

TOWN OF BLACKSBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
June 30, 2014

DEPARTMENT OF FINANCIAL SERVICES

TOWN OF BLACKSBURG, VIRGINIA

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INTRODUCTORY SECTION

November 25, 2014

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

Section 15.1-167 of the *Code of Virginia*, requires an annual independent audit and report of financial activity of the Town of Blacksburg, Virginia (the “Town”) presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accounts. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town for the fiscal year ended June 30, 2014.

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

The Town’s financial statements have been audited by the independent certified public accounting firm of Brown, Edwards & Company, L.L.P. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town’s financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditor’s report is presented at the front of the financial section of this report.

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

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

Profile of the Government

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

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

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

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

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

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

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

Local Economy

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

The economic condition and outlook for the Town is stable but impacted by the national economy and its impacts on the state budget. Maintaining current services with increasing employee benefit costs in conjunction with slight revenue growth defines the character of the municipal corporation for both fiscal year 2014 and for the near future. The cost of health insurance, retirement benefits, and fleet related expenses are three areas where costs continue to grow. Concurrently, Federal and State revenues continue to decline with no relief in sight. Reduced sales tax revenue collected due to the changes adopted last year by the General Assembly again impacts the Town's budget because a replacement revenue source was not identified. The Town's major employer, Virginia Tech, is the largest university in the Commonwealth and is located on over 2,600 acres with more than 125 buildings on its campus. Virginia Tech continues to position itself as a major research institution with a high level of effort being concentrated on Intelligent Vehicle Highway System (IVHS) technology and Biotechnology. Growth in technology-based research and the spawning of businesses from the Corporate Research Center reflect well on the area and the wealth of resources offered by a major academic institution makes the Town an attractive venue for business. The emergence of the university as a major research institution has occurred during the past decade with a research portfolio of more than \$450 million, and it is currently ranked 41st in university research in the U.S. The university routinely ranks among the top 15 universities in the number of patents issued to U.S. universities.

The presence of Virginia Tech as a corporate citizen brings many advantages to the economic condition of the Town. The combination of approximately 31,000 students and 8,000 faculty and administrators bring significant buying power to the merchants and tax base of the Town. Also the visitors generated by Virginia Tech for sports events as well as conferences and research endeavors bring significant buying power to the area. The presence of Virginia Tech offers the stability essential to a local government even during economic downturns as recently experienced in fiscal year 2009 thru fiscal year 2012. The State of Virginia, similar to many other state governments, is experiencing lower tax revenues and has lowered the state's funding of Virginia Tech. The condition of the state's budget and its impact on the state's commitment to higher education and therefore the local economy is being monitored by the Town's leaders.

Local industry serves as a strong complement to the presence of Virginia Tech. Manufacturers of automobile components and electronic/fiber-optic technology continue to provide an employment base that contributes significantly to the economy of the Town. The retail sector is changing in the Town. An upscale mixed used development south of the downtown area called First & Main opened in October, 2008. This helped attract upscale national franchise outlets, such as Talbots and Jos. A. Banks, and complements a regional shopping area just to the south of the corporate limits. In 2014, construction started on a new IMAX theatre at the First & Main shopping center. This new theatre will bring in new admission taxes to the Town and should attract other new businesses to the First & Main area. Blacksburg will be home to only the second IMAX theatre west of Richmond. This helps in developing specialty niches that the Blacksburg community will support. Along with the development of "niches" for targeted populations, the Town also actively pursues special events that bring visitors and associated revenue.

Long-term Financial Planning

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

The fiscal year 2015 budget demonstrates a commitment to outstanding service delivery and progressiveness of local government. Revenue projections in fiscal year 2015 reflected the improving economic environment with reliance upon annual revenue to finance operating expenditures and included some increases to user fees. Also the budget demonstrates the Town Council's Vision *"Blacksburg's vision is to be a dynamic, sustainable, livable community balancing environmental stewardship, economic opportunity, technological leadership, and the arts."*

Recognizing the importance of infrastructure, beginning in fiscal year 2009, the Town began administering the Virginia Department of Transportation (VDOT) Urban Construction Initiative. The Town will administer its own local street construction projects with guidance from VDOT. This was a new program with the State and the Town joined eleven other localities that are participating in this program. This program's expenditures and revenue from the State are estimated to be approximately \$22 million from fiscal year 2009 to fiscal year 2014. Following fiscal year 2014, VDOT has decided to regain control of this program across the State whereby funding will be eliminated.

In the future, the Town will be developing a strategic plan to address how to fund the quality of life our citizens' desire including infrastructure needs, storm water costs, Town services and capital project needs.

Another challenge that comes with opportunity is identifying the funding sources for constructing and supporting capital projects. The Town has been excellent at leveraging external funding sources but the debt incurred by the Town lessens the funding available for operations. Available funding for operations is also impacted by the on-going support required for a capital project. This is becoming a more difficult task to accomplish when anticipating future budgets and the opportunities that lie ahead. While there is not an increase in the property tax rate this year or in 2015, an increase may be necessary in the future. Such a recommendation will be carefully studied and discussed with Council at the appropriate time.

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

Relevant Financial Policies

In accordance with State code and the Town's Investment Policy, the Town of Blacksburg invests in Treasury securities, agency securities, certificates of deposit, the Commonwealth of Virginia's State Treasurer's Local Government Investment Pool (LGIP), and the Virginia State Non-Arbitrage Program (SNAP). To the extent possible, the Policy will match investments with anticipated cash flow requirements. The maturities of the investments range from overnight to eight years with an average maturity of five years. The average yield on investments for fiscal year 2014 was 2.033%.

Major Initiatives

Blacksburg Transit expanded service into nearby Christiansburg and completed its first year during FY 2011. Future initiatives include discussion of further expansion of the system in the New River Valley including construction of a multi-modal facility.

Despite the economic climate, the Progress/Givens Street project continues to move forward. This estimated \$14.7 million project widens Givens Lane to include bike lanes and sidewalks and extends Progress Street from its current terminus to Givens Lane which includes constructing a roundabout at the intersection.

The sale of the First & Main shopping center to owners with ties to the community in 2013 can only help move that project forward in a positive direction after stalling for four years. The new owners have created excitement among the tenants in the development and our community. The announcement of plans

to build an IMAX theatre was met with enthusiasm. The Town looks forward to working with First & Main to help them achieve the original vision for the project to make it the success it should be.

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

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

Awards and Acknowledgements


Certificate of Achievement The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Blacksburg for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the thirty-fourth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Distinguished Budget Presentation Award GFOA has also awarded the Town of Blacksburg with the prestigious Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2014. This is the twenty-third consecutive year that the Town has achieved this honor. In order to be awarded the 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.

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

Respectfully submitted,



Director of Finance
Town of Blacksburg



Government Finance Officers Association

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

Presented to

**Town of Blacksburg
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

TOWN OF BLACKSBURG, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2014

MEMBERS OF TOWN COUNCIL

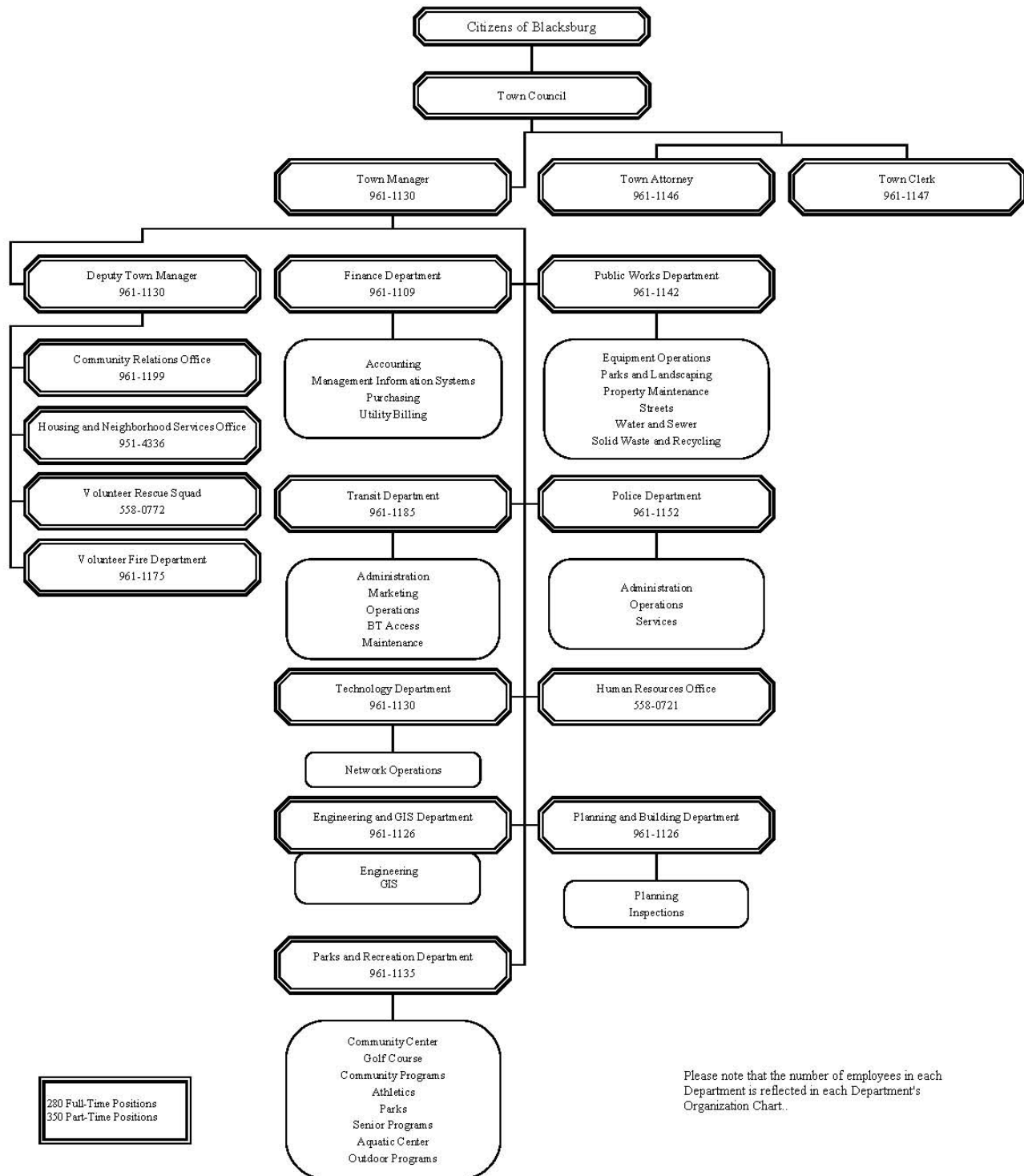
Ron RordamMayor
Krisha Chachra..... Vice-Mayor
John Bush
Michael Sutphin
Leslie Hager-Smith
Cecile Newcomb
Susan Anderson

GENERAL TOWN GOVERNMENT

Marc A. Verniel..... Town Manager
Lawrence S. Spencer..... Town Attorney
Donna Boone-Caldwell, C.M.C..... Town Clerk
Susan H. Kaiser, CPADirector of Financial Services
Adele P. Schirmer, P.E..... Director of Engineering and GIS
Anne McClungDirector of Planning and Building
Anthony S. Wilson Chief of Police
S. Kelly Mattingly Director of Public Works
Dean B. CraneDirector of Parks and Recreation
Steven F. Ross Interim Director of Transit
Steven Jones Director of Technology

INDEPENDENT AUDITORS

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



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Blacksburg, Virginia (the "Town"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison statement for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the analysis of funding progress for defined benefit pension plan, and the schedule of funding progress for other postemployment benefits as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining nonmajor fund financial statements, the computation of legal debt margin, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the computation of legal debt margin, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the computation of legal debt margin, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014, 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 25, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Blacksburg, Virginia (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014. 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 v of this report.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$98,707,040 (net position). Of this amount, \$14,837,339 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$5,847,991. This increase is primarily attributable to the College Avenue Promenade and Progress Street infrastructure improvements, restoration of the Alexander Black House, and an increase in meals taxes and business license taxes.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$13,912,769 a decrease of \$4,535,665 due to planned increases in capital outlay and capital project expenditures including the use of funding that was received in a prior year in the Urban Construction Initiative fund. Of this total amount, \$1,594,042 represents unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,987,120, or 18 percent of total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 16 through 19 of this report.

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

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

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

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

The basic fiduciary fund financial statements can be found on pages 66 and 67 of this report.

Overview of the Financial Statements (Continued)

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 58 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's funding progress for the defined benefit pension plan and the liability for other post-employment benefits. Required supplementary information can be found on page 60 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$98,707,040 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (83 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that 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 investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	The Town's Net Position					
	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 17,793,926	\$ 22,903,727	\$ 9,943,104	\$ 9,624,201	\$ 27,737,030	\$ 32,527,928
Capital assets	66,782,645	60,977,492	34,782,762	32,178,715	101,565,407	93,156,207
Total assets	84,576,571	83,881,219	44,725,866	41,802,916	129,302,437	125,684,135
Long-term liabilities outstanding	17,023,739	18,242,897	5,848,684	6,492,511	22,872,423	24,735,408
Other liabilities	4,672,247	5,174,995	2,991,703	2,914,683	7,663,950	8,089,678
Total liabilities	21,695,986	23,417,892	8,840,387	9,407,194	30,536,373	32,825,086
Deferred inflows of resources	22,023	-	37,001	-	59,024	-
Net position						
Net investment in capital assets	52,856,050	46,489,358	29,013,749	25,779,737	81,869,799	72,269,095
Restricted	1,999,902	4,232,468	-	49,080	1,999,902	4,281,548
Unrestricted	8,002,610	9,741,501	6,834,729	6,566,905	14,837,339	16,308,406
Total net position	\$ 62,858,562	\$ 60,463,327	\$ 35,848,478	\$ 32,395,722	\$ 98,707,040	\$ 92,859,049

The balance of *unrestricted net position*, \$14,837,339 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Town's net position increased by \$5,847,991 during the current fiscal year. The majority of this increase is due to increased capital spending and increased other local tax revenue and controlled spending.

(Continued)

Government-wide Financial Analysis (Continued)

Governmental activities – Governmental activities increased net position by \$2,395,235 thereby accounting for the increase in the net position of the Town. The key elements for this increase are due to the College Avenue Promenade and Progress Street infrastructure improvements, the restoration of the Alexander Black House, and an increase in business license taxes and meals taxes.

Business-type activities – Business-type activities increased the Town's net position by \$3,452,756. The key element of this increase is due to the use of Federal transit revenue for the purchase new buses.

The Town's Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	\$ 4,701,334	\$ 4,251,522	\$ 15,192,197	\$ 13,984,163	\$ 19,893,531	\$ 18,235,685
Operating grants and contributions	4,072,899	3,982,480	3,194,624	3,023,237	7,267,523	7,005,717
Capital grants and contributions	4,081,847	7,846,314	6,076,151	3,559,305	10,157,998	11,405,619
General revenues						
Property taxes	5,624,078	5,544,687	-	-	5,624,078	5,544,687
Other taxes	12,407,075	12,259,903	-	-	12,407,075	12,259,903
Other	1,265,999	1,599,482	269,199	204,512	1,535,198	1,803,994
Total revenues	<u>32,153,232</u>	<u>35,484,388</u>	<u>24,732,171</u>	<u>20,771,217</u>	<u>56,885,403</u>	<u>56,255,605</u>
Expenses						
Legislative	270,763	251,958	-	-	270,763	251,958
Executive	2,256,772	1,921,674	-	-	2,256,772	1,921,674
Legal	331,616	294,699	-	-	331,616	294,699
Financial services	1,600,576	1,560,128	-	-	1,600,576	1,560,128
Technology	626,438	601,503	-	-	626,438	601,503
Police	7,691,501	7,943,511	-	-	7,691,501	7,943,511
Fire and rescue	1,278,687	1,220,682	-	-	1,278,687	1,220,682
Public works	7,680,338	7,736,614	-	-	7,680,338	7,736,614
Recreation	2,370,603	2,291,017	-	-	2,370,603	2,291,017
Engineering and GIS	1,793,233	1,615,665	-	-	1,793,233	1,615,665
Planning and building	1,231,734	953,747	-	-	1,231,734	953,747
CDBG entitlement	402,360	623,505	-	-	402,360	623,505
HOME consortium	672,216	726,653	-	-	672,216	726,653
Interest on long-term debt	552,382	684,779	-	-	552,382	684,779
Unallocated depreciation	1,258,229	945,610	-	-	1,258,229	945,610
Water and sewer	-	-	9,344,964	8,862,137	9,344,964	8,862,137
Transit system	-	-	10,003,945	8,609,385	10,003,945	8,609,385
Solid waste and recycling	-	-	1,671,055	1,584,094	1,671,055	1,584,094
Total expenses	<u>30,017,448</u>	<u>29,371,745</u>	<u>21,019,964</u>	<u>19,055,616</u>	<u>51,037,412</u>	<u>48,427,361</u>
Excess before transfers	2,135,784	6,112,643	3,712,207	1,715,601	5,847,991	7,828,244
Transfers	259,451	208,605	(259,451)	(208,605)	-	-
Change in net position	2,395,235	6,321,248	3,452,756	1,506,996	5,847,991	7,828,244
Net position at July 1	60,463,327	54,142,079	32,395,722	30,888,726	92,859,049	85,030,805
Net position at June 30	<u>\$ 62,858,562</u>	<u>\$ 60,463,327</u>	<u>\$ 35,848,478</u>	<u>\$ 32,395,722</u>	<u>\$ 98,707,040</u>	<u>\$ 92,859,049</u>

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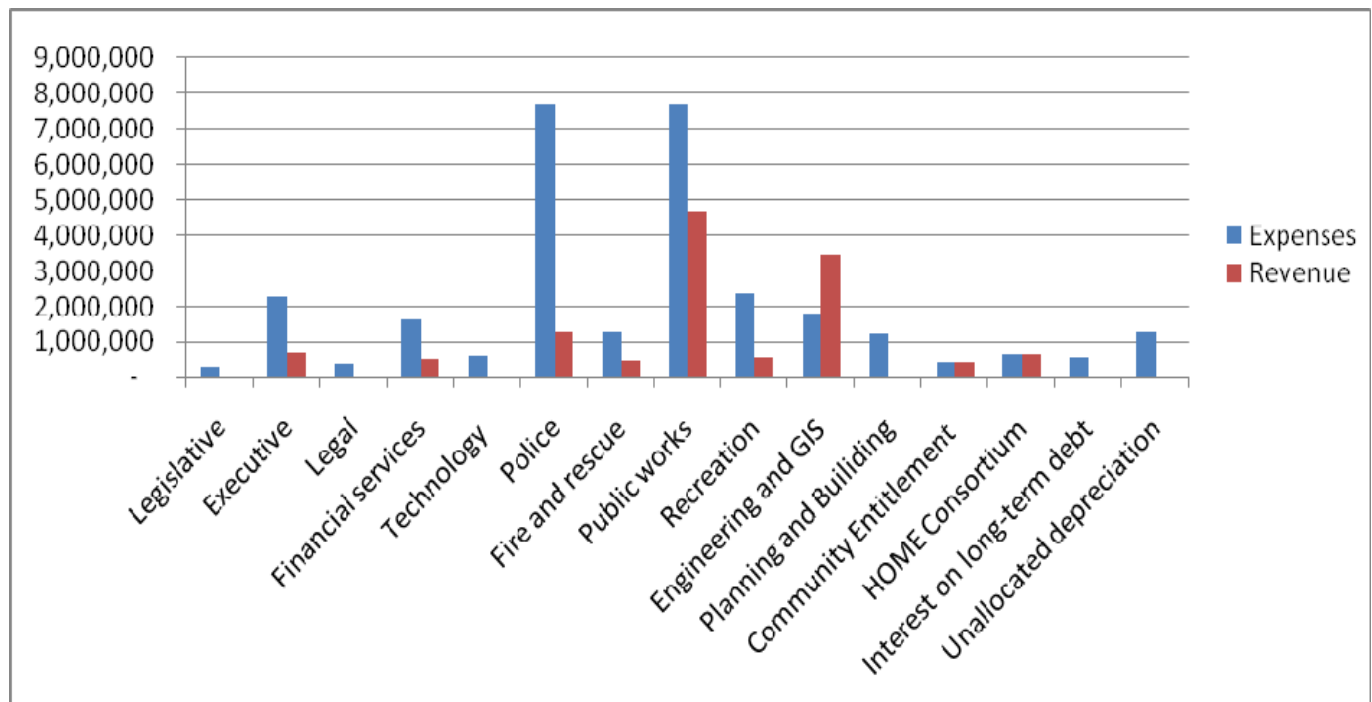
Government-wide Financial Analysis (Continued)

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

- Executive expenses increased mainly due to contributions made to the Museum Foundation and to increases in economic development activities.
- Police expenses decreased due to decreased contributions to the new Regional Emergency Communications Authority and due to the COPS grant passed thru to Montgomery County in the prior year.
- Public Works' slight decrease is due to a decrease in depreciation in the current year.
- Engineering and GIS expenses increased due to various non-capitalized maintenance projects.
- CDBG and HOME expenses decreased due to timing of various projects and grant funding.
- Unallocated depreciation increased due to infrastructure projects placed in service during the current year.

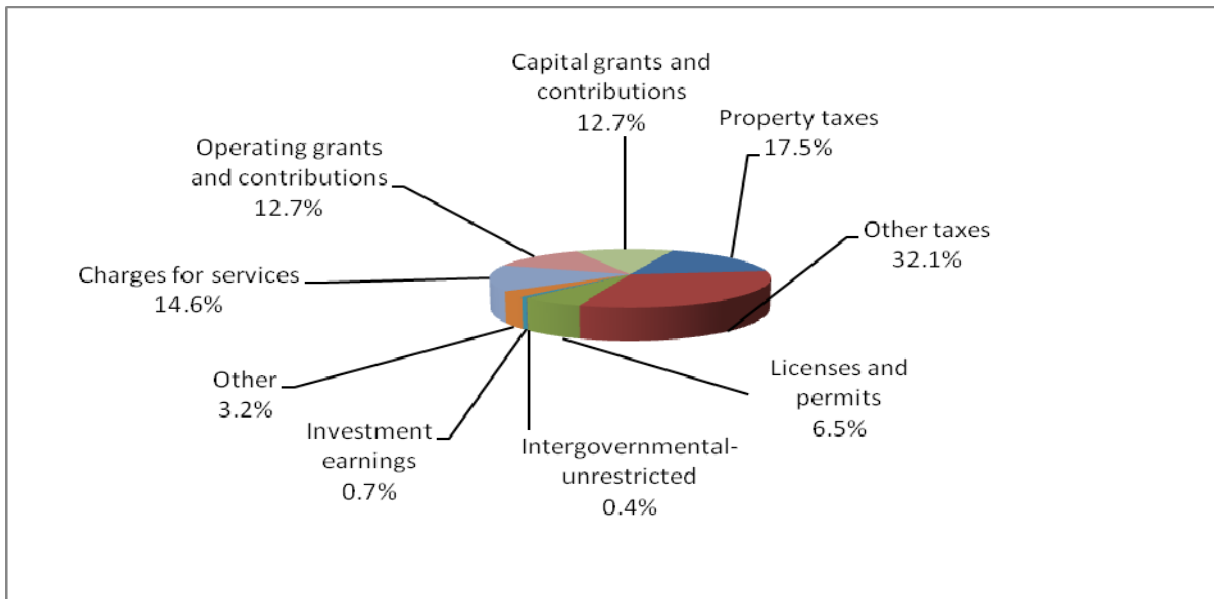
For business-type activities, the operating expenses for the transit fund were higher than the revenue that fund can generate. The operating revenue of the water and sewer and solid waste and recycling funds were higher than the expenses of those funds.

Expenses and Program Revenues – Governmental Activities

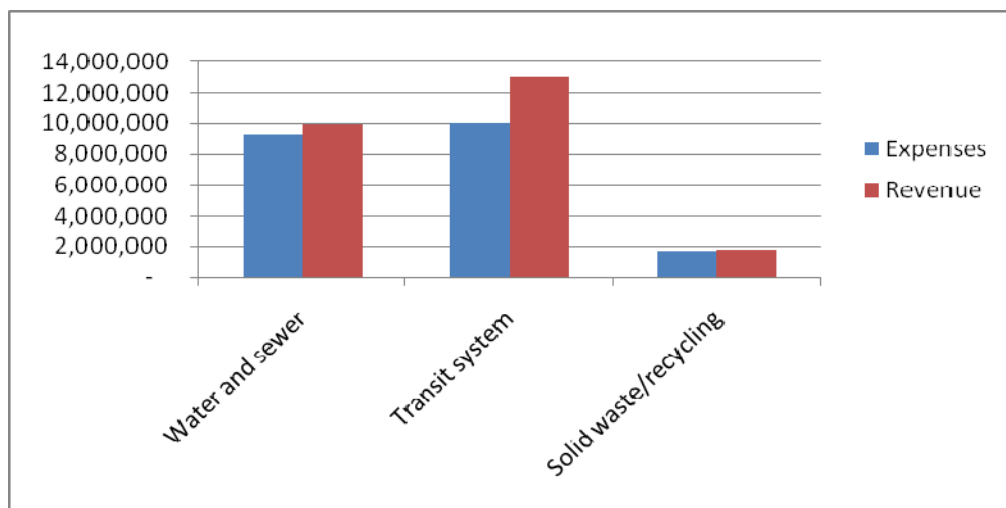


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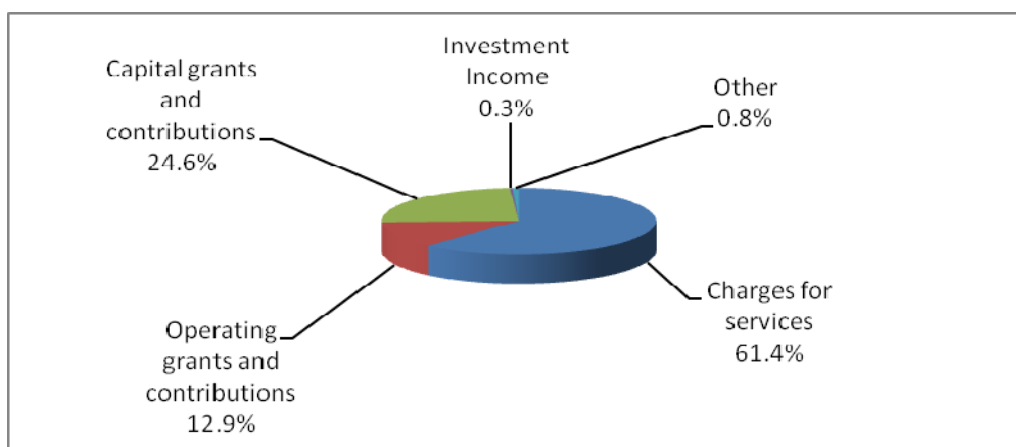
Revenues by Source – Governmental Activities



Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



(Continued)

Financial Analysis of the Government's Funds

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

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

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

As of the end of the current fiscal year, the Town's total governmental funds reported an ending fund balance of \$13,912,769 a decrease of \$4,535,665 in comparison with the prior year. Of that amount, \$254,012 was nonspendable, \$1,999,902 was restricted, \$3,668,681 was committed, \$6,396,132 was assigned, and \$1,594,042 was unassigned.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 17.6% of total general fund expenditures, while total fund balance represents 20.3% of that same amount.

The fund balance of the Town's general fund decreased by \$242,218 during the current fiscal year. Key factors in this change were increased weather related activities and transfers to the general capital projects fund.

The general capital projects fund decreased \$956,637 due to various bond funded capital projects such as the Alexander Black House and the land purchase for the new Rescue Squad.

The urban construction fund decreased \$3,460,237 which reflects expenditures for various intersection, road, and sidewalk projects with state funds that were received in a prior year. The largest of these projects relate to the Givens/Progress Lane improvements.

The equipment replacement capital projects fund increased by \$123,427 which reflects annual transfers into the fund from user funds.

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

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

(Continued)

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

Unrestricted net position of the water and sewer, transit system and solid waste and recycling funds at the end of the year amounted to \$1,686,704, \$4,198,523, and \$949,502 respectively. The total increase in net position was \$3,452,756. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town’s business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget totaled \$248,061. Increase in appropriations can be briefly summarized as follows:

- \$248,061 in various departments for the reappropriation of prior year encumbrances.

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

- Police was under budget due to controlled spending in the Police Services Division.
- Financial services and Executive were under budget due to controlled spending.
- Business license taxes and permits and fees were over budget due to better economic conditions.
- Intergovernmental revenue was over budget due to timing of grant funding.
- Fines and forfeitures were under budget due to decreases in parking ticket violations.
- Charges for services were under budget due to golf course sales and parking revenue.
- Investment earnings were under budget due to a decrease in investment balances.

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, 2014, amounts to \$101,565,407 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, roads, highways, and bridges. The total increase in the Town’s investment in capital assets for the current fiscal year was approximately 9 percent for governmental activities and business-type activities.

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

- Infrastructure projects funded by the Urban Construction Initiative and Revenue Sharing Programs totaling over \$4,600,000 for the College Avenue Promenade, Progress Street Improvements, Plantation and Prices Fork Road Improvements, and the Turner Streetscape Design.
- Renovation of the Alexander Black House for \$1,426,197.
- Purchase of land for the new Volunteer Rescue Squad for \$825,000.
- Purchase of nine buses for \$4,092,710 in the Transit fund with federal capital grant funds.
- Upgrading of the Givens Pump Station and the High Water System Improvements for \$576,079, and \$453,039, respectively, both in the Water and Sewer fund.

(Continued)

The Town's Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 8,539,684	\$ 9,134,493	\$ 213,314	\$ 213,314	\$ 8,752,998	\$ 9,347,807
Buildings and improvements	11,765,855	12,174,260	3,912,788	4,071,534	15,678,643	16,245,794
Water system – plant	-	-	4,633,373	3,980,710	4,633,373	3,980,710
Sewer system – plant	-	-	7,143,799	7,035,378	7,143,799	7,035,378
Infrastructure	27,662,389	22,424,389	-	-	27,662,389	22,424,389
Machinery and equipment	5,581,037	5,536,838	17,090,026	15,030,671	22,671,063	20,567,509
Construction in progress	13,233,680	11,707,512	1,789,462	1,847,108	15,023,142	13,554,620
Total	\$ 66,782,645	\$ 60,977,492	\$ 34,782,762	\$ 32,178,715	\$ 101,565,407	\$ 93,156,207

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

Long-term debt – At the end of the current fiscal year, the Town had total bonded debt outstanding of \$22,866,069, all of which is backed by the full faith and credit of the government.

The Town's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 16,471,607	\$ 17,953,095	\$ 6,256,391	\$ 6,902,903	\$ 22,727,998	\$ 24,855,998
Capital lease obligations	138,071	191,775	-	-	138,071	191,775
	\$ 16,609,678	\$ 18,144,870	\$ 6,256,391	\$ 6,902,903	\$ 22,866,069	\$ 25,047,773

The Town's total debt decreased by \$1,535,192 (8.5 percent) during the current fiscal year due to scheduled principal payments made throughout the fiscal year.

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

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County (it is unavailable for the Town) is currently 6.3 percent, which has remained steady from a year ago. This compares to the state's average unemployment rate of 5.6 percent and the national average rate of 5.9 percent.
- Inflationary trends in the region compare favorably to national indices.
- Fiscal year 2015 is a reassessment year and property values have increased.
- Water and Sewer rates are expected to increase to cover operational costs.
- No increase in tax rates have been planned.

All of these factors were considered in preparing the Town's budget for the 2015 fiscal year.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

EXHIBIT 1**TOWN OF BLACKSBURG, VIRGINIA****STATEMENT OF NET POSITION****June 30, 2014**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents (Note 2)	\$ 5,893,509	\$ 3,806,643	\$ 9,700,152
Investments (Note 2)	4,186,631	2,380,543	6,567,174
Receivables, net (Note 3)	1,219,689	1,409,806	2,629,495
Due from other governmental units (Note 5)	1,523,044	1,058,233	2,581,277
Inventories	425,287	938,258	1,363,545
Restricted assets:			
Cash and cash equivalents (Note 2)	4,545,766	349,621	4,895,387
Capital assets: (Note 6)			
Land and construction in progress	21,773,364	2,002,776	23,776,140
Other capital assets, net	45,009,281	32,779,986	77,789,267
Total assets	<u>\$ 84,576,571</u>	<u>\$ 44,725,866</u>	<u>\$ 129,302,437</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 1,683,161	\$ 1,797,350	\$ 3,480,511
Accrued payroll and related liabilities	852,664	92,526	945,190
Accrued interest payable	183,475	68,537	252,012
Public improvement and other deposits	240,055	215,193	455,248
Long-term liabilities:			
Due within one year (Note 7)	1,712,892	818,097	2,530,989
Due in more than one year (Note 7)	17,023,739	5,848,684	22,872,423
Total liabilities	<u>21,695,986</u>	<u>8,840,387</u>	<u>30,536,373</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes and grants (Note 3)	22,023	37,001	59,024
Total deferred inflows of resources	<u>22,023</u>	<u>37,001</u>	<u>59,024</u>
NET POSITION			
Net investment in capital assets	52,856,050	29,013,749	81,869,799
Restricted for:			
Capital outlay	1,999,902	-	1,999,902
Unrestricted	8,002,610	6,834,729	14,837,339
Total net position	<u>\$ 62,858,562</u>	<u>\$ 35,848,478</u>	<u>\$ 98,707,040</u>

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

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Governmental activities:						
Legislative	\$ 270,763	\$ -	\$ -	\$ -	\$ (270,763)	\$ -
Executive	2,256,772	279,921	-	433,499	(1,543,352)	-
Legal	331,616	26,276	-	-	(305,340)	-
Financial services	1,600,576	551,207	-	-	(1,049,369)	-
Technology	626,438	-	-	-	(626,438)	-
Police	7,691,501	272,632	1,022,658	-	(6,396,211)	-
Fire and rescue	1,278,687	237,955	-	249,556	(791,176)	-
Public works	7,680,338	1,633,230	3,050,241	-	(2,996,867)	-
Recreation	2,370,603	586,553	-	-	(1,784,050)	-
Engineering and GIS	1,793,233	1,113,560	-	2,337,216	1,657,543	-
Planning and building	1,231,734	-	-	-	(1,231,734)	-
CDBG entitlement	402,360	-	-	399,360	(3,000)	-
HOME consortium	672,216	-	-	662,216	(10,000)	-
Interest on long-term debt	552,382	-	-	-	(552,382)	-
Unallocated depreciation	1,258,229	-	-	-	(1,258,229)	-
Total governmental activities	30,017,448	4,701,334	4,072,899	4,081,847	(17,161,368)	-
Business-type activities:						
Water and sewer	9,344,964	9,558,396	-	259,502	-	472,934
Transit system	10,003,945	3,898,564	3,177,607	5,816,649	-	2,888,875
Solid waste and recycling	1,671,055	1,735,237	17,017	-	-	81,199
Total business-type activities	21,019,964	15,192,197	3,194,624	6,076,151	-	3,443,008
Total	\$ 51,037,412	\$ 19,893,531	\$ 7,267,523	\$ 10,157,998	(17,161,368)	(13,718,360)
General revenues:						
Property taxes					5,624,078	-
Sales and use taxes					1,303,563	-
Meals taxes					4,646,794	-
Utility taxes					126,376	-
Franchise taxes					525,991	-
Other local taxes					3,724,748	-
Business license taxes					2,079,603	-
Intergovernmental revenue-unrestricted					19,911	-
Gain on sale of assets					35,427	75,283
Unrestricted investment earnings					178,730	57,799
Unrealized gains on investments					49,404	20,796
Other					982,527	115,321
Transfers (Note 4)					259,451	(259,451)
Total general revenues and transfers					19,556,603	9,748
Change in net position					2,395,235	5,847,991
Net position at July 1					60,463,327	32,395,722
Net position at June 30					\$ 62,858,562	\$ 35,848,478

TOWN OF BLACKSBURG, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Urban Construction	Capital Projects		Debt Service	Nonmajor Funds	Total Governmental Funds
			General Capital Projects	Equipment Replacement			
ASSETS							
Cash and cash equivalents	\$ 2,437,117	\$ -	\$ 616,371	\$ 2,565,656	\$ -	\$ -	\$ 5,619,144
Cash and cash equivalents, restricted	-	1,999,902	2,545,864	-	-	-	4,545,766
Investments	2,012,170	-	85,841	2,088,620	-	-	4,186,631
Receivables, net	1,125,818	-	33,166	60,633	-	72	1,219,689
Due from other funds	172,770	-	-	-	-	-	172,770
Due from other governmental units	735,271	-	552,559	-	-	235,214	1,523,044
Inventories	254,012	-	-	-	-	-	254,012
Total assets	<u>\$ 6,737,158</u>	<u>\$ 1,999,902</u>	<u>\$ 3,833,801</u>	<u>\$ 4,714,909</u>	<u>\$ -</u>	<u>\$ 235,286</u>	<u>\$ 17,521,056</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 344,516	\$ 715,929	\$ 523,996	\$ -	\$ -	\$ 58,800	\$ 1,643,241
Accrued payroll and related liabilities	843,980	-	-	-	-	2,747	846,727
Public improvement and other deposits	240,055	-	-	-	-	-	240,055
Due to other funds	-	-	-	-	-	172,770	172,770
Compensated absences	188,193	-	-	-	-	-	188,193
Total liabilities	<u>1,616,744</u>	<u>715,929</u>	<u>523,996</u>	<u>-</u>	<u>-</u>	<u>234,317</u>	<u>3,090,986</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable/unearned revenue	516,332	-	-	-	-	969	517,301
Total deferred inflows of resources	<u>516,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>969</u>	<u>517,301</u>
FUND BALANCES							
Nonspendable	254,012	-	-	-	-	-	254,012
Restricted	-	1,999,902	-	-	-	-	1,999,902
Committed	362,950	788,519	1,515,461	113,121	-	888,630	3,668,681
Assigned	-	-	1,794,344	4,601,788	-	-	6,396,132
Unassigned	3,987,120	(1,504,448)	-	-	-	(888,630)	1,594,042
Total fund balances	<u>4,604,082</u>	<u>1,283,973</u>	<u>3,309,805</u>	<u>4,714,909</u>	<u>-</u>	<u>-</u>	<u>13,912,769</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,737,158</u>	<u>\$ 1,999,902</u>	<u>\$ 3,833,801</u>	<u>\$ 4,714,909</u>	<u>\$ -</u>	<u>\$ 235,286</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	66,645,168
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	495,278
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and capital lease payable	(16,609,678)
Accrued interest payable	(183,475)
Compensated absences	(1,617,277)
OPEB liability	(412,064)
Deferred amounts	137,219
The internal service fund is used by management to charge the costs of the central garage. Its assets and liabilities are included in the governmental activities' statements of net position.	490,622
Net position of governmental activities	<u>\$ 62,858,562</u>

TOWN OF BLACKSBURG, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

			Capital Projects				Total
	General	Urban Construction	General Capital Projects	Equipment Replacement	Debt Service	Nonmajor Funds	Governmental Funds
REVENUES							
General property taxes	\$ 5,669,336	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,669,336
Other local taxes	10,310,447	-	-	-	-	-	10,310,447
Business license taxes	2,066,823	-	-	-	-	-	2,066,823
Permits and fees	521,037	-	-	-	-	-	521,037
Intergovernmental	4,386,406	-	2,169,797	-	-	1,061,576	7,617,779
Charges for services	2,994,939	-	-	-	-	-	2,994,939
Fines and forfeitures	236,673	-	-	-	-	-	236,673
Unrealized gain on investments	32,203	-	-	17,201	-	-	49,404
Investment earnings	112,883	3,253	-	62,594	-	-	178,730
Other	607,722	-	438,895	-	-	13,000	1,059,617
Total revenues	<u>26,938,469</u>	<u>3,253</u>	<u>2,608,692</u>	<u>79,795</u>	<u>-</u>	<u>1,074,576</u>	<u>30,704,785</u>
EXPENDITURES							
Current:							
Legislative	269,326	-	-	-	-	-	269,326
Executive	2,150,690	-	-	-	-	-	2,150,690
Legal	330,220	-	-	-	-	-	330,220
Financial services	1,566,972	-	-	-	-	-	1,566,972
Technology	503,267	-	-	-	-	-	503,267
Police	7,142,942	-	-	-	-	-	7,142,942
Fire and rescue	957,011	-	-	-	-	-	957,011
Public works	5,438,879	-	-	-	-	-	5,438,879
Recreation	2,065,887	-	-	-	-	-	2,065,887
Engineering and GIS	1,305,479	-	-	-	-	-	1,305,479
Planning and building	941,661	-	-	-	-	-	941,661
CDBG Entitlement	-	-	-	-	-	402,360	402,360
HOME Consortium	-	-	-	-	-	672,216	672,216
Capital outlays	-	3,463,490	5,832,010	1,128,043	-	-	10,423,543
Debt service:							
Principal retirement	-	-	-	-	1,535,192	-	1,535,192
Interest and fiscal charges	-	-	-	-	539,668	-	539,668
Total expenditures	<u>22,672,334</u>	<u>3,463,490</u>	<u>5,832,010</u>	<u>1,128,043</u>	<u>2,074,860</u>	<u>1,074,576</u>	<u>36,245,313</u>
Excess (deficiency) of revenues over expenditures	<u>4,266,135</u>	<u>(3,460,237)</u>	<u>(3,223,318)</u>	<u>(1,048,248)</u>	<u>(2,074,860)</u>	<u>-</u>	<u>(5,540,528)</u>
OTHER FINANCING SOURCES (USES)							
Sale of general capital assets	94,711	-	750,000	-	-	-	844,711
Transfers in	-	-	1,516,681	1,270,974	2,074,860	-	4,862,515
Transfers out	(4,603,064)	-	-	(99,299)	-	-	(4,702,363)
Total other financing sources (uses)	<u>(4,508,353)</u>	<u>-</u>	<u>2,266,681</u>	<u>1,171,675</u>	<u>2,074,860</u>	<u>-</u>	<u>1,004,863</u>
Net change in fund balance	<u>(242,218)</u>	<u>(3,460,237)</u>	<u>(956,637)</u>	<u>123,427</u>	<u>-</u>	<u>-</u>	<u>(4,535,665)</u>
FUND BALANCES AT JULY 1	<u>4,846,300</u>	<u>4,744,210</u>	<u>4,266,442</u>	<u>4,591,482</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES AT JUNE 30	<u>\$ 4,604,082</u>	<u>\$ 1,283,973</u>	<u>\$ 3,309,805</u>	<u>\$ 4,714,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

Net changes in fund balances	(4,535,665)
Adjustments for the statement of activities:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation exceeded new capital assets in the current period.	
Capital outlay	9,620,104
Depreciation expense	(3,081,341)
Disposal of assets	(809,284)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(15,453)
Changes in long-term assets reported as expenditures in the governmental funds in prior years.	(294,882)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatments of long-term debt and related items.	
Principal repayment	1,535,192
Amortization of deferred costs	(23,557)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest payable	10,843
Change in compensated absences	(124,614)
Change in OPEB liability	(13,932)
The internal service fund is used by management to change the costs of the central garage. The change in net position of internal service funds is reported with governmental activities.	127,824
Change in net position of governmental activities	<u><u>\$ 2,395,235</u></u>

TOWN OF BLACKSBURG, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND (Non-GAAP Budgetary Basis)
Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 5,634,900	\$ 5,634,900	\$ 5,669,336	\$ 34,436
Other local taxes	10,342,300	10,342,300	10,310,447	(31,853)
Business license taxes	1,848,000	1,848,000	2,066,823	218,823
Permits and fees	296,800	296,800	521,037	224,237
Intergovernmental	4,137,300	4,137,300	4,386,406	249,106
Charges for services	3,100,300	3,100,300	2,994,939	(105,361)
Fines and forfeitures	387,000	387,000	236,673	(150,327)
Unrealized losses on investments	-	-	32,203	32,203
Investment earnings	213,800	213,800	112,883	(100,917)
Other	620,000	620,000	607,722	(12,278)
Total revenues	26,580,400	26,580,400	26,938,469	358,069
EXPENDITURES				
Current:				
Legislative	279,950	279,950	269,326	10,624
Executive	2,135,848	2,313,428	2,200,272	113,156
Legal	331,212	352,462	351,210	1,252
Financial services	1,681,993	1,695,988	1,580,967	115,021
Technology	514,971	517,609	517,609	-
Police	7,688,138	7,652,889	7,225,086	427,803
Fire and rescue	941,039	1,022,501	985,060	37,441
Public works	5,667,985	5,689,163	5,589,578	99,585
Recreation	2,141,738	2,157,098	2,065,887	91,211
Engineering and GIS	1,326,203	1,341,183	1,308,628	32,555
Planning and building	991,263	991,364	941,661	49,703
Contingency	73,269	8,035	-	8,035
Total expenditures	23,773,609	24,021,670	23,035,284	986,386
Excess of revenues over expenditures	2,806,791	2,558,730	3,903,185	1,344,455
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,668,541)	(4,668,541)	(4,603,064)	65,477
Sale of general capital assets	80,000	80,000	94,711	14,711
Prior year re-appropriations	1,781,750	1,781,750	-	(1,781,750)
Total other financing sources (uses)	(2,806,791)	(2,806,791)	(4,508,353)	(1,701,562)
Net change in fund balance	\$ -	\$ (248,061)	\$ (605,168)	\$ (357,107)

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

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2014

	Business-type Activities – Enterprise Funds				Governmental Activities – Internal Service Fund
	Water and Sewer	Transit System	Solid Waste and Recycling	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,525,912	\$ 1,405,518	\$ 875,213	\$ 3,806,643	\$ 274,365
Cash and investments, restricted	349,621	-	-	349,621	-
Investments	1,236,663	1,143,880	-	2,380,543	-
Receivables, net	947,683	255,546	206,577	1,409,806	-
Due from other governmental units	-	1,058,233	-	1,058,233	-
Inventories	-	938,258	-	938,258	171,275
Total current assets	4,059,879	4,801,435	1,081,790	9,943,104	445,640
Noncurrent assets:					
Land and construction in progress	1,647,071	355,705	-	2,002,776	-
Other capital assets, net	12,826,252	19,801,954	151,780	32,779,986	137,477
Total noncurrent assets	14,473,323	20,157,659	151,780	34,782,762	137,477
Total assets	\$ 18,533,202	\$ 24,959,094	\$ 1,233,570	\$ 44,725,866	\$ 583,117
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 1,441,305	\$ 245,941	\$ 110,104	\$ 1,797,350	\$ 39,920
Accrued payroll and related liabilities	24,923	65,845	1,758	92,526	5,937
Accrued interest payable	68,537	-	-	68,537	-
Customer deposits	215,193	-	-	215,193	-
Compensated absences	47,661	101,892	4,333	153,886	10,832
Bonds payable	664,211	-	-	664,211	-
Total current liabilities	2,461,830	413,678	116,195	2,991,703	56,689
Noncurrent liabilities:					
Compensated absences	186,683	100,168	5,070	291,921	25,293
Other post-employment benefits	39,252	59,066	4,022	102,340	10,513
Bonds and leases payable	5,454,423	-	-	5,454,423	-
Total noncurrent liabilities	5,680,358	159,234	9,092	5,848,684	35,806
Total liabilities	8,142,188	572,912	125,287	8,840,387	92,495
DEFