Purchase the former Vinton Motors Property and is actively working with the owner to position the property for redevelopment. This property previously operated as an auto dealership in the Town from 1931 – 2008, and was considered at the time of its closing to be the oldest dealership in the Roanoke Valley and the second oldest in the State. This site provides a tremendous opportunity as a mixed-use development due to its road frontage, high vehicle traffic counts, and its proximity to the Downtown Vinton Business District, Route 460, and the Blue Ridge Parkway.

Roanoke County Library Vinton Branch - Roanoke County has built its first urban library in Downtown Vinton. The prior library was outdated and too small for the patrons who used it, and has been sold and rezoned as mixed-use development. The current library serves more than 200,000 people a year who will also visit stores, shops, and restaurants in the renovated downtown area. This also is the only County Library on a mass transit route.

Comprehensive Plan – The twenty-year Comprehensive Plan for the Town's economic and community development was adopted in September 2004. This plan which serves as the blue print for the Town's direction regarding land use, capital development, and economic progress is continuously being reviewed and updated, as needed. Funding for this review has been approved in the fiscal year 2016-2017 budget.

Prospects for the Future (Continued)

Façade Improvement Program – The Façade Improvement program was envisioned from recommendations during the Vinton Comprehensive Planning process, which was adopted by Town Council in 2004. The Program provides financial assistance to small businesses, within an identified Downtown area, that wish to improve their property. The grants available under this program range from \$500 to \$5,000. The program provides a 50% reimbursement of qualified expenses, which include façade and other general property improvements undertaken in accordance with the established design guidelines for exterior improvements only and address architecture, signage, landscaping, walls, lighting, veneers, and awnings

Vinton Area Corridors Plan – The Vinton Area Corridors Plan’s purpose is to provide data and information for the Town of Vinton, Roanoke County, and the Virginia Department of Transportation (VDOT) to use in land use and transportation planning. The Town, with a population over 8,000 and a land mass slightly larger than 3 square miles is a diversified urban area striving to sustain its distinctive small-town charm within the greater Roanoke Valley. The study area is comprised of 7.5 miles of corridors that traverse through the Town of Vinton and eastern Roanoke County. The Plan contains a number of implementation strategies that are to be completed over the next 20 years and are grouped by project names, timeframes, and responsible parties.

Change of Use Grant - In conjunction with the Façade Program the Town also offers a Change of Use Grant that helps property owners’ change zoning from Residential to Business. The grant helps with expenses such as architectural renderings, ISO standards, and other code compliance issues. The grant offers the participant up to \$5,000 in assistance and is a 50% reimbursement of expenses.

Accounting System and Budgetary Controls

The Town’s accounting records for governmental fund type operations are maintained on a modified accrual basis with revenues being recorded when available and measurable, and expenditures being recorded when services or goods are received and fund liabilities are incurred. Accounting records for proprietary fund types are maintained on the accrual basis with revenues and expenses being recorded when earned or incurred.

In developing or modifying the Town’s accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding: (a) the safeguarding of assets against loss from unauthorized use or disposition, and (b) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that: (a) the cost of a control should not exceed the benefits likely to be derived, and (b) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. The Town’s internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is maintained at the department or function level by the adoption of an annual, accrual plus encumbrances basis budget for both the General and Enterprise Funds. The budgetary controls are designed to ensure compliance with legal restrictions on expenditures as established by the Town Council. Only the Council can revise appropriations. Year-end outstanding encumbrances are reported as a reserve of fund balance and re-appropriated in the subsequent year.

Cash Management

The Town uses a pooled cash concept to allow greater investment flexibility and consequently a better return on investments. Cash from all funds is pooled for investment purposes in the Commonwealth of Virginia's Local Government Investment Pool and in Certificates of Deposit. The Town's checking account is an interest bearing public fund demand deposit account earning interest rates tied to the 90-day US T-Bill.

Risk Management

The Town's various property and liability insurance coverage is provided by Virginia Municipal League Insurance Programs. The annual insurance costs are allocated to specific departments and funds based on assigned equipment, number of personnel, building usage, and other equitable cost estimates.

Independent Audit

Virginia law requires that the financial statements of the Town be audited by a Certified Public Accountant (or alternatively, by the Auditor of Public Accounts) selected by the Town Council. Brown, Edwards & Company, L.L.P., has performed an annual audit of the Comprehensive Annual Financial Report. Their audit was conducted in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audit of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The auditor's report, which includes their opinion on the financial statements of the Town, is contained in this report on page one of the Financial Section. Other auditor's reports are included 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). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditors.

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 for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. The Certificate of Achievement is a national award that recognizes conformance with the highest standards for preparation of government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which must conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

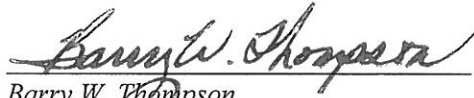
A Certificate of Achievement is valid for a period of one year only. The Town of Vinton has received a Certificate of Achievement for the past eleven fiscal years. We believe our current report continues to conform with the Certificate of Achievement Program requirements, thus, this report is being submitted to GFOA.

The Town Manager has also established a goal for the budget document to be reevaluated as a budgeting and communication tool. The GFOA budget document standards are being used as a model for improving the budget document, and the Town submitted the fiscal year 2016-2017 budget document and was awarded GFOA Distinguished Budget Presentation Award for the first time.

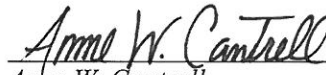
Acknowledgements

The preparation of this report was made possible through the diligent effort of the Treasurer/Finance Office with the support of all departments and staff. We would like to express our appreciation to the members of the Town Council for their support in the preparation of the Town of Vinton's comprehensive annual financial report and to the Town's independent auditing firm, Brown, Edwards & Company, L.L.P. for their cooperation and input in this work.

Respectfully submitted,



Barry W. Thompson
Town Manager



Anne W. Cantrell
Treasurer/Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Vinton
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Town of Vinton
Virginia**

For the Fiscal Year Beginning

July 1, 2016

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Town of Vinton, Virginia for the Annual Budget beginning July 01, 2016. In order to receive this award, 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.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

TOWN OF VINTON, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2017

TOWN COUNCIL

Bradley E. Grose, Mayor
Matthew S. Hare, Vice Mayor
Keith N. Liles
Sabrina McCarty
Janet Schneid

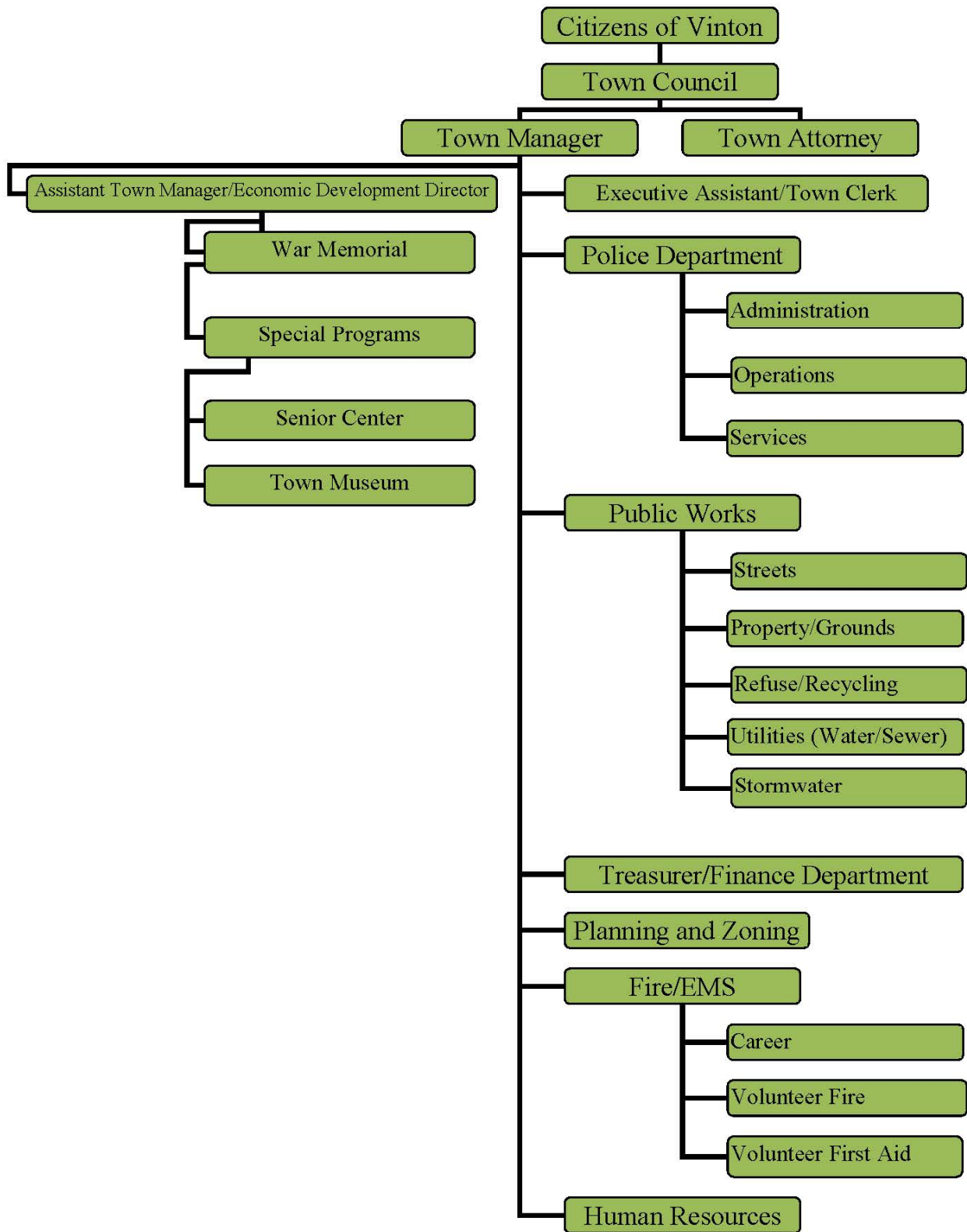
APPOINTED OFFICIALS

Barry W. Thompson..... Town Manager
Anne W. Cantrell..... Finance Director/Treasurer
Susan Johnson Town Clerk
Thomas Foster Chief of Police

INDEPENDENT AUDITORS

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

Organizational Chart



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Vinton, 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, and each major fund 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 for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Town's 2016 financial statements, and in our report dated November 18, 2016, we expressed unmodified opinions on those financial statements. The 2016 financial information is provided for comparative purposes only. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 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 15, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Vinton, Virginia (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town 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 vii of this report.

Financial Highlights

- The total assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$13,908,431 (net position). Of this amount, \$2,274,979 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$755,380. This increase is largely due to total expenses of \$11,556,876 being less than total revenues of \$12,312,256. However, a decrease of \$2,670 (0.04%) in current and other assets occurred. Capital assets decreased by \$508,323 with the final result being a decrease of 1.8% in total assets.

On the other hand, long-term liabilities decreased by \$454,986 (3.42%) which has a small variance from the prior year. Other liabilities decreased by \$228,230 (19.27%) which was a decrease in accounts payable and accrued liabilities and an increase in accrued payroll and related liabilities due to end of year timing.

Deferred Outflows increased \$311,612 (39.96%) and Deferred Inflows decreased \$271,545 (25.69%) due to the change in various pension related elements.

The final result of all these effects is a 5.7% increase in net position.

- As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$2,799,962, a decrease of \$79,259 in comparison with the prior year. This is mostly due to a decrease of \$275,937 (54.5%) in accounts payable. In addition, deferred inflows decreased by \$69,091 (6.2%) and due from other governmental units increased \$366,615 (89.5%).
- Approximately 92.08% of the ending governmental fund balance, \$2,578,193 is available for spending at the Town's discretion (unassigned fund balance), and represents 29.98% of the governmental fund's expenditures.

Overview of the Financial Statements

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

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 of resources, liabilities, and deferred inflows of resources, with the difference between the four 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.

Overview of the Financial Statements (Continued)

Government-wide Financial Statements (Continued)

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 result only 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 general government, public safety, public works, community development, and parks, recreation, and cultural. The business-type activity of the Town is the water and sewer department.

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 two categories: governmental funds and proprietary 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 balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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.

Proprietary Funds – The Town maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for its Water and Sewer Department.

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 Department.

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 statement.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's funding progress for the defined benefit pension plan.

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, the net position was \$13,908,431 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (82.69%) reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment less any related debt used to acquire those assets that are 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 net 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		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 4,306,230	\$ 4,719,105	\$ 2,399,556	\$ 1,989,351	\$ 6,705,786	\$ 6,708,456
Capital assets	9,507,841	9,555,472	11,191,848	11,652,540	20,699,689	21,208,012
Total assets	13,814,071	14,274,577	13,591,404	13,641,891	27,405,475	27,916,468
Deferred outflows of resources	799,612	547,349	291,766	232,417	1,091,378	779,766
Current and other liabilities	483,828	747,092	472,306	437,272	956,134	1,184,364
Long-term liabilities	5,830,980	5,858,376	7,015,941	7,443,531	12,846,921	13,301,907
Total liabilities	6,314,808	6,605,468	7,488,247	7,880,803	13,803,055	14,486,271
Deferred inflows of resources	757,328	979,560	28,039	77,352	785,367	1,056,912
Net position						
Net investment in capital assets	6,638,792	6,225,603	4,862,273	4,880,340	11,501,065	11,105,943
Restricted	132,387	209,649	-	-	132,387	209,649
Unrestricted	770,368	801,646	1,504,611	1,035,813	2,274,979	1,837,459
Total net position	\$ 7,541,547	\$ 7,236,898	\$ 6,366,884	\$ 5,916,153	\$ 13,908,431	\$ 13,153,051

Unrestricted net position of \$2,274,979 may be used to meet the Town'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, and for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities – Governmental activities increased the Town's net position by \$304,649.

For the most part, revenues closely paralleled inflation and conditions represented in the economy and growth in the demand for services. Revenues from operating grants and contributions, capital grants and contributions, and various taxes showed an increase over the prior year. Investment earnings also showed an increase because of the Town's investments and bond proceeds being invested in higher yields.

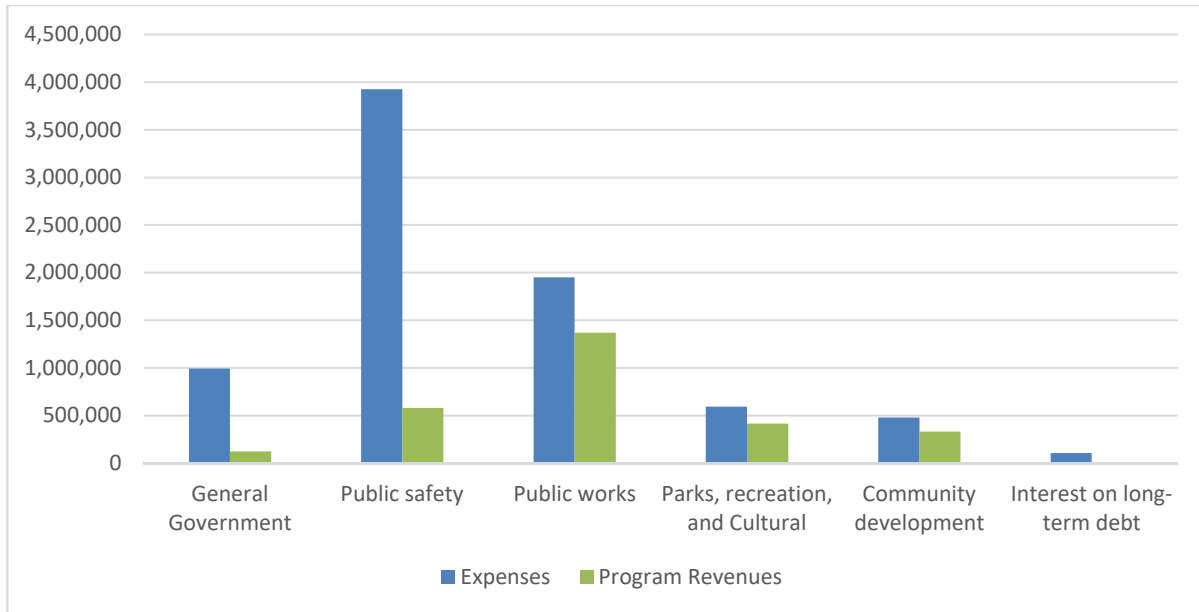
Government-wide Financial Analysis (Continued)

The Town's Changes in Net Position

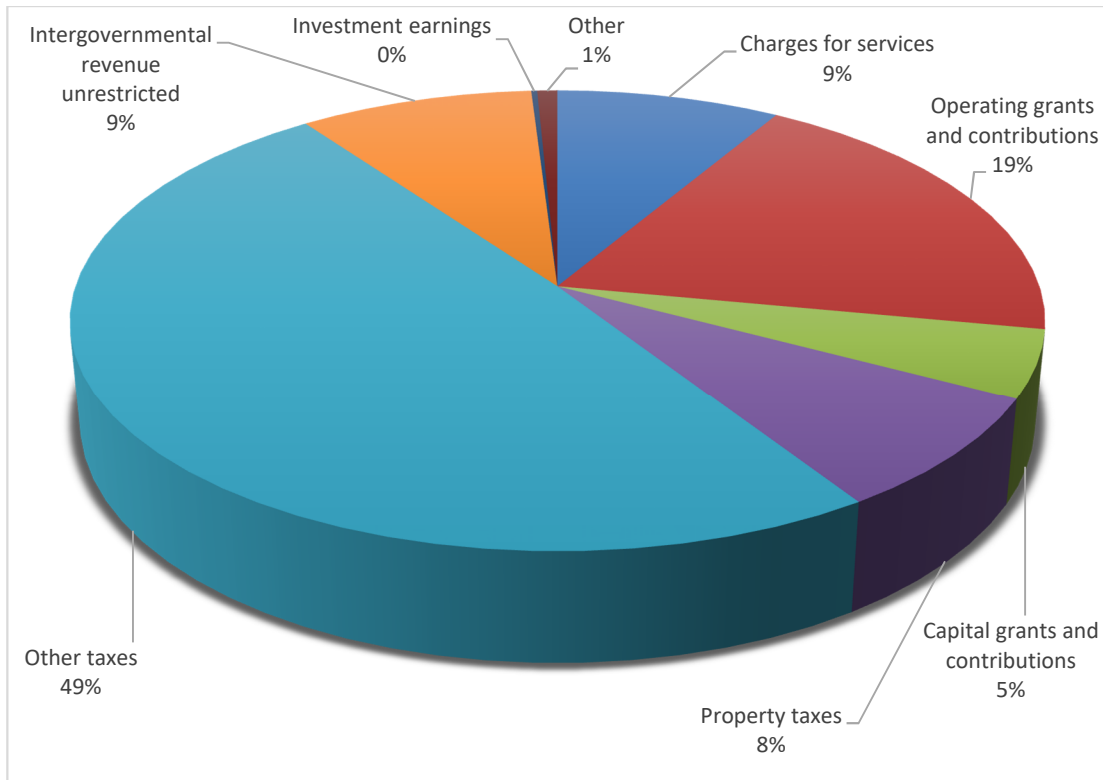
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 769,199	\$ 733,005	\$ 3,398,582	\$ 3,437,535	\$ 4,167,781	\$ 4,170,540
Operating grants and contributions	1,666,789	1,389,380	-	-	1,666,789	1,389,380
Capital grants and contributions	408,362	317,643	-	-	408,362	317,643
General revenues						
Property taxes	697,622	640,391	-	-	697,622	640,391
Other taxes	4,232,122	4,157,323	-	-	4,232,122	4,157,323
Intergovernmental unrestricted	773,690	744,247	-	-	773,690	744,247
Investment earnings	19,406	17,709	2,266	1,318	21,672	19,027
Other	66,305	106,706	338,118	279,661	404,423	386,367
Transfers	(219,978)	-	219,978	-	-	-
Total revenues	8,413,517	8,106,404	3,958,944	3,718,514	12,372,461	11,824,918
Expenses						
General government	992,699	1,001,560	-	-	992,699	1,001,560
Public safety	3,926,763	3,340,624	-	-	3,926,763	3,340,624
Public works	2,011,469	2,026,305	-	-	2,011,469	2,026,305
Parks, recreation, and cultural	591,208	591,342	-	-	591,208	591,342
Community development	479,973	447,908	-	-	479,973	447,908
Interest on long-term debt	106,756	126,164	-	-	106,756	126,164
Water and sewer	-	-	3,088,256	3,103,779	3,088,256	3,103,779
Stormwater management	-	-	419,957	-	419,957	-
Total expenses	8,108,868	7,533,903	3,508,213	3,103,779	11,617,081	10,637,682
Change in net position	304,649	572,501	450,731	614,735	755,380	1,187,236
Net position – July 1,	7,236,898	6,664,397	5,916,153	5,301,418	13,153,051	11,965,815
Net position – June 30	<u>\$ 7,541,547</u>	<u>\$ 7,236,898</u>	<u>\$ 6,366,884</u>	<u>\$ 5,916,153</u>	<u>\$ 13,908,431</u>	<u>\$ 13,153,051</u>

Government-wide Financial Analysis (Continued)

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



Business-type activities – Business-type activities increased the Town's net position by \$450,731. The last increase by the Town was effective July 1, 2015 with a rate of 8.9%. There was no increase in the last two fiscal years.

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. 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.

As of the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$2,799,962, a decrease of \$79,259 in comparison with the prior year. This is largely due to a decrease in deferred inflows of \$69,091 (6.22%), an increase in due from other governmental units of \$366,615 (89.51%), and a decrease in total liabilities of \$264,525 (3.62%) particularly a decrease in accounts payable and accrued liabilities of \$275,937 (54.47%) and an increase in accrued payroll and related liabilities of \$7,956 (3.90%). Accounts payable and accrued liabilities, accrued payroll and related liabilities, and unearned revenue decreased by \$264,525 (3.62%); this decrease was due to payment of a large accounts payable that had carried over from the prior year.

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

Unrestricted net position of the Water and Sewer Department at the end of the year amounted to \$1,590,413. Unrestricted net position of the Stormwater Management Department at the end of the year was a deficit of \$85,802. Factors concerning the finances of this fund 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 for revenues were \$575,595 primarily due to carryover grants included in Categorical Aid amounting to \$444,225. Another component of the variance from budget includes \$75,207 in charges for services. There was a decrease in revenue in Fee for Transport, and less revenue than anticipated from the War Memorial and Senior Center Rentals.

Differences between the original budget and the final amended budget for expenditures were \$815,389 with the majority being primarily due to carryover expenses for grant items in Community Development with the Greenway Phase II, and an overestimation on carryover expenses relating to the CDBG grant.

Multiple variances between the final budget and the actual final results for the year can be briefly summarized as follows:

There was only a minor variance in real property taxes, and 96.75% of the budgeted amount was collected. The real property tax rate did not change from \$0.07 per \$100 of assessed value.

There was a variance of business license revenue of \$39,553 (6.91%), this was due to a higher collection of taxes during the period due and a decrease in the late penalties charged.

Cigarette tax collection continues to decrease as a result of \$0.20 increase in tax rate effective July 2013. Although the tax rate was reduced by \$0.15 in March 2014 to encourage buyers, the market has not recovered. In addition to this negative impact, there has been a loss of two (2) retailers and a cigarette outlet opened outside of the Town limits. Another effect on this revenue is the sale of vapors, which are not currently included in cigarette tax sales. The variance from budget was \$29,875 (14.36%).

For the most part, economic indicators such as sales tax, meals tax, and business license tax reflect very favorable collection.

General Fund Budgetary Highlights (Continued)

All expenditures by budget functions have favorable variances due to concerted efforts of all departments to control and minimize expenditures except for Interest and Fiscal Charges where the budget was understated.

The substantial favorable variance on Community Development is mainly due to \$647,106 the carryover grant funding for the Greenway Phase II and an overestimation of carryover budget for the CDBG Downtown Revitalization that was not utilized.

The favorable variance in the Public Works Department is mainly due to paving budget that was not utilized by the General Fund due to utility cuts that were made during the year that required the Utility Fund to cover the expense of re-paving those areas.

The Stormwater Management Fund was created this year to allow for better tracking of expenses. Prior to creation of this fund, the costs were being paid for by the General Fund and Utility Fund where applicable. Costs that were previously budgeted for in the General Fund and Utility Fund were treated as a transfer to the fund to cover expenditures.

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 \$20,699,689 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure, machinery, and equipment. The total decrease in the Town’s investment in capital assets for the current fiscal year was 2.40% (a 0.50% decrease for governmental activities and a 3.95% decrease for business-type activities). Additional information on the Town’s capital assets can be found in Note 5 of this report.

The Town’s Capital Assets (Net of Depreciation)						
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,832,033	\$ 1,832,033	\$ 80,752	\$ 80,752	\$ 1,912,785	\$ 1,912,785
Buildings and systems	5,019,401	5,303,005	8,183,663	7,457,516	13,203,064	12,760,521
Infrastructure	1,880,757	1,413,942	-	-	1,880,757	1,413,942
Improvements other than buildings	-	-	2,429,311	2,560,925	2,429,311	2,560,925
Machinery and equipment	435,380	555,879	485,599	570,176	920,979	1,126,055
Construction in progress	340,270	450,613	12,523	983,171	352,793	1,433,784
Total	<u>\$ 9,507,841</u>	<u>\$ 9,555,472</u>	<u>\$ 11,191,848</u>	<u>\$ 11,652,540</u>	<u>\$ 20,699,689</u>	<u>\$ 21,208,012</u>

Capital Asset and Debt Administration (Continued)

Long-term debt – At the end of the current fiscal year, the Town had total debt outstanding of \$9,693,598. Of this amount, \$7,627,761 comprises debt backed by the full faith and credit of the government, \$2,011,000 is related to revenue bond obligations, and \$54,837 is related to capital leases.

The Town's Outstanding Debt General Obligation and Capital Leases						
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 2,919,146	\$ 3,217,540	\$ 4,175,676	\$ 4,539,723	\$ 7,094,822	\$ 7,757,263
Revenue bonds	-	-	2,011,000	2,176,000	2,011,000	2,176,000
Other obligations	266,576	327,424	266,363	280,605	532,939	608,029
Capital leases	54,837	230,969	-	-	54,837	230,969
	<u>\$ 3,240,559</u>	<u>\$ 3,775,933</u>	<u>\$ 6,453,039</u>	<u>\$ 6,996,328</u>	<u>\$ 9,693,598</u>	<u>\$ 10,772,261</u>

The Town's total debt decreased by \$1,078,663, or 10.01%, during the fiscal year. This decrease is due to the payment of principal payment on outstanding debt.

Additional information on the Town's long-term debt can be found in Note 6 of this report.

Economic Factors and Next Year's Budgets and Rates

During the current year, the Town took measures to mitigate the impact of the economic downturn. Departments were also asked to delay small capital expenditures and to monitor operating expenditures for the remainder of the fiscal year.

- The unemployment rate for Roanoke County (no statistics are available for the Town individually) as of June 30, 2017 is 3.70%, which is the same as last year's rate of 3.70%. This is comparable to the state's average unemployment rate as of June 30, 2017 of 3.70% and to the national average rate of 4.4%.
- The occupancy rate of the Town's central business district has remained at 90% for the past five years.
- Inflationary trends in the region compare favorably to national indices.

During the current fiscal year, the unassigned fund balance in the general fund decreased by \$29,331. The general fund remains strong with an ending unassigned fund balance of \$2,578,193. It is intended that this available fund balance will be used for future needs of the Town.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department/Treasurer's Office, Town of Vinton, 311 S. Pollard Street, Vinton, Virginia 24179.

BASIC FINANCIAL STATEMENTS

TOWN OF VINTON, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2017

			Totals	
	Governmental Activities	Business-Type Activities	2017	(For Comparison Only) 2016
ASSETS				
Cash and cash equivalents (Note 2)	\$ 2,952,161	\$ 1,665,160	\$ 4,617,321	\$ 4,864,638
Receivables, net (Note 3)	398,338	624,813	1,023,151	993,476
Due from other governmental units (Note 4)	776,207	-	776,207	409,592
Inventories	3,351	48,043	51,394	77,027
Prepays	66,152	14,389	80,541	110,004
Loans receivable	84,134	-	84,134	95,524
Cash and cash equivalents, restricted (Note 2)	25,887	47,151	73,038	158,195
Capital assets: (Note 5)				
Nondepreciable	2,172,303	93,275	2,265,578	3,346,569
Depreciable, net	7,335,538	11,098,573	18,434,111	17,861,443
Total assets	13,814,071	13,591,404	27,405,475	27,916,468
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	126,571	123,191	249,762	278,438
Differences between expected and actual experience (Note 7)	38,066	9,534	47,600	93,371
Net difference between projected and actual earnings on plan investments (Note 7)	314,663	78,813	393,476	-
Pension contributions subsequent to measurement date (Note 7)	320,312	80,228	400,540	407,957
Total deferred outflows of resources	799,612	291,766	1,091,378	779,766
LIABILITIES				
Accounts payable and accrued liabilities	230,675	325,780	556,455	828,644
Accrued payroll and related liabilities	211,801	47,707	259,508	232,322
Accrued interest payable	18,455	55,819	74,274	65,557
Customer security deposits	-	43,000	43,000	38,400
Unearned revenue	22,897	-	22,897	19,441
Long-term liabilities:				
Net pension liability (Note 7)	1,997,309	500,264	2,497,573	1,922,331
Due within one year (Note 6)	551,600	559,087	1,110,687	1,122,436
Due in more than one year (Note 6)	3,282,071	5,956,590	9,238,661	10,257,140
Total liabilities	6,314,808	7,488,247	13,803,055	14,486,271
DEFERRED INFLOWS OF RESOURCES				
Property taxes	645,383	-	645,383	657,574
Net difference between projected and actual investment earnings on pension plan investments (Note 7)	-	-	-	399,338
Differences between expected and actual experience (Note 7)	111,945	28,039	139,984	-
Total deferred inflows of resources	757,328	28,039	785,367	1,056,912
NET POSITION				
Net investment in capital assets	6,638,792	4,862,273	11,501,065	11,105,943
Restricted for:				
Public safety	132,387	-	132,387	209,649
Unrestricted	770,368	1,504,611	2,274,979	1,837,459
Total net position	\$ 7,541,547	\$ 6,366,884	\$ 13,908,431	\$ 13,153,051

TOWN OF VINTON, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Totals	
							2017	(For Comparison Only) 2016
Governmental activities								
General government administration	\$ 992,699	\$ 121,654	\$ -	\$ -	\$ (871,045)		\$ (871,045)	\$ (877,380)
Public safety	3,926,763	118,454	488,204	3,500	(3,316,605)		(3,316,605)	(3,021,204)
Public works	2,011,469	110,145	1,178,585	80,000	(642,739)		(642,739)	(777,511)
Parks, recreation, and cultural	591,208	413,532	-	-	(177,676)		(177,676)	(156,991)
Community development	479,973	5,414	-	324,862	(149,697)		(149,697)	(134,625)
Interest on long-term debt	106,756	-	-	-	(106,756)		(106,756)	(126,164)
Total governmental activities	8,108,868	769,199	1,666,789	408,362	(5,264,518)		(5,264,518)	(5,093,875)
Business-type activities								
Water and sewer	3,088,256	3,398,582	-	-		\$ 310,326	310,326	333,756
Stormwater management	419,957	-	-	-		(419,957)	(419,957)	-
Total business-type activities	3,508,213	3,398,582	-	-		(109,631)	(109,631)	333,756
Total	\$ 11,617,081	\$ 4,167,781	\$ 1,666,789	\$ 408,362	(5,264,518)	(109,631)	(5,374,149)	(4,760,119)
General revenues								
Property taxes (Note 10)					697,622	-	697,622	640,391
Sales tax					1,436,325	-	1,436,325	1,348,456
Meals tax					953,721	-	953,721	955,488
Utilities tax					755,985	-	755,985	767,736
Business license tax					500,713	-	500,713	508,747
Cigarette tax					178,125	-	178,125	178,127
Other local taxes					407,253	-	407,253	398,769
Unrestricted intergovernmental revenue					773,690	-	773,690	744,247
Unrestricted investment earnings					19,406	2,172	21,578	18,698
Restricted investment earnings					-	94	94	329
Other					66,305	338,118	404,423	386,367
Transfers (Note 15)					(219,978)	219,978	-	-
Total general revenues					5,569,167	560,362	6,129,529	5,947,355
Change in net position					304,649	450,731	755,380	1,187,236
NET POSITION AT JULY 1					7,236,898	5,916,153	13,153,051	11,965,815
NET POSITION AT JUNE 30					\$ 7,541,547	\$ 6,366,884	\$ 13,908,431	\$ 13,153,051

TOWN OF VINTON, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUND

June 30, 2017

	General Fund	
		(For Comparison Only)
	2017	2016
ASSETS		
Cash and cash equivalents	\$ 2,952,161	\$ 3,762,852
Receivables, net	398,338	365,784
Due from other governmental units	776,207	409,592
Inventories	3,351	5,772
Prepays	66,152	56,276
Loans receivable	84,134	95,524
Cash and cash equivalents, restricted	25,887	23,305
Total assets	<u>\$ 4,306,230</u>	<u>\$ 4,719,105</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 230,675	\$ 506,612
Accrued payroll and related liabilities	211,801	203,845
Unearned revenue	22,897	19,441
Total liabilities	<u>465,373</u>	<u>729,898</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue	<u>1,040,895</u>	<u>1,109,986</u>
FUND BALANCES		
Nonspendable	89,382	62,048
Restricted	132,387	209,649
Unassigned	<u>2,578,193</u>	<u>2,607,524</u>
Total fund balances	<u>2,799,962</u>	<u>2,879,221</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,306,230</u>	<u>\$ 4,719,105</u>

TOWN OF VINTON, VIRGINIA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2017

	General Fund	
		(For Comparison Only)
	2017	2016
Total Fund Balances – Governmental Fund	\$ 2,799,962	\$ 2,879,221
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.		
Governmental capital assets	\$ 19,318,643	
Less: accumulated depreciation	<u>(9,810,802)</u>	
	9,507,841	9,555,472
Bond premiums are reported as revenues in the governmental funds, but are amortized over the life of the debt obligation in the statement of net position:		
Bond premiums total \$(65,279) and accumulated amortization is \$43,642.	(21,637)	(24,489)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	395,512	452,412
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources for differences between expected and actual experience, net difference between projected and actual earnings on plan investments, and 2017 employer contributions	673,041	
Deferred inflows of resources for the differences between expected and actual experience	(111,945)	
Net pension liability	<u>(1,997,309)</u>	
	(1,436,213)	(1,467,739)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds, including unamortized deferred amounts	(2,792,575)	
Obligations payable – Roanoke County and RCACP	(266,576)	
Capital lease obligations	(54,837)	
Accrued interest payable	(18,455)	
Compensated absences	(399,671)	
Other postemployment benefits	(171,804)	
	(3,703,918)	(4,157,979)
Total Net Position – Governmental Activities	<u>\$ 7,541,547</u>	<u>\$ 7,236,898</u>

TOWN OF VINTON, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2017

	General Fund	
		(For Comparison Only)
	2017	2016
REVENUES		
General property taxes	\$ 677,609	\$ 637,659
Other local taxes	4,227,337	4,207,695
Permits, privilege fees, and regulatory licenses	8,712	9,788
Fines and forfeitures	75,085	51,631
Revenues from use of money and property	136,695	141,889
Charges for services	418,042	452,903
Other	150,967	138,589
Gain sharing	552,764	536,023
Recovered costs	36,498	237,421
Non-categorical aid	416,105	402,244
Categorical aid	1,960,410	1,436,509
Total revenues	8,660,224	8,252,351
EXPENDITURES		
Current:		
General government administration	650,824	710,412
Public safety	3,649,236	3,304,624
Public works	1,749,305	1,942,260
Parks, recreation, and cultural	570,065	594,550
Community development	889,397	687,006
Capital projects	463,945	437,389
Debt service:		
Principal retirement	535,374	404,038
Interest and fiscal charges	91,789	115,486
Bond issuance costs	-	15,920
Total expenditures	8,599,935	8,211,685
Excess of revenues over expenditures	60,289	40,666
OTHER FINANCING SOURCES (USES)		
Proceeds from issuance of long-term debt	-	702,000
Payments to refunded bond escrow agent	-	(686,080)
Proceeds from capital lease	-	136,599
Proceeds from sale of capital assets	80,430	29,537
Transfers out	(219,978)	-
Total other financing sources (uses)	(139,548)	182,056
Net change in fund balance	(79,259)	222,722
FUND BALANCE AT JULY 1	2,879,221	2,656,499
FUND BALANCE AT JUNE 30	\$ 2,799,962	\$ 2,879,221

TOWN OF VINTON, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017**

	General Fund	
	(For Comparison Only)	
	2017	2016
Net change in fund balance governmental fund	\$ (79,259)	\$ 222,722
Amounts reported for governmental activities in the statement of activities are different because:		
The net effect of the change in accrued interest expense is not reflected in the fund statements.	(1,261)	15,951
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$680,489 exceeded depreciation \$(617,656) and the value of capital assets disposed \$(110,464) in the current period.	(47,631)	112,524
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(56,900)	(175,484)
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. This is the amount by which employer pension contributions \$320,312 exceed pension expense \$288,786 in the current period.	31,526	158,055
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 has any effect on net position. Also, governmental funds report premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of those differences.	521,668	240,810
Some items 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. These activities consist of a increase in compensated absences of \$(22,172) and an increase in other postemployment benefits of \$(41,322).	(63,494)	(2,077)
Change in net position of governmental activities	\$ 304,649	\$ 572,501

TOWN OF VINTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
GENERAL FUND
Year Ended June 30, 2017**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
General property taxes	\$ 697,167	\$ 697,167	\$ 677,609	\$ (19,558)
Other local taxes	4,274,328	4,274,328	4,227,337	(46,991)
Permits, privilege fees, and regulatory licenses	11,000	11,000	8,712	(2,288)
Fines and forfeitures	78,700	78,700	75,085	(3,615)
Revenues from use of money and property	139,310	139,310	136,695	(2,615)
Charges for services	487,500	493,249	418,042	(75,207)
Other	121,750	122,250	150,967	28,717
Gain sharing	550,000	550,000	552,764	2,764
Recovered costs	39,500	56,645	36,498	(20,147)
Non-categorical aid	408,535	408,535	416,105	7,570
Categorical aid	1,714,055	2,404,635	1,960,410	(444,225)
Total revenues	8,521,845	9,235,819	8,660,224	(575,595)
EXPENDITURES				
Current:				
General government administration	716,622	667,390	650,824	16,566
Public safety	3,455,578	3,674,079	3,649,236	24,843
Public works	1,899,352	1,863,007	1,749,305	113,702
Parks, recreation, and cultural	556,127	575,440	570,065	5,375
Community development	1,098,976	1,536,503	889,397	647,106
Non-departmental	14,694	-	-	-
Capital projects	143,931	471,009	463,945	7,064
Debt service:				
Principal retirement	443,284	546,894	535,374	11,520
Interest and fiscal charges	81,303	81,002	91,789	(10,787)
Total expenditures	8,409,867	9,415,324	8,599,935	815,389
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	3,000	82,267	80,430	(1,837)
Transfers in	-	93,252	-	(93,252)
Transfers out	(219,978)	(219,978)	(219,978)	-
Total other financing sources	(216,978)	(44,459)	(139,548)	(95,089)
Net change in fund balance	\$ (105,000)	\$ (223,964)	\$ (79,259)	\$ 144,705

TOWN OF VINTON, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Business-Type Activities – Enterprise Funds			
	2017			2016
	Water and Sewer	Stormwater Management	Total Enterprise	Total Enterprise (For Comparison Only)
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,644,206	\$ 20,954	\$ 1,665,160	\$ 1,101,786
Receivables, net	624,813	-	624,813	627,692
Inventories	48,043	-	48,043	71,255
Prepays	11,738	2,651	14,389	53,728
Cash and cash equivalents, restricted	47,151	-	47,151	134,890
Total current assets	2,375,951	23,605	2,399,556	1,989,351
Noncurrent assets:				
Capital assets:				
Nondepreciable	93,275	-	93,275	1,063,923
Depreciable, net	11,098,573	-	11,098,573	10,588,617
Total noncurrent assets	11,191,848	-	11,191,848	11,652,540
Total assets	13,567,799	23,605	13,591,404	13,641,891
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	123,191	-	123,191	135,309
Differences between expected and actual experience	7,259	2,275	9,534	18,087
Net difference between projected and actual earnings on plan investments	60,005	18,808	78,813	-
Pension contributions subsequent to measurement date	61,082	19,146	80,228	79,021
Total deferred outflows of resources	251,537	40,229	291,766	232,417
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	320,988	4,792	325,780	322,032
Accrued payroll and related liabilities	36,248	11,459	47,707	28,477
Accrued interest payable	55,819	-	55,819	48,363
Customer security deposits	43,000	-	43,000	38,400
Current portion of noncurrent liabilities	557,452	1,635	559,087	556,903
Total current liabilities	1,013,507	17,886	1,031,393	994,175
Noncurrent liabilities:				
Net pension liability	380,880	119,384	500,264	372,358
Due in more than one year	5,950,915	5,675	5,956,590	6,514,270
Total noncurrent liabilities	6,331,795	125,059	6,456,854	6,886,628
Total liabilities	7,345,302	142,945	7,488,247	7,880,803
DEFERRED INFLOWS OF RESOURCES				
Differences between expected and actual experience	21,348	6,691	28,039	77,352
NET POSITION				
Net investment in capital assets	4,862,273	-	4,862,273	4,880,340
Unrestricted	1,590,413	(85,802)	1,504,611	1,035,813
Total net position	\$ 6,452,686	\$ (85,802)	\$ 6,366,884	\$ 5,916,153

TOWN OF VINTON, VIRGINIA

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

	Business-Type Activities – Enterprise Fund			
	2017			2016
	Water and Sewer	Stormwater Management	Total Enterprise	Total Enterprise (For Comparison Only)
OPERATING REVENUES				
Water service charges and fees	\$ 1,567,715	\$ -	\$ 1,567,715	\$ 1,576,460
Sewer service charges and fees	1,774,446	-	1,774,446	1,804,869
Water/sewer penalties	56,421	-	56,421	56,206
Other revenue	338,118	-	338,118	279,661
Total operating revenues	3,736,700	-	3,736,700	3,717,196
OPERATING EXPENSES				
Salaries	641,137	189,209	830,346	665,050
Fringe benefits	192,874	146,740	339,614	277,276
Contractual services	56,876	22,932	79,808	73,523
Maintenance	275,015	-	275,015	108,917
Rent, utilities, and insurance	270,144	742	270,886	284,019
Materials and supplies	103,256	14,338	117,594	88,615
Equipment repairs and rentals	30,501	-	30,501	54,304
Sewage treatment	342,708	-	342,708	410,718
Purchase of water	113,914	-	113,914	113,040
Other	155,898	45,996	201,894	166,475
Depreciation	721,776	-	721,776	687,384
Total operating expenses	2,904,099	419,957	3,324,056	2,929,321
Operating income (loss)	832,601	(419,957)	412,644	787,875
NON-OPERATING REVENUE (EXPENSE)				
Interest income	2,266	-	2,266	1,318
Interest expense	(184,157)	-	(184,157)	(174,458)
Net non-operating expense	(181,891)	-	(181,891)	(173,140)
Income (loss) before transfers	650,710	(419,957)	230,753	614,735
TRANSFERS IN (OUT)	(114,177)	334,155	219,978	-
Change in net position	536,533	(85,802)	450,731	614,735
NET POSITION AT JULY 1	5,916,153	-	5,916,153	5,301,418
NET POSITION AT JUNE 30	\$ 6,452,686	\$ (85,802)	\$ 6,366,884	\$ 5,916,153

TOWN OF VINTON, VIRGINIA

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

	Business-Type Activities – Enterprise Fund			
	2017			2016
	Water and Sewer	Stormwater Management	Total Enterprise	Total Enterprise (For Comparison Only)
OPERATING ACTIVITIES				
Receipts from customers	\$ 3,406,061	\$ -	\$ 3,406,061	\$ 3,427,455
Receipts from other sources	338,118	-	338,118	279,661
Payments to suppliers	(1,259,286)	(81,867)	(1,341,153)	(1,242,508)
Payments to employees	(920,767)	(231,334)	(1,152,101)	(938,117)
Net cash provided by (used in) operating activities	1,564,126	(313,201)	1,250,925	1,526,491
NONCAPITAL FINANCING ACTIVITIES				
Transfers from (to) other funds	(114,177)	334,155	219,978	-
CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(272,663)	-	(272,663)	(314,155)
Principal paid on long-term liabilities	(543,289)	-	(543,289)	(2,082,049)
Proceeds from long-term liabilities	-	-	-	1,786,000
Interest paid	(181,582)	-	(181,582)	(446,554)
Net cash used in capital and related financing activities	(997,534)	-	(997,534)	(1,056,758)
INVESTING ACTIVITIES				
Interest received on investments	2,266	-	2,266	1,318
Net increase in cash and cash equivalents	454,681	20,954	475,635	471,051
CASH AND CASH EQUIVALENTS				
Beginning at July 1	1,236,676	-	1,236,676	765,625
Ending at June 30	<u>\$ 1,691,357</u>	<u>\$ 20,954</u>	<u>\$ 1,712,311</u>	<u>\$ 1,236,676</u>
RECONCILIATION TO EXHIBIT 8				
Cash and cash equivalents	\$ 1,644,206	\$ 20,954	\$ 1,665,160	\$ 1,101,786
Cash and cash equivalents, restricted	47,151	-	47,151	134,890
	<u>\$ 1,691,357</u>	<u>\$ 20,954</u>	<u>\$ 1,712,311</u>	<u>\$ 1,236,676</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ 832,601	\$ (419,957)	\$ 412,644	\$ 787,875
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	721,776	-	721,776	687,384
Pension expense net of employer contributions	(78,720)	85,846	7,126	2,668
Change in certain assets and liabilities:				
(Increase) decrease in:				
Receivables, net	2,879	-	2,879	(16,980)
Inventories	23,212	-	23,212	(846)
Prepays	41,990	(2,651)	39,339	(41,884)
Increase (decrease) in:			-	
Accounts payable and accrued liabilities	23,824	4,792	28,616	99,833
Accrued payroll and related liabilities	7,771	11,459	19,230	5,098
Customer security deposits	4,600	-	4,600	6,900
Compensated absences	(19,378)	6,290	(13,088)	(6,842)
Other post employment benefits	3,571	1,020	4,591	3,285
Net cash provided by (used in) operating activities	<u>\$ 1,564,126</u>	<u>\$ (313,201)</u>	<u>\$ 1,250,925</u>	<u>\$ 1,526,491</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset purchases included in accounts payable	\$ 28,229	\$ -	\$ 28,229	\$ 53,097
Capitalized interest	<u>\$ 13,289</u>	<u>\$ -</u>	<u>\$ 13,289</u>	<u>\$ 57,760</u>

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

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

The Town of Vinton was established in 1884. It is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. The Town Council consists of a mayor and four other council members. The Town is part of Roanoke County and has taxing powers subject to state-wide restrictions and tax limits.

Vinton provides a full range of municipal services including police, refuse collection, recycling, public improvements, planning and zoning, general administrative services, fire, first aid, recreation, and water and sewer services. Fire and first-aid services are supplemented by volunteer departments.

Jointly Governed Organizations

Roanoke Valley Resource Authority:

The Town of Vinton, Roanoke County, and the City of Roanoke jointly participate in the Roanoke Valley Resource Authority, which operates a regional solid waste disposal system that includes a sanitary landfill, waste collection, and transfer station. The Authority is governed by a board composed of seven members appointed by the governing bodies of participating jurisdictions. Town Council appoints one member. The Town has control over the budget and financing of the Authority only to the extent of representation by the board member appointed. The participating localities are each responsible for their pro-rata share, based on population, of any year-end operating deficit. For the current year, the Town remitted \$184,695 to the Authority for services. A separate financial statement can be obtained from the Roanoke Valley Resource Authority, 110 Hollins Road, NE, Roanoke, Virginia 24012.

Roanoke Valley Regional Pound Facility:

The Counties of Roanoke and Botetourt, the City of Roanoke, the Town of Vinton, and the Roanoke Valley Society for the Prevention of Cruelty to Animals, Inc. formed the Advisory Board of the Roanoke Valley Regional Pound Facility to construct and operate a regional pound facility. The Board is composed of nine members. Each locality's financial obligation is based on the number of animals caged per day at the facility. The Town's proportionate share totaled \$50,317 for the current year. Separate financial statements are not available.

Roanoke County Emergency Communications Center:

The Town participates in an intergovernmental agreement with the County of Roanoke for the operation of a E-911 dispatch center. All personnel of the Center are employees of Roanoke County. The Director of Communications & Information Technology in coordination with the Emergency Communications Center Advisory Board is responsible for oversight of the Center. The Assistant Director for Communications and Information Technology is responsible for the day-to-day operational management of the Center. The Town and County contribute to the operational cost of the Center based on the pro rata share of call volume. The Town's share of the operating cost was approximately \$419,390 in the current year. Separate financial statements are not available.

TOWN OF VINTON, 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)

Western Virginia Regional Industrial Facility Authority:

The Town of Vinton, County of Botetourt, County of Franklin, County of Roanoke, City of Salem, and the City of Roanoke jointly participate in the Western Virginia Regional Industrial Facility Authority, which functions to enhance the economic base for members by developing, owning, and operating facilities on a cooperative basis. The Authority is governed by a board composed of twelve members appointed by the governing bodies of participating jurisdictions. Town Council appoints two members. There were no associated costs to members for participation in the Authority in the current year. A separate financial statement can be obtained from the Western Virginia Regional Industrial Facility Authority care of Roanoke Regional Partnership, 111 Franklin Road, SE, Roanoke, Virginia 24011.

Joint Venture

Regional Fire Training Facility:

The Town participates in an intergovernmental agreement with the County of Roanoke and the Cities of Roanoke and Salem for the operation of a regional fire training facility. The Roanoke Valley Regional Fire Training Academy Board is responsible for overseeing the management, operation, and administration of the Academy. Each participating jurisdiction maintains a leasehold interest in the project and shares costs of operation and maintenance equal to the jurisdiction's payment percentage as defined in the agreement. The Town's participating interest is 4%. The Town's share of the operating cost was approximately \$3,545 in the current year. Separate financial statements are not available.

B. Individual Component Unit Disclosures

As required by generally accepted accounting principles, these financial statements present the Town as the primary government. A *component unit* is an entity for which the primary government is considered to be financially accountable. There are no component units within this reporting entity.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. *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 is 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 the governmental fund and proprietary funds.

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

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

Governmental 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 Town considers revenue as available if it is 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 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 Town.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary funds:

The *enterprise funds* account for the financing of services to the general public where all or most of the operating expenses involved are intended to be recovered in the form of user charges, or where management has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for management control, accountability, or other purposes. The enterprise funds consist of the activities relating to water and sewer services and stormwater management.

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 *non-operating* 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 enterprise fund are charges to customers for sales and services. The stormwater management fund has not begun to collect dedicated utility fees. Operating expenses for enterprise 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 non-operating revenues and expenses.

E. Budgets and Budgetary Accounting

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

- 1) Prior to June 30, the Town Manager submits to Council a proposed operating and capital budget for the fiscal year commencing the following July 1. This budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain citizen comments.

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting (Continued)

- 3) Prior to June 30, the budgets for the general and enterprise funds are legally enacted through passage of an appropriations ordinance. Town Council may, from time to time, amend the budget providing for additional expenditures and the means for financing them. Town Council approved additional general fund appropriations of approximately \$1,005,457 during the fiscal year ended June 30, primarily for capital projects deferred from the prior year and additional operating expenditures.
- 4) The appropriations ordinance places legal restrictions on expenditures at the department or function level. Management can over-expend at the line item level without approval of Town Council. The appropriation for each department or function can be revised only by Town Council. The Town Manager is authorized to transfer budget amounts within departments. All budget data presented in Exhibit 7 is at the legal level of budgetary control.
- 5) Formal budgetary integration is employed as a management control device during the year for the general and enterprise funds.
- 6) Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 7) Appropriations lapse on June 30.
- 8) All budget data presented in the accompanying financial statements are revised as of June 30.

F. Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term, highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased.

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 valued at the lower of cost (first-in, first-out) or market method. Inventories are accounted for under the consumption method, where inventories are recorded as expenditures when consumed, rather than when purchased.

I. Prepaid Items

Governmental fund prepaid items consist primarily of health insurance premiums payments incurred for periods in a subsequent fiscal year. Prepaid items are accounted for using the consumption method. The payments are recorded as expenditures in the fiscal year related to the coverage period.

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

Note 1. Summary of Significant Accounting Policies (Continued)

I. Prepaid Items (Continued)

Proprietary fund prepaid items consist primarily of inventory purchased before year end but not received and on hand until after year end. Prepaid items are accounted for using the consumption method. The costs of these items are expensed in the subsequent fiscal year when they are actually consumed or used.

J. Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure assets acquired subsequent to July 1, 2001, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. *Capital assets* are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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 at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Buildings and improvements	10-40 years
Machinery and equipment	3-10 years
Utility plant	20-40 years
Public domain infrastructure	25-40 years
Sewage treatment contract	30 years

K. 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 four items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding 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 of debt. The second item 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 third item consists of the differences between expected and actual experience for economic/demographic factors in the measurement of the total pension liability. The fourth item is the net difference between projected and actual earning on pension plan investments. These pension differences will be recognized in pension expense over the closed five year period.

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

Note 1. Summary of Significant Accounting Policies (Continued)

K. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, statements which 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 future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has three items that qualify for reporting in this category. The first item occurs only under a modified accrual basis of accounting. The item, *unavailable revenue*, is reported only in the governmental fund balance sheet. The governmental fund reports 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 relates to unearned property taxes including taxes received in advance of the year in which they are intended to fund operations. This item is a deferred inflow in both the governmental fund balance sheet and the entity-wide statement of net position. The third item consists of the differences between expected and actual experience for economic/demographic factors in the measurement of the total pension liability. This difference will be recognized in pension expense over a closed five year period.

L. Capitalization of Interest

The Town capitalizes net interest costs on funds borrowed to finance the construction of proprietary capital assets. Interest is not capitalized on the construction of assets used in governmental activities. There was \$13,289 of interest capitalized in the current year.

M. Compensated Absences

The Town has policies which allow for the accumulation and vesting of limited amounts of vacation and sick leave until termination or retirement. Amounts of such absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only when the leave is due and payable.

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 Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision'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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

O. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, *long-term debt* and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

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

P. Fund Balances

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.
- **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.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

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

Note 1. Summary of Significant Accounting Policies (Continued)

P. Fund Balances (Continued)

Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. The degree of difficulty to remove an ordinance is greater than a resolution; therefore an ordinance is the most binding. Assigned fund balance is established by Council, the Town Manager, or the Director of Finance through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, debt service, or for other purposes).

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 Town does not have a minimum fund balance policy or target for the General Fund.

Q. 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 and expenses. Actual results could differ from those estimates.

R. Comparative Information

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the prior year from which the summarized information was derived.

S. Reclassifications

Certain amounts in the prior-year comparison information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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

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:

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, and bankers’ acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP). Pursuant to Section 2.1-234.7 *Code of Virginia*, 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 regulatory scheduled monthly meetings and the fair value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share). The investment policy (the “Policy”) specifies that no investment may have a maturity greater than one year from the date of purchase.

Credit Risk:

As required by state statute, 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 Investors Service, provided that the issuing corporation has a net worth of at least \$50 million and its long-term debt is rated “A” or better by Moody’s and Standard & Poor’s. Bankers’ 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 & Poor’s and “P-1” by Moody’s Investors Service.

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

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Credit Risk: (Continued)

Although 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, the Policy places no limit on the amount the Town may invest in any one issuer.

Interest Rate Risk:

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy specifies that no investment may have a maturity greater than two years from the date of purchase, and the average maturity of the portfolio must not exceed 1 year.

Custodial Credit Risk:

The Policy requires that all investment securities shall be held in safekeeping by a third-party and evidenced by safekeeping receipts. As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction.

As of June 30, the Town did not have any investments.

Deposits	<u>\$ 4,688,087</u>
Reconciliation of deposits to Exhibit 1:	
Cash and cash equivalents, excluding \$2,272 cash on hand	\$ 4,615,049
Cash and cash equivalents, restricted	<u>73,038</u>
Total deposits	<u>\$ 4,688,087</u>

Restricted cash and cash equivalents consists of \$4,600 of unspent bond proceeds, \$42,500 of utility deposits, \$23,199 of evidence fund, and \$2,739 of flex benefit spending that can only be used for specific purposes.

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

Note 3. Receivables

Receivables consist of the following:

	Governmental Activities	Business-type Activities	Total
Receivables			
Taxes	\$ 548,926	\$ -	\$ 548,926
Accounts	13,066	699,736	712,802
	<hr/>	<hr/>	<hr/>
Gross receivables	561,992	699,736	1,261,728
Less allowance for uncollectibles	163,654	74,923	238,577
	<hr/>	<hr/>	<hr/>
Receivables, net	<u>\$ 398,338</u>	<u>\$ 624,813</u>	<u>\$ 1,023,151</u>

Note 4. Due from Other Governmental Units

	Governmental Activities
A summary of funds due from other governmental units was as follows:	
Commonwealth of Virginia	
Communication taxes	\$ 52,739
Emergency services	7,500
Rolling stock tax	8,749
DMV taskforce	64,392
Ambulance	93,309
DMV overtime	1,486
VDOT	193,100
Miscellaneous non-categorical aid	88
	<hr/>
	421,363
	<hr/>
Federal Government	
Other	13,773
	<hr/>
County of Roanoke	
Local sales taxes	302,587
Transport fees	24,370
Ambulance	7,129
Other	6,985
	<hr/>
	341,071
	<hr/>
	<u>\$ 776,207</u>

(Continued)

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

Note 5. Capital Assets

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not depreciated					
Land	\$ 1,832,033	\$ -	\$ -	\$ -	\$ 1,832,033
Construction in progress	450,613	490,824	(601,167)	-	340,270
Total capital assets, not depreciated	2,282,646	490,824	(601,167)	-	2,172,303
Capital assets, depreciated					
Buildings and improvements	9,487,764	-	-	-	9,487,764
Machinery and equipment	4,497,224	189,665	(224,819)	-	4,462,070
Infrastructure	2,595,339	601,167	-	-	3,196,506
Total capital assets, depreciated	16,580,327	790,832	(224,819)	-	17,146,340
Less accumulated depreciation for:					
Buildings and improvements	4,184,759	283,604	-	-	4,468,363
Machinery and equipment	3,941,345	199,700	(114,355)	-	4,026,690
Infrastructure	1,181,397	134,352	-	-	1,315,749
Total accumulated depreciation	9,307,501	617,656	(114,355)	-	9,810,802
Total capital assets, depreciated, net	7,272,826	173,176	(110,464)	-	7,335,538
Governmental activities capital assets, net	<u>\$ 9,555,472</u>	<u>\$ 664,000</u>	<u>\$ (711,631)</u>	<u>\$ -</u>	<u>\$ 9,507,841</u>

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

Note 5. Capital Assets (Continued)

Business-type activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 80,752	\$ -	\$ -	\$ 80,752
Construction in progress	983,171	78,326	(1,048,974)	12,523
Total capital assets, not depreciated	1,063,923	78,326	(1,048,974)	93,275
Capital assets, depreciated				
Utility plant	19,461,961	1,231,732	(40,184)	20,653,509
Sewage treatment contract	4,111,373	-	-	4,111,373
Machinery and equipment	1,631,269	-	-	1,631,269
Total capital assets, depreciated	25,204,603	1,231,732	(40,184)	26,396,151
Less accumulated depreciation for:				
Utility plant	12,004,445	505,585	(40,184)	12,469,846
Sewage treatment contract	1,550,448	131,614	-	1,682,062
Machinery and equipment	1,061,093	84,577	-	1,145,670
Total accumulated depreciation	14,615,986	721,776	(40,184)	15,297,578
Total capital assets, depreciated, net	10,588,617	509,956	-	11,098,573
Business-type activities capital assets, net	<u>\$ 11,652,540</u>	<u>\$ 588,282</u>	<u>\$ (1,048,974)</u>	<u>\$ 11,191,848</u>

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

Governmental activities	
General government administration	\$ 323,643
Public safety	113,091
Public works	180,922
	<u>\$ 617,656</u>
Business-type activities	
Water and sewer	<u>\$ 721,776</u>

Construction Commitments

The Town's has no active construction projects as of June 30.

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

Note 5. Capital Assets (Continued)

Sewage Treatment Contract

Through its participation in an agreement with four other localities for the expansion of the regional sewage treatment plant and interceptors, the Town has contractual rights to predetermined capacity in both the plant and interceptors through 2034.

The plant upgraded its facilities in 2017 to improve compliance with DEQ peak flow requirements. Modifications costing approximately \$17 million were completed. The Town's share was \$1,039,443, which was funded with general obligation bonds issued through the Virginia Resources Authority.

The plant upgraded its Tinker Creek Interceptor in 2015 to reduce inflow and infiltration as well as mitigate overflow. Modifications costing approximately \$5 million were completed. The Town's share was approximately 5.5% or \$294,000, which was funded with an obligation payable to the Western Virginia Water Authority.

The Town is required to contribute \$66,000 annually to a capital reserve fund for ongoing maintenance of the system. The Town has made the annual required contribution since the formation of the Authority in 2005.

Note 6. Long-Term Liabilities

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 3,217,540	\$ -	\$ (298,394)	\$ 2,919,146	\$ 301,332
Obligation payable – Roanoke County	275,000	-	(53,000)	222,000	55,500
Obligation payable – RCACP	52,424	-	(7,848)	44,576	8,040
Bond premiums	24,489	-	(2,852)	21,637	-
Capital leases	230,969	-	(176,132)	54,837	54,837
Compensated absences	377,499	146,747	(124,575)	399,671	131,891
Other postemployment benefits	130,482	50,412	(9,090)	171,804	-
	<u>\$ 4,308,403</u>	<u>\$ 197,159</u>	<u>\$ (671,891)</u>	<u>\$ 3,833,671</u>	<u>\$ 551,600</u>
Business-type Activities					
General obligation bonds	\$ 4,539,723	\$ -	\$ (364,047)	\$ 4,175,676	\$ 375,330
Revenue bonds	2,176,000	-	(165,000)	2,011,000	159,000
Obligation payable – WVWA	280,605	-	(14,242)	266,363	14,578
Bond Premiums	8,037	-	(3,710)	4,327	-
Compensated absences	52,239	8,472	(21,560)	39,151	10,179
Other postemployment benefits	14,569	5,601	(1,010)	19,160	-
	<u>\$ 7,071,173</u>	<u>\$ 14,073</u>	<u>\$ (569,569)</u>	<u>\$ 6,515,677</u>	<u>\$ 559,087</u>

(Continued)

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

Note 6. Long-Term Liabilities (Continued)

The general fund has been used to liquidate the liability for compensated absences, net pension obligation, and net other postemployment benefits.

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

Governmental Activities						
Fiscal Year	General Obligation Bonds		Capital Leases		Obligations Payable Roanoke County and RCACP	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 301,332	\$ 70,296	\$ 54,837	\$ 1,772	\$ 63,540	\$ 1,023
2019	306,059	63,083	-	-	63,740	823
2020	326,522	55,643	-	-	63,944	619
2021	330,638	47,801	-	-	64,152	409
2022	339,387	39,635	-	-	8,868	194
2023-2027	1,315,208	79,314	-	-	2,332	14
	<u>\$ 2,919,146</u>	<u>\$ 355,772</u>	<u>\$ 54,837</u>	<u>\$ 1,772</u>	<u>\$ 266,576</u>	<u>\$ 3,082</u>
Business-type Activities						
Fiscal Year	General Obligation Bonds		Revenue Bonds		Obligation Payable WVWA	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	375,330	123,045	159,000	43,496	14,578	6,134
2019	348,217	112,013	165,000	37,591	14,922	5,789
2020	358,028	101,202	174,000	32,800	15,275	5,437
2021	369,176	90,055	175,000	29,223	15,636	5,075
2022	380,671	78,561	181,000	25,574	16,006	4,706
2023-2027	1,692,307	215,405	954,000	70,683	85,885	17,672
2028-2032	535,375	55,621	203,000	2,081	96,527	7,030
2033	116,572	1,662	-	-	7,534	69
	<u>\$4,175,676</u>	<u>\$ 777,564</u>	<u>\$2,011,000</u>	<u>\$ 241,448</u>	<u>\$ 266,363</u>	<u>\$ 51,912</u>

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

Note 6. Long-Term Liabilities (Continued)

The revenue bond has been issued in accordance with the terms of an indenture agreement with the Virginia Municipal League/Virginia Association of Counties. The indenture agreement requires the Town to pledge its Water and Sewer Fund Revenues as collateral for the revenue bond and to maintain revenues in the Water and Sewer Fund equal to at least 1.20 of all debt service payments which exclude any refunded principal payments. The pledged revenue coverage ratio for the year ended June 30, 2017 was 1.64. Statistical Section Table 11 presents the pledged revenue coverage ratio.

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business- Type Activities
General Obligation Bonds:						
Virginia Resource Authority:						
G.O. Public Improvement Bonds	3.64-4.96%	06/01/06	10/01/26	\$ 755,000	\$ 460,000	\$ -
Virginia Revolving Loan Fund:						
G.O. Water and Sewer Bonds	3.30%	07/24/03	07/01/24	1,250,704	-	577,050
G.O. Water and Sewer Bonds	3.10%	10/01/04	10/01/26	2,479,000	-	1,392,573
G.O. Water and Sewer Bonds	3.10%	01/12/06	03/01/26	1,210,000	-	648,674
Virginia Association of Counties:						
G.O. Refunding Bonds	2.05%	05/25/16	02/01/27	702,000	687,000	-
Capital One Public Funding:						
G.O. Public Improvement Bonds	2.85%	06/27/13	11/01/32	1,993,152	-	1,557,379
Carter Bank and Trust:						
G.O. Refunding Bonds	2.05%	06/27/13	11/01/24	2,228,409	1,772,146	-
					2,919,146	4,175,676
					21,637	-
					<u>\$ 2,940,783</u>	<u>\$ 4,175,676</u>
Revenue Bonds:						
Virginia Association of Counties:						
Revenue Water and Sewer Bonds	2.05%	05/25/16	08/01/27	\$1,786,000	\$ -	\$ 1,746,000
Revenue Water and Sewer Bonds	3.50-5.00%	12/19/07	08/01/18	2,750,000	-	265,000
						2,011,000
					-	4,327
					<u>\$ -</u>	<u>\$ 2,015,327</u>
Capital Lease:						
Kansas State Bank	3.23%	09/06/12	10/06/17	\$ 313,315	\$ 54,837	\$ -
					<u>\$ 54,837</u>	<u>\$ -</u>
Obligations Payable:						
Roanoke County	0.00%	07/01/11	07/01/20	\$ 625,000	\$ 222,000	\$ -
RCACP	2.46	12/31/13	09/30/22	73,180	44,576	-
WVWA	2.35	03/01/15	09/01/32	294,516	-	266,363
					<u>\$ 266,576</u>	<u>\$ 266,363</u>

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 6. Long-Term Liabilities (Continued)

Prior Year Defeasances of Debt

In 2016, the Town defeased certain bonds by placing the proceeds in an irrevocable trust to provide for all future debt service on the refunded bonds through their maturity date. The deferred costs are being amortized over the life of the new bonds as a component of interest expense. As a result, the liability for those bonds has been removed from the financial statements. At June 30, \$1,595,000 of the bonds remains outstanding.

Note 7. Defined Benefit Pension Plan

Plan Description

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

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

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

- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

TOWN OF VINTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **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. Age 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.

TOWN OF VINTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

• **Cost-of-Living Adjustment (COLA) in Retirement (Continued)**

- **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** – 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.

TOWN OF VINTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 7. 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.

TOWN OF VINTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 (Continued)

- **Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

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. 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.

TOWN OF VINTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 7 Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

• **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.

• **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.

TOWN OF VINTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **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.
- **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.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **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 2.
 - **Exceptions to COLA Effective Dates** – Same as Plan 2.

TOWN OF VINTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **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 an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** –
 - **Defined Benefit Component** – Same as Plan 2, 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.

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>61</u>
Inactive members:	
Vested inactive members	21
Non-vested inactive members	18
Inactive members active elsewhere in VRS	<u>54</u>
Total inactive members	93
Active members	<u>80</u>
Total covered employees	<u><u>234</u></u>

TOWN OF VINTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

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 political subdivision's contractually required contribution rate for the year ended June 30, 2017 was 10.93% 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 employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$400,540 and \$405,320 for the years ended June 30, 2017 and June 30, 2016, respectively.

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.

TOWN OF VINTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

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

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

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) and increase in rates of withdrawal.

TOWN OF VINTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 7. 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%

TOWN OF VINTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 7. 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 Political Subdivision 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	\$ 17,172,801	\$ 15,250,470	\$ 1,922,331
Changes for the year:			
Service cost	426,921	-	426,921
Interest	1,167,910	-	1,167,910
Differences between expected and actual experience	(201,924)	-	(201,924)
Contributions – employer	-	405,320	(405,320)
Contributions – employee	-	164,126	(164,126)
Net investment income	-	257,935	(257,935)
Benefit payments, including refunds of employee contributions	(976,757)	(976,757)	-
Administrative expenses	-	(9,605)	9,605
Other changes	-	(111)	111
Net changes	416,150	(159,092)	575,242
Balances at June 30, 2016	\$ 17,588,951	\$ 15,091,378	\$ 2,497,573

TOWN OF VINTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 7. 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 political subdivision using the discount rate of 7.00%, as well as what the political subdivision'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>
Political subdivision's net pension liability	\$ 4,735,412	\$ 2,497,573	\$ 635,567

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

For the year ended June 30, 2017, the political subdivision recognized pension expense of \$373,502. 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	\$ 47,600	\$ 139,984
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	393,476	-
Employer contributions subsequent to the measurement date	<u>400,540</u>	<u>-</u>
Total	<u>\$ 841,616</u>	<u>\$ 139,984</u>

TOWN OF VINTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

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

The \$400,540 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. 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
2018	\$ (13,982)
2019	(57,924)
2020	213,996
2021	159,002
2022	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2017, approximately \$52,563 was payable to the Virginia Retirement System for the legally required contributions related to June 2017 payroll.

TOWN OF VINTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 8. Other Postemployment Benefits

Plan Description

The Town provides postemployment medical and dental benefits to its eligible retirees and their dependents who elect to stay in the plans. At retirement, retirees under the age of 65 may participate in one of the Town's health and dental plans and may continue coverage under these plans until age 65 or becoming eligible for Medicare, whichever comes first. The Town contributes \$200 per month towards this coverage with the retiree paying the remainder of the premium. Medicare-eligible retirees may participate in the Medicare supplement only and pay 100% of the Medicare supplement premium. The retirees receive an implicit benefit from participating in the Town's health and dental plans through lower insurance rates created by the blending of the retirees with active employee's rates. The Town Council may change, add, or delete benefits (including contributions required of retired employees) as deemed appropriate.

Participants are eligible for the plan at age 55 if they have completed 25 years of service. Retiring employees must have been active employees when they retire.

The plan does not provide audited financial statements.

Funding Policy

The Town currently funds postemployment benefits on a pay-as-you-go basis. The Town does not intend to establish a trust to pre-fund this liability.

Annual OPEB Cost and Net OPEB Obligation

The components of the Town's annual OPEB cost (expense) are discussed below. The Annual Required Contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. For the year ended 2017, the Town's pay-as-you-go funding totaled \$10,100 and resulted in a Net OPEB obligation of \$190,964. The pay-as-you-go funding includes the Town's contribution towards retiree health care premiums of \$3,200, and an implicit subsidy of the retiree health care premiums created through the blending of active employee and retiree insurance rates.

Annual required contribution	\$ 56,300
Interest on net OPEB obligation	5,077
Adjustment to annual required contribution	<u>(5,364)</u>
Annual OPEB cost	56,013
Less funding	<u>(10,100)</u>
Increase in net OPEB obligation	45,913
Net OPEB obligation-beginning of year	<u>145,051</u>
Net OPEB obligation-end of year	<u><u>\$ 190,964</u></u>

TOWN OF VINTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 8. Other Postemployment Benefits (Continued)

Annual OPEB 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 2017, 2016, and 2015 are as follows:

Fiscal Year Ended	OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 56,013	18.0%	\$ 190,964
June 30, 2016	53,193	25.0%	145,051
June 30, 2015	50,374	17.7%	105,158

Funded Status and Funding Progress

As of January 1, 2015, the Town's most recent actuarial valuation date, the unfunded actuarial accrued liability (UAAL) for benefits was \$304,700, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,281,500, and the ratio of the UAAL to the covered payroll was 9.29%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Methods and Assumptions

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.

Projections of benefits for financial reporting purposes are based on the substantive plan 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. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

TOWN OF VINTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 8. Other Postemployment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

Methods and Assumptions (Continued)

In the January 1, 2015 actuarial valuation, the projected unit credit cost method was used to determine the liabilities. Under this method, the post-retirement health costs are assumed to be earned ratably from the date of hire to the participant's full eligibility age. The actuarial assumptions used a 2.50% inflation rate, a 3.50% discount rate, and an initial annual healthcare cost trend of 6.60% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 4.50%. The unfunded accrued liability is being amortized over 30 years. The Town has selected an open amortization method. The amortization amount is determined as a level percentage of payroll. The remaining amortization period at June 30, 2017 is 30 years.

Note 9. Service Contracts

Sewage Treatment

The Town is party to an agreement, dated November 1, 2003, with the Western Virginia Water Authority for the Authority to provide the transportation and treatment of waste at a specified rate to be adjusted annually on July 1, based on the actual operating and maintenance costs for the previous year. The 30-year agreement provides for a surcharge in the event waste content or volume exceeds certain limits or the cost is less than the amount paid by users.

Water Purchases/Sales

Effective, June 1, 2005, the Town agreed to purchase water from the Western Virginia Water Authority at a bulk rate which is determined by a mutually agreed-upon formula. The water is designated for an industrial user who pays the Town an agreed upon rate. This is a 30-year agreement and will expire in 2035.

Note 10. Property Taxes

The major sources of property taxes are real estate and personal property taxes. The assessments are the responsibility of the County of Roanoke, while billing and collection functions are the Town's responsibilities.

Property taxes are levied annually in April on assessed values as of January 1. Personal property transactions during the year are taxed on a prorated basis. Real estate tax is payable in two equal installments on or before June 5 and December 5, and personal property tax is due on or before May 31, or within 30 days subsequent to assessment. Personal property taxes do not create a lien on property.

TOWN OF VINTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 10. Property Taxes (Continued)

The annual assessment for real estate is based on 100% of the assessed fair market value. A penalty of 10% of the unpaid tax is due for late payment. Interest is accrued at 10% for the initial year of delinquency, and thereafter at the maximum annual rate authorized by the *Internal Revenue Code* Section 6621(b). The effective tax rates per \$100 of assessed value for the year ended June 30 were as follows:

Real estate	\$.07
Personal property	\$	1.00
Machinery and tools	\$	1.00

Note 11. Leases

The Town leases a portion of a building to the Virginia State Department of Health for \$1,602 per month on a month to month basis until terminated by either party.

Note 12. Risk Management

The Town is insured for workers' compensation, general liability, health, and other risks. The risk management programs are as follows:

Workers' Compensation

Workers' compensation insurance is provided through the Virginia Municipal League. During 2016-2017, total premiums paid were approximately \$97,000. Benefits are those afforded through Commonwealth of Virginia as outlined in the *Code of Virginia* Section 65.2-100; premiums are based upon covered payroll, job rates, and claims experience.

General Liability

The Town provides general liability and other insurance through policies with Virginia Municipal Self-Insurance Association. During 2016-2017, total premiums paid were approximately \$103,000. General liability and business automobile have a \$1,000,000 limit per occurrence. Boiler and machinery coverage and property insurance are covered per statement of values. The Town maintains an additional \$4,000,000 umbrella policy over all forms of liability insurance. Police professional liability and public officials' liability insurance with a \$1,000,000 limit are covered through a policy with the Commonwealth of Virginia.

There were no significant reductions in insurance coverage from the prior year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

Healthcare

The Town provides healthcare coverage for employees through a policy with Anthem Blue Cross Blue Shield. The Town contributes the required premium amount for single coverage for each employee. Dependents of employees are also covered by the policy provided they pay the additional premium to the Town. During 2016-2017, total premiums paid were approximately \$729,000.

TOWN OF VINTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 13. Commitments and Contingencies

Special Purpose Grants

Special purpose grants are subject to audit to determine compliance with their requirements. Town management believes that required refunds, if any, will be immaterial.

Landfill Closure and Post-Closure Costs

As discussed in Note 1, the Town participates in the Roanoke Valley Resource Authority. The Authority currently has responsibility for closure and post-closure care related to the new Smith Gap landfill, the transfer station, and an old landfill site.

Closure and post-closure care requirements are mandated under the United States Environmental Protection Agency (EPA) rule, *Solid Waste Disposal Facility Criteria*, and are subject to periodic revisions by the EPA. The current estimate of remaining closure and post-closure care costs, assuming full utilization of the sites, is approximately \$13.9 million. The participating localities have contributed their pro-rata shares to fund the closure and post-closure care costs.

Gain Sharing Agreement – Vinton Business Center

On March 2, 1999, the Town and Roanoke County reached an agreement to provide for the sharing of certain local tax revenues and sharing of the costs of certain public services. That agreement states that the Town and County may negotiate an agreement to fund jointly the costs of development of the Vinton Business Center and to share equally in the local tax revenues generated by this project. During 2007, the County paid the Town one-half of the costs of development.

As part of the agreement, the Town agreed to convey a one-half undivided interest in the remaining real estate of the project. The agreement states that the Town and County plan on making additional improvements to this project and will share in the costs of that and annual maintenance equally. The Town and County must jointly agree before any future improvements are made to the property or before portions of the property are sold. No major improvements were commenced during the current year.

Roanoke County/Vinton Branch Library

On September 6, 2011, the Town and Roanoke County reached an agreement to purchase property for a Roanoke County/Vinton Branch Library to be built by Roanoke County. The property cost \$1.25 million, and the Town is responsible for half of that amount, or \$625,000. Roanoke County is responsible for the remainder of the costs. The Town made an additional \$100,000 good faith advance payment in fiscal year 2012 with the remaining costs for the project to be spread out over the next 10 years. The Town will pay \$50,000 each year for year's one through five, and \$55,500 per year in years six through ten. Roanoke County will own the property and add it to its capital assets. The \$53,000 current year contribution is included in principal retirement expenditures on the fund statement.

Note 14. Major Customer/Taxpayer

During fiscal year 2017, approximately 4.3% of the Town's business-type revenues were generated by one industrial customer.

TOWN OF VINTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 15. Interfund Activity

The primary purpose of the \$219,978 from the general fund and \$114,177 from the water and sewer fund to the stormwater management fund was to cover obligations expended in the establishment of the stormwater fund.

Note 16. Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the general fund. The constraints placed on the general fund balance are presented below:

	<u>General Fund</u>
Nonspendable:	
Inventories	\$ 3,351
Prepays	66,151
CDBG revolving loan	<u>19,880</u>
Total nonspendable	<u>89,382</u>
Restricted for:	
Public safety	<u>132,387</u>
Unassigned	<u>2,578,193</u>
Total fund balance	<u><u>\$ 2,799,962</u></u>

GASB 68 created a negative fund balance in the Stormwater Management Fund. This new fund was created this year to track costs relating to stormwater and is currently funded by a transfer from the General Fund and Utility Fund. Staff is working with Town council to move towards a fee to sustain the fund.

Note 17. Subsequent Event

In August 2017, the Town accepted a \$50,000 Virginia Brownfied's Assistance Fund grant from the Virginia Economic Development Partnership (VDEP) for the Environmental Phase I and Phase II for the former Holdren's County Store/Gish's Mills Property.

Note 18. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are 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.

TOWN OF VINTON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 18. New Accounting Standards (Continued)

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.

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.

TOWN OF VINTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Note 18. New Accounting Standards (Continued)

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.

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

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF VINTON, 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	\$ 426,921	\$ 450,265	\$ 430,229
Interest on total pension liability	1,167,910	1,112,256	1,065,284
Difference between expected and actual experience	(201,924)	139,140	-
Benefit payments, including refunds of employee contributions	(976,757)	(836,477)	(812,476)
Net change in total pension liability	416,150	865,184	683,037
Total pension liability - beginning	17,172,801	16,307,617	15,624,580
Total pension liability - ending	17,588,951	17,172,801	16,307,617
Plan Fiduciary Net Position			
Contributions - employer	405,320	413,851	307,429
Contributions - employee	164,126	181,194	184,601
Net investment income	257,935	673,666	2,045,884
Benefit payments, including refunds of employee contributions	(976,757)	(836,477)	(812,476)
Administrative expenses	(9,605)	(9,337)	(11,195)
Other	(111)	(144)	108
Net change in plan fiduciary net position	(159,092)	422,753	1,714,351
Plan fiduciary net position - beginning	15,250,470	14,827,717	13,113,366
Plan fiduciary net position - ending	15,091,378	15,250,470	14,827,717
Net pension liability - ending	\$ 2,497,573	\$ 1,922,331	\$ 1,479,900
Plan fiduciary net position as a percentage of total pension liability	86%	89%	91%
Covered employee payroll	\$ 3,289,982	\$ 3,353,343	\$ 3,699,186
Net pension liability as a percentage of covered employee payroll	76%	57%	40%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2016 information was presented in the entity's fiscal year 2017 financial report.

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

TOWN OF VINTON, VIRGINIA

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

June 30, 2017

<u>Entity Fiscal Year Ended June 30</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
Primary Government					
2017	\$ 400,540	\$ 400,540	\$ -	\$ 3,664,576	10.93%
2016	407,958	407,958	-	3,289,982	12.40%
2015	415,814	415,814	-	3,353,343	12.40%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only three years of data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the Town's fiscal year – i.e. the covered payroll on which required contributions were based for the same year.

TOWN OF VINTON, VIRGINIA

SCHEDULE OF FUNDING PROGRESS – OPEB

June 30, 2017

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
January 1, 2015	\$ -	\$ 304,700	\$ 304,700	0.00%	\$ 3,281,500	9.29%
January 1, 2012	-	279,700	279,700	0.00	3,109,500	9.00
January 1, 2009	-	479,500	479,500	0.00	3,715,300	12.91

TOWN OF VINTON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2017

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

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

STATISTICAL SECTION

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

Contents

Table

Financial Trends..... 1-4

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

Revenue Capacity 5-8

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 customer rates for its water and sewer operations.

Debt Capacity 9-11

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

Demographic and Economic Information..... 12-13

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

Operating Information..... 14-16

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.

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

The Town implemented GASB Statement 68 and restated beginning net position for 2015. The restatement is not included in the prior year data.

TABLE 1

TOWN OF VINTON, 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	\$ 6,638,792	\$ 6,225,603	\$ 5,929,925	\$ 5,427,254	\$ 5,704,050	\$ 5,919,643	\$ 6,316,937	\$ 6,760,474	\$ 7,365,632	\$ 7,763,470
Restricted	132,387	209,649	235,246	190,161	91,676	-	20,053	20,000	20,000	20,000
Unrestricted	770,368	801,646	499,226	2,291,758	2,219,240	1,972,859	1,491,375	1,362,770	1,650,476	2,451,898
Total governmental activities net position	<u>\$ 7,541,547</u>	<u>\$ 7,236,898</u>	<u>\$ 6,664,397</u>	<u>\$ 7,909,173</u>	<u>\$ 8,014,966</u>	<u>\$ 7,892,502</u>	<u>\$ 7,828,365</u>	<u>\$ 8,143,244</u>	<u>\$ 9,036,108</u>	<u>\$ 10,235,368</u>
Business-type activities										
Net investment in capital assets	\$ 4,862,273	\$ 4,880,340	\$ 5,184,003	\$ 4,834,097	\$ 4,853,969	\$ 4,838,640	\$ 5,019,517	\$ 5,437,639	\$ 5,342,230	\$ 5,497,604
Unrestricted	1,504,611	1,035,813	117,415	410,722	394,976	339,523	661,273	297,150	968,176	1,255,035
Total business-type activities net position	<u>\$ 6,366,884</u>	<u>\$ 5,916,153</u>	<u>\$ 5,301,418</u>	<u>\$ 5,244,819</u>	<u>\$ 5,248,945</u>	<u>\$ 5,178,163</u>	<u>\$ 5,680,790</u>	<u>\$ 5,734,789</u>	<u>\$ 6,310,406</u>	<u>\$ 6,752,639</u>
Primary government										
Net investment in capital assets	\$ 11,501,065	\$ 11,105,943	\$ 11,113,928	\$ 10,261,351	\$ 10,558,019	\$ 10,758,283	\$ 11,336,454	\$ 12,198,113	\$ 12,707,862	\$ 13,261,074
Restricted	132,387	209,649	235,246	190,161	91,676	-	20,053	20,000	20,000	20,000
Unrestricted	2,274,979	1,837,459	616,641	2,702,480	2,614,216	2,312,382	2,152,648	1,659,920	2,618,652	3,706,933
Total primary government net position	<u>\$ 13,908,431</u>	<u>\$ 13,153,051</u>	<u>\$ 11,965,815</u>	<u>\$ 13,153,992</u>	<u>\$ 13,263,911</u>	<u>\$ 13,070,665</u>	<u>\$ 13,509,155</u>	<u>\$ 13,878,033</u>	<u>\$ 15,346,514</u>	<u>\$ 16,988,007</u>

Note: GASB Statement No. 68 was adopted in fiscal year 2015

TABLE 2

TOWN OF VINTON, VIRGINIA

CHANGE 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										
General government	\$ 992,699	\$ 1,001,560	\$ 927,954	\$ 962,341	\$ 942,315	\$ 948,803	\$ 934,388	\$ 1,023,227	\$ 1,037,073	\$ 906,072
Public safety	3,926,763	3,340,624	3,418,566	3,339,148	3,238,361	3,214,622	3,397,562	3,446,746	3,593,946	3,407,536
Public works	2,011,469	2,026,305	2,021,994	1,993,713	2,074,464	2,062,430	2,243,111	2,457,832	2,455,754	2,905,249
Parks, recreation, and cultural	591,208	591,342	621,897	635,252	588,649	553,866	583,569	617,778	610,756	575,895
Community development	479,973	447,908	427,409	575,557	398,517	1,034,510	339,983	393,160	339,304	227,303
Interest on long-term debt	106,756	126,164	193,242	200,584	143,455	183,672	194,159	203,787	211,189	220,551
Total governmental activities	8,108,868	7,533,903	7,611,062	7,706,595	7,385,761	7,997,903	7,692,772	8,142,530	8,248,022	8,242,606
Business-type activities										
Water and sewer	3,088,256	3,103,779	2,994,485	3,174,896	2,946,127	3,044,342	3,002,964	3,238,927	3,189,315	3,148,236
Stormwater management	419,957	-	-	-	-	-	-	-	-	-
Total business-type activities expense	3,508,213	3,103,779	2,994,485	3,174,896	2,946,127	3,044,342	3,002,964	3,238,927	3,189,315	3,148,236
Total primary government expenses	<u>\$ 11,617,081</u>	<u>\$ 10,637,682</u>	<u>\$ 10,605,547</u>	<u>\$ 10,881,491</u>	<u>\$ 10,331,888</u>	<u>\$ 11,042,245</u>	<u>\$ 10,695,736</u>	<u>\$ 11,381,457</u>	<u>\$ 11,437,337</u>	<u>\$ 11,390,842</u>
Program Revenues										
Governmental activities										
Charges for services										
Public safety	\$ 118,454	\$ 63,735	\$ 72,356	\$ 88,364	\$ 89,115	\$ 91,196	\$ 119,870	\$ 108,187	\$ 172,357	\$ 128,216
Public works	110,145	110,099	110,295	110,425	110,115	110,460	110,380	110,175	132,382	114,274
Other activities	540,600	559,171	570,459	554,666	495,133	440,883	466,306	489,901	436,835	450,338
Operating grants and contributions	1,666,789	1,389,380	1,426,127	1,382,744	1,287,108	1,281,998	1,318,394	1,366,971	1,454,813	1,691,163
Capital grants and contributions	408,362	317,643	384,074	114,966	53,749	66,545	75,188	8,034	2,146	91,590
Total governmental activities program revenues	2,844,350	2,440,028	2,563,311	2,251,165	2,035,220	1,991,082	2,090,138	2,083,268	2,198,533	2,475,581
Business-type activities										
Charges for services										
Water and sewer	3,398,582	3,437,535	3,195,850	3,002,970	2,754,147	2,753,851	2,672,156	2,439,634	2,289,754	2,255,505
Capital grants and contributions	-	-	-	-	-	-	-	-	303,556	-
Total business-type activities program revenues	3,398,582	3,437,535	3,195,850	3,002,970	2,754,147	2,753,851	2,672,156	2,439,634	2,593,310	2,255,505
Total primary government program revenues	<u>\$ 6,242,932</u>	<u>\$ 5,877,563</u>	<u>\$ 5,759,161</u>	<u>\$ 5,254,135</u>	<u>\$ 4,789,367</u>	<u>\$ 4,744,933</u>	<u>\$ 4,762,294</u>	<u>\$ 4,522,902</u>	<u>\$ 4,791,843</u>	<u>\$ 4,731,086</u>
Net (expense) revenue										
Governmental activities	\$ (5,264,518)	\$ (5,093,875)	\$ (5,047,751)	\$ (5,455,430)	\$ (5,350,541)	\$ (6,006,821)	\$ (5,602,634)	\$ (6,059,262)	\$ (6,049,489)	\$ (5,767,025)
Business-type activities	(109,631)	333,756	201,365	(171,926)	(191,980)	(290,491)	(330,808)	(799,293)	(596,005)	(892,731)
Total primary government net expense	<u>\$ (5,374,149)</u>	<u>\$ (4,760,119)</u>	<u>\$ (4,846,386)</u>	<u>\$ (5,627,356)</u>	<u>\$ (5,542,521)</u>	<u>\$ (6,297,312)</u>	<u>\$ (5,933,442)</u>	<u>\$ (6,858,555)</u>	<u>\$ (6,645,494)</u>	<u>\$ (6,659,756)</u>

(Continued)

TABLE 2
(Continued)

TOWN OF VINTON, VIRGINIA

CHANGE IN NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 697,622	\$ 640,391	\$ 539,764	\$ 448,349	\$ 453,135	\$ 510,558	\$ 429,409	\$ 419,401	\$ 434,176	\$ 467,806
Sales tax	1,436,325	1,348,456	1,320,700	1,287,437	1,284,455	1,247,566	1,171,590	1,113,322	1,132,519	1,132,083
Business license tax	500,713	508,747	489,749	517,111	491,996	460,638	454,636	456,536	437,797	452,672
Meals tax	953,721	955,488	912,713	900,591	912,226	909,814	864,448	842,384	861,286	860,961
Other taxes	585,378	576,896	561,080	628,177	692,669	698,412	734,316	755,808	386,703	338,292
Utilities tax	755,985	767,736	782,869	787,097	785,555	782,487	801,264	803,044	795,268	804,812
Intergovernmental revenue not restricted	773,690	744,247	768,956	756,199	807,117	773,617	748,815	664,975	631,320	679,009
Investment earnings not restricted	19,406	17,709	15,438	14,540	4,434	3,020	1,904	3,187	28,917	112,672
Restricted investment earnings	-	-	60,746	59,628	-	-	-	-	187	11,087
Gain on disposal of property	-	-	7,444	6,516	-	-	-	-	-	-
Other	66,305	106,706	27,002	21,752	41,418	184,846	81,373	29,275	16,038	77,077
Transfers	(219,978)	-	-	-	-	500,000	-	78,466	126,018	113,486
Total governmental activities	5,569,167	5,666,376	5,486,461	5,427,397	5,473,005	6,070,958	5,287,755	5,166,398	4,850,229	5,049,957
Business-type activities:										
Investment earnings not restricted	2,172	989	-	7	66	414	1,174	1,824	16,719	67,772
Restricted investment earnings	94	329	1,353	5,301	762	91	427	1,727	26,873	47,234
Other	338,118	279,661	250,562	255,135	261,934	287,359	275,208	298,591	236,198	250,838
Transfers	219,978	-	-	-	-	(500,000)	-	(78,466)	(126,018)	(113,486)
Total business-type activities	560,362	280,979	251,915	260,443	262,762	(212,136)	276,809	223,676	153,772	252,358
Total primary government	\$ 6,129,529	\$ 5,947,355	\$ 5,738,376	\$ 5,687,840	\$ 5,735,767	\$ 5,858,822	\$ 5,564,564	\$ 5,390,074	\$ 5,004,001	\$ 5,302,315
Changes in Net Position										
Governmental activities	\$ 304,649	\$ 572,501	\$ 438,710	\$ (28,033)	\$ 122,464	\$ 64,137	\$ (314,879)	\$ (892,864)	\$ (1,199,260)	\$ (717,068)
Business-type activities	450,731	614,735	453,280	88,517	70,782	(502,627)	(53,999)	(575,617)	(442,233)	(640,373)
Total primary government	\$ 755,380	\$ 1,187,236	\$ 891,990	\$ 60,484	\$ 193,246	\$ (438,490)	\$ (368,878)	\$ (1,468,481)	\$ (1,641,493)	\$ (1,357,441)

Note: Water and sewer charges for service is the Town's most significant source of own-source revenue.

TABLE 3**TOWN OF VINTON, VIRGINIA****FUND BALANCES – GOVERNMENTAL FUND**

Last Ten Fiscal Years
(modified accrual basis of accounting)

		<u>2010</u>	<u>2009</u>	<u>2008</u>				
Pre-GASB 54 implementation:								
General Fund								
Reserved		\$ 361,090	\$ 272,645	\$ 314,902				
Unreserved		<u>1,322,095</u>	<u>1,698,851</u>	<u>2,439,625</u>				
	Total general fund	<u>\$ 1,683,185</u>	<u>\$ 1,971,496</u>	<u>\$ 2,754,527</u>				
		<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Post-GASB 54 implementation:								
General Fund								
Nonspendable	\$ 89,382	\$ 62,048	\$ 59,817	\$ 60,358	\$ 19,101	\$ 62,746	\$ 66,341	
Restricted	132,387	209,649	235,246	190,161	274,908	17,068	372,271	
Assigned		-	-	-	-	-	100,000	
Unassigned	<u>2,578,193</u>	<u>2,607,524</u>	<u>2,361,436</u>	<u>2,919,657</u>	<u>2,837,802</u>	<u>2,584,947</u>	<u>1,196,789</u>	
	Total general fund	<u>\$ 2,799,962</u>	<u>\$ 2,879,221</u>	<u>\$ 2,656,499</u>	<u>\$ 3,170,176</u>	<u>\$ 3,131,811</u>	<u>\$ 2,664,761</u>	<u>\$ 1,735,401</u>

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

TABLE 4

TOWN OF VINTON, VIRGINIA

CHANGES IN FUND BALANCES – GOVERNMENTAL FUND

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Taxes	\$ 4,904,946	\$ 4,845,354	\$ 4,469,823	\$ 4,562,633	\$ 4,597,882	\$ 4,529,953	\$ 4,467,158	\$ 4,345,947	\$ 4,049,513	\$ 4,084,586
Permits, privilege fees, and regulatory licenses	8,712	9,788	12,403	9,085	10,861	9,273	10,242	12,116	11,321	14,035
Fines and forfeitures	75,085	51,631	56,503	75,059	73,107	75,989	102,566	94,548	116,463	102,720
Revenue from use of money and property	136,695	141,889	197,241	198,625	105,998	105,666	118,560	156,533	201,341	298,369
Charges for services	418,042	452,903	438,558	407,900	387,049	333,832	355,606	328,116	319,293	270,521
Other	150,967	138,589	129,124	149,957	72,337	18,522	16,860	3,562	4,638	4,718
Intergovernmental	2,965,777	2,612,197	2,411,620	2,243,120	2,239,992	2,303,286	2,303,732	2,170,790	2,230,602	2,590,575
Total revenues	8,660,224	8,252,351	7,715,272	7,646,379	7,487,226	7,376,521	7,374,724	7,111,612	6,933,171	7,365,524
Expenditures										
General government	650,824	710,412	668,082	645,071	632,136	618,951	628,386	641,853	652,359	695,916
Public safety	3,649,236	3,304,624	3,313,099	3,201,533	3,005,917	2,948,155	3,250,590	3,200,859	3,259,980	3,379,924
Public works	1,749,305	1,942,260	1,918,439	1,795,602	1,892,656	1,834,120	1,990,381	2,164,328	2,219,226	2,357,040
Parks, recreation, and cultural	570,065	594,550	617,934	620,636	547,604	518,579	551,240	574,215	571,291	511,481
Community development	889,397	687,006	604,476	468,678	386,592	544,245	333,617	365,366	316,267	221,764
Capital projects	463,945	437,389	551,936	140,478	542,235	160,752	114,309	90,570	384,982	1,962,873
Debt service:										
Principal retirement	535,374	404,038	379,843	372,923	335,766	267,595	260,501	253,500	241,585	208,404
Interest and fiscal charges	91,789	115,486	182,584	186,377	174,699	185,715	195,608	205,189	212,090	208,912
Bond issuance costs	-	15,920	-	-	36,638	-	-	-	-	1,856
Total expenditures	8,599,935	8,211,685	8,236,393	7,431,298	7,554,243	7,078,112	7,324,632	7,495,880	7,857,780	9,548,170
Excess (deficiency) of revenues over expenditures	60,289	40,666	(521,121)	215,081	(67,017)	298,409	50,092	(384,268)	(924,609)	(2,182,646)
Other Financing Sources (Uses)										
Proceeds from long-term debt	-	702,000	-	-	2,411,641	-	-	-	-	-
Payments to refunded bond escrow agent	-	(686,080)	-	-	(2,190,889)	-	-	-	-	-
Proceeds from capital lease	-	136,599	-	-	313,315	-	-	-	-	227,500
Proceeds from sale of capital assets	80,430	29,537	7,444	6,516	-	130,951	2,124	17,491	15,560	13,836
Transfers in	(219,978)	-	-	-	-	500,000	-	78,466	126,018	113,486
Total other financing sources	(139,548)	182,056	7,444	6,516	534,067	630,951	2,124	95,957	141,578	354,822
Net change in fund balances	\$ (79,259)	\$ 222,722	\$ (513,677)	\$ 221,597	\$ 467,050	\$ 929,360	\$ 52,216	\$ (288,311)	\$ (783,031)	\$ (1,827,824)
Debt service as a percentage of noncapital expenditures	7.92%	6.90%	7.50%	7.58%	7.21%	6.49%	6.33%	6.19%	6.07%	5.53%

TABLE 5

TOWN OF VINTON, VIRGINIA

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service Corporation	Mobile Homes	Total Assessed Value	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Assessed Value
2017	\$ 467,013,600	\$45,889,795	\$ 7,448,120	\$17,210,450	\$ 40,250	\$537,602,215	\$ 0.07	\$ 537,602,215	100%
2016	461,728,300	45,958,231	7,146,010	17,038,560	38,300	531,909,401	0.07	531,909,401	100
2015	458,804,800	45,024,930	6,934,930	17,364,350	42,930	528,171,940	0.06	528,171,940	100
2014	455,632,200	45,223,230	6,882,820	13,713,107	45,720	521,497,077	0.06	521,497,077	100
2013	456,795,100	43,698,440	7,310,490	14,385,245	47,520	522,236,795	0.06	522,236,795	100
2012	465,957,200	43,682,200	7,232,260	15,347,180	46,800	532,265,640	0.06	532,265,640	100
2011	469,499,100	43,392,270	7,232,700	15,191,110	47,740	535,362,920	0.06	535,362,920	100
2010	468,470,600	42,803,545	7,303,000	15,632,460	48,190	534,257,795	0.06	534,257,795	100
2009	463,014,500	47,556,110	7,191,835	14,933,569	51,675	532,747,689	0.06	532,747,689	100
2008	447,926,300	42,858,012	7,068,115	13,074,644	56,500	510,983,571	0.06	510,983,571	100

Note: Assessed value equals actual value. Property is assessed at full market value and is reassessed every year.

TABLE 6

TOWN OF VINTON, 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
Aramark	\$ 160,171	1	4.29 %	\$ 72,815	2	3.32 %
Cardinal Glass	151,497	2	4.05	37,626	4	1.72
Precision Fabrics Group, Inc.	146,292	3	3.92	194,765	1	8.88
Blue Ridge Manor Apartments	51,788	4	1.39	-	-	-
The Berkshire	50,585	5	1.35	31,437	5	1.43
RGM	42,055	6	1.13	16,045	7	0.73
Roanoke County Schools	31,054	7	0.83	18,563	6	0.85
Clearview Manor	29,875	8	0.80	10,244	8	0.47
Richard Dickerson/RL Mansard Sq	20,534	9	0.55	42,464	3	1.94
F & W Management	18,665	10	0.50	-	-	-
Skyline Cleaners	-	-	-	7,694	9	0.35
American Efficiency	-	-	-	7,231	10	0.33
	<u>\$ 702,516</u>			<u>\$ 438,884</u>		

Source: Town of Vinton Finance Department

1) FY 2017 % was based on total water and sewer revenue of \$3,736,700

2) FY 2008 % was based on total water and sewer revenue of \$2,506,343

TABLE 7

TOWN OF VINTON, 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	\$ 859,822	\$ 826,673	96.14%	\$ -	\$ 826,673	96.14%
2016	853,737	785,340	91.99	13,902	799,242	94.37
2015	736,979	650,501	88.27	13,365	663,866	90.08
2014	645,360	610,294	94.57	12,010	622,304	94.57
2013	635,711	598,141	94.09	13,626	611,767	96.23
2012	637,626	600,406	94.16	13,528	613,934	96.28
2011	634,445	591,743	93.27	11,257	603,000	95.04
2010	637,392	607,701	95.34	13,950	621,651	97.53
2009	609,402	589,069	96.66	16,229	605,298	99.33
2008	634,952	623,656	98.22	5,946	629,602	99.16

Source: Detailed Town property tax records.

Note: The Town increased the real estate tax rate from \$0.03 to \$0.07 in 2015

TABLE 8

TOWN OF VINTON, VIRGINIA

WATER AND SEWER RATES

Last Ten Fiscal Years

Fiscal Year	Residential ¹		Commercial ²	
	First 3,000 Gallons or Less		First 1,500 Gallons or Less	
	Water	Sewer	Water	Sewer
2017	\$ 18.85	\$ 27.68	\$ 9.43	\$ 13.84
2016	18.85	27.68	9.43	13.84
2015	18.85	27.68	9.43	13.84
2014	17.31	25.42	8.66	12.71
2013	15.92	23.39	7.97	11.68
2012	15.92	23.39	7.97	11.68
2011	15.92	23.39	7.97	11.68
2010	13.84	20.34	6.93	10.16
2009	12.59	18.49	6.30	9.24
2008	12.59	18.49	6.30	9.24

Note: Minimum charge for water and sewer residential and commercial service is based on standard 5/8" meter

¹ Residential minimum charges are billed on a bi-monthly basis

² Commercial minimum charges are billed on a monthly basis

TABLE 9**TOWN OF VINTON, VIRGINIA****LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years**

	<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>
Debt limit	\$ 53,760,222	\$ 53,190,940	\$ 52,817,194	\$ 52,149,708	\$ 51,809,508	\$ 53,226,564	\$ 53,536,292	\$ 53,425,780	\$ 53,274,769	\$ 44,792,630
Total net debt applicable to limit	<u>7,094,822</u>	<u>7,757,263</u>	<u>8,344,738</u>	<u>8,959,814</u>	<u>10,118,536</u>	<u>7,125,222</u>	<u>7,103,808</u>	<u>7,548,025</u>	<u>7,978,160</u>	<u>8,394,491</u>
Legal debt margin	<u>\$ 46,665,400</u>	<u>\$ 45,433,677</u>	<u>\$ 44,472,456</u>	<u>\$ 43,189,894</u>	<u>\$ 41,690,972</u>	<u>\$ 46,101,342</u>	<u>\$ 46,432,484</u>	<u>\$ 45,877,755</u>	<u>\$ 45,296,609</u>	<u>\$ 36,398,139</u>
Total net debt applicable to the limit as a percentage of debt limit	13.20%	14.58%	15.80%	17.18%	19.53%	13.39%	13.27%	14.13%	14.98%	18.74%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	<u>\$ 537,602,215</u>
Debt limit (10% of assessed value)	\$ 53,760,222
Less debt applicable to limit:	
General obligation bonds	<u>7,094,822</u>
Legal debt margin	<u>\$ 46,665,400</u>

Note: Assessed value of property can be found in Table 5. Town has no overlapping debt related to governmental activities.

TOWN OF VINTON, VIRGINIA

TABLE 10

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Governmental Activities						Business Type Activities			
Fiscal Year	General Obligation Bonds ¹	Revenue Bonds ¹	Capital Leases	Obligations Payable	Total	General Obligation Bonds ¹	Revenue Bonds ¹	Obligations Payable	Total
2017	\$ 2,940,783	-	\$ 54,837	\$ 266,576	\$ 3,262,196	\$ 4,175,676	\$ 2,011,000	\$ 266,363	\$ 6,453,039
2016	3,242,029	-	230,969	327,424	3,800,422	4,539,723	2,184,037	280,605	7,004,365
2015	3,488,651	-	159,415	385,080	4,033,146	4,892,861	2,150,851	294,516	7,338,228
2014	3,724,405	-	209,262	442,548	4,376,215	5,235,409	2,225,000	-	7,460,409
2013	3,993,409	-	257,549	425,000	4,675,958	6,125,127	2,340,000	-	8,465,127
2012	2,700,000	1,360,000	-	475,000	4,535,000	3,950,222	2,450,000	-	6,400,222
2011	2,845,000	1,435,000	47,595	-	4,327,595	4,258,808	2,555,000	-	6,813,808
2010	2,990,000	1,505,000	93,096	-	4,588,096	4,558,026	2,655,000	-	7,213,026
2009	3,130,000	1,575,000	136,595	-	4,841,595	4,848,160	2,750,000	-	7,598,160
2008	3,265,000	1,640,000	178,180	-	5,083,180	5,129,491	2,750,000	-	7,879,491
Fiscal Year	Total Primary Government ¹	Total Taxable Assessed Value	Net General Bonded Debt to Estimated Actual Value of Taxable Property	Population	Bonded Debt Per Capita	Per Capita Personal Income	Net General Bonded Debt Per Capita to Per Capita Personal Income		
2017	\$ 7,116,459	\$ 537,602,215	1.32%	8,185	\$ 869	\$ 48,047	1.81%		
2016	7,781,752	531,909,401	1.46	8,231	945	45,577	2.07		
2015	8,381,512	528,171,940	1.59	8,151	1,028	43,418	2.37		
2014	8,959,814	521,497,080	1.72	8,151	1,099	42,288	2.60		
2013	10,118,536	518,095,080	1.95	8,092	1,250	40,688	3.07		
2012	6,650,222	532,265,640	1.25	8,130	818	39,866	2.05		
2011	7,103,808	535,362,920	1.33	8,098	877	39,315	2.23		
2010	7,548,026	534,257,800	1.41	7,814	966	39,315	2.46		
2009	7,978,160	532,747,690	1.50	7,876	1,013	39,315	2.58		
2008	8,394,491	447,926,300	1.87	7,905	1,062	41,019	2.59		

Note: Assessed value of property can be found in Table 5.

Note: Population and personal income can be found in Table 12.

¹ Includes bond premiums

TABLE 11

TOWN OF VINTON, VIRGINIA
PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years

Fiscal Year	Gross Revenue		Less: Operating Expenses ⁽¹⁾		Net Available Revenue	Debt Service		Coverage
						Principal ⁽²⁾	Interest	
2017	\$	3,738,966	\$	2,182,323	\$ 1,537,139	\$ 543,289	\$ 181,582	2.12
2016		3,718,514		2,241,937	1,476,577	487,049	311,245	1.85
2015		3,447,765		2,115,736	1,332,029	462,548	257,957	1.85
2014		3,263,413		2,261,529	1,001,884	504,718	256,920	1.32
2013		3,016,909		2,129,633	887,276	428,247	215,281	1.38
2012		3,041,715		2,187,683	854,032	413,586	232,992	1.32
2011		2,948,965		2,140,766	808,199	399,218	225,689	1.29
2010		2,741,776		2,361,718	380,058	385,135	195,038	0.66
2009		2,873,100		2,312,595	560,505	281,331	213,792	1.13
2008		2,621,349		2,321,983	299,366	272,788	222,032	0.60

Notes: Details regarding the Town's outstanding debt can be found in the Notes to Financial Statements.

(1) Excluding depreciation, interest, and amortization

(2) Excluding refunded principal payments

TABLE 12

TOWN OF VINTON, VIRGINIA

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

Fiscal Year Ended	Population (1)	Total Personal Income (2)	Per Capita Personal Income (2)	Public School Roanoke CO Enrollment (3)	Public Town of Vinton Enrollment (3)	Unemployment Rate (4)
2017	8,185	\$ 5,780,000	\$ 48,047	14,235	965	3.70%
2016	8,231	5,435,865	45,577	14,135	910	3.70
2015	8,151	5,159,100	43,418	14,384	948	4.50
2014	8,151	4,984,547	42,288	14,333	965	5.50
2013	8,092	4,789,030	40,688	14,369	935	5.90
2012	8,130	4,672,000	39,866	14,454	927	5.70
2011	8,098	4,561,791	39,315	14,259	951	5.70
2010	7,814	4,561,791	39,315	14,474	921	6.30
2009	7,876	4,561,791	39,315	14,650	978	4.60
2008	7,905	4,750,916	41,019	14,802	964	2.80

Sources:

(1) From U.S. Census Bureau link at www.rvarc.org

(2) Personal Income and Per Capita Personal Income from the U.S. Department of Commerce Bureau of Economic Analysis. Latest information available as of March 2014 at [www.bea.gov/regional/docs/income.Combined with Roanoke County/Salem](http://www.bea.gov/regional/docs/income.Combined%20with%20Roanoke%20County/Salem).

(3) Virginia Department of Education - Membership Reporting
http://www.doe.virginia.gov/statistics_reports/enrollment/fall_membership/report_data.shtml

(4) Virginia Employment Commission www.bls.gov/eag/eag.va.htm

TABLE 13

TOWN OF VINTON, VIRGINIA

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Employer	Fiscal Year 2017			Fiscal Year 2008		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Roanoke County Schools (Vinton)	208	1	2.54%	179	3	2.26%
Berkshire	195	2	2.38	213	2	2.69
Precision Fabrics Group, Inc.	172	3	2.10	301	1	3.81
Kroger	168	4	2.05	168	4	2.13
Town of Vinton	102	5	1.25	115	5	1.45
Magnets USA	87	6	1.06	N/A	N/A	N/A
Aramark Uniform Services	80	7	0.98	90	6	1.14
McDonalds	54	8	0.66	N/A	N/A	N/A
Lancerlot	44	9	0.54	N/A	N/A	N/A
Woods Service Center	44	10	0.54	N/A	N/A	N/A
	<u>1,154</u>		<u>14.10%</u>	<u>1,066</u>		<u>13.48%</u>

Source: Employer Business Application or HR Contact

N/A - Not Available

TABLE 14

TOWN OF VINTON, VIRGINIA

FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES 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>
General government										
Management services	4	4	4	4	4	4	4	4	4	3
Finance	5	5	6	6	6	6	5	5	5	5
Planning	3	3	3	3	3	3	3	3	3	3
Police										
Officers	24	22	22	24	24	24	25	24	24	24
Civilians	2	2	2	2	2	2	2	10	10	10
Fire										
Firefighters and officers	12	10	11	10	9	9	9	9	9	9
Other public works	33	29	31	32	32	32	34	33	33	32
Parks, recreation, and cultural	3	3	2	3	3	3	3	3	3	2
Total	<u>86</u>	<u>78</u>	<u>81</u>	<u>84</u>	<u>83</u>	<u>83</u>	<u>85</u>	<u>91</u>	<u>91</u>	<u>88</u>

TABLE 15

TOWN OF VINTON, 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 equipment	133	133	133	133	117	117	117	117	117	62
Pieces of equipment maintained	133	133	133	133	117	117	117	117	117	62
Public safety:										
Police										
Arrests	594	722	507	578	582	667	546	531	658	598
Parking violations	58	133	52	64	48	56	82	139	84	62
Traffic violations	2,021	1,187	1,143	1,603	1,408	1,734	1,933	2,431	3,088	3,034
EMS										
Emergency responses	2,637	2,656	2,615	2,735	2,654	2,872	2,319	2,219	2,369	2,397
Fire										
Emergency responses	501	774	278	623	306	677	514	476	764	1,038
Public works										
Refuse collection										
Refuse collected (tons per day)	12	11.92	12.55	12.78	12.92	12.75	12.70	14.00	15.90	18.10
Recyclables collected (tons per day)	1	0.54	0.65	0.70	0.68	2.00	2.00	1.60	1.60	1.70
Other public works										
Street resurfacing (miles)	2	2.03	-	1.30	2.17	1.80	1.80	1.90	3.50	11.10
Parks, recreation, and cultural										
Parks and recreation - attendees										
Vinton Dogwood Festival (4-day)	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Vinton Bluegrass Festival (4-day)	Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed	20,000	20,000
4th of July	5,000	5,000	5,000	5,000	4,000	4,000	4,000	4,000	4,000	4,000
Enchanted Eve (Co-Sponsor Roanoke County)	Closed	Closed	Closed	Closed	Closed	Closed	Closed	5,000	5,000	5,000
Vinton Fall Festival (Co-Sponsor Chamber of Commerce)	6,000	9,000	9,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Water										
Number of customer accounts	5,120	5,093	5,074	5,085	5,071	5,051	5,044	5,040	5,022	4,985
Miles of distribution lines	61	61	61	61	61	61	61	61	61	60
Volume pumped (million gallons per day average)	1	1.27	1.23	1.14	1.21	1.23	1.26	1.47	1.04	1.29
Sewer										
Number of customer accounts	4,686	4,658	4,639	4,642	4,636	4,607	4,610	4,609	4,600	4,571
Miles of collection lines	60	60	60	60	60	60	60	60	60	59
Waste/Water treated (million gallons per day)	1	1.40	1.19	0.92	0.96	0.99	1.09	1.27	1.04	1.24

N/A - Not available.

Refuse collected (tons per day) - based on 260 collection days per year.

Recyclables collected (tons per day) - based on 130 collection days per year.

Source: Various Town of Vinton Departments

TABLE 16

TOWN OF VINTON, VIRGINIA

CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public safety										
Law enforcement vehicles	27	25	26	25	25	26	27	27	29	27
Fire stations	1	1	1	1	1	1	1	1	1	1
Public works										
Primary streets (lane miles)	21.62	21.62	21.62	21.62	21.62	21.62	21.62	21.62	21.62	21.62
Secondary streets (lane miles)	66.32	66.32	66.32	66.32	66.32	66.32	66.32	66.32	66.32	66.32
Streetlights	505	503	502	500	500	500	500	500	500	500
Parks, recreation, and cultural										
Community centers										
Vinton Senior Program (No. of Events/Attendance)	285/4370	252/4166	240/3990	223/3,965	253/3775	231/4033	174/3396	1/18	240/4236	180/3600
Charles R. Hill Center (Rentals)	316	283	291	289	437	299	218	295	351	205
Skate Park	Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed	2,400
Vinton War Memorial	276	273	235	282	301	200	202	271	277	151
Parks/athletic fields										
Gearhart Park (TOV owned-Leased to Rke County)	NA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	37/3000	N/A
Jaycee Field (Seasonal ballgames)	Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed
Greenway (3/4 Mile) Cinder Surface	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Lawfit Course (5 Fitness Stations)	N/A	N/A	N/A	N/A	N/A	N/A	1,120	1,120	1,120	1,120
War Memorial Playground	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Vinton Municipal Pool	Closed	7,977	7,977	8,458	10,562	10,176	12,246	11,270	11,000	11,000
Water and sewer										
Water mains (miles)	61	61	61	61	61	61	61	61	61	60
Sanitary sewers (miles)	60	60	60	60	60	60	60	60	60	59
Stormwater										
Storm sewers (miles)	12	12	12	12	12	12	12	12	12	12
Signalized Street Intersections										
Traffic Signals (each)	11	11	11	11	11	11	11	11	11	11

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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 the Town Council
Town of Vinton, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Vinton, 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 15, 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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of 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. **However, as described in the accompanying schedule of finding and response, we identified a certain deficiency in internal control that we consider to be a material weakness, which is labelled as item 2007-001.**

Compliance and Other Matters

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

Town of Vinton's Response to Finding

The Town of Vinton's response to the finding identified in our audit is described in the accompanying schedule of finding and response. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 15, 2017

TOWN OF VINTON, 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 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
- Debt Provisions
- Local Retirement Systems
- Procurement Laws
- Uniform Disposition of Unclaimed Property Act

State Agency Requirements:

- Highway Maintenance Funds

LOCAL COMPLIANCE MATTERS

Town Charter

TOWN OF VINTON, VIRGINIA
SCHEDULE OF FINDING AND RESPONSE
Year Ended June 30, 2017

A. FINDING – FINANCIAL STATEMENT AUDIT

2007-1: Segregation of Duties (Material Weakness)

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A proper segregation of duties has not been established in functions related to accounts payable, accounts receivable, cash disbursements, and information technology.

Recommendation:

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

Management's Response:

Management noted this finding. The Finance Director has segregated duties, to the extent practical, to minimize instances where the same person has complete control of a transaction or conflicting duties.

TOWN OF VINTON, VIRGINIA
SCHEDULE OF PRIOR AUDIT FINDING
Year Ended June 30, 2017

A. FINDING – FINANCIAL STATEMENT AUDIT

2007-1: Segregation of Duties (Material Weakness)

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A proper segregation of duties has not been established in functions related to payroll, accounts payable, accounts receivable, cash disbursements, and information technology.

Current Status:

Condition cleared with regard to payroll and still present for accounts payable, accounts receivable, cash disbursements, and information technology.

B. FINDINGS – COMMONWEALTH OF VIRGINIA

2016-1: Budget Appropriations

Condition:

After audit adjustments, expenditures exceeded budgeted appropriations in the debt service category.

Current Status:

No similar instances noted during the current year audit.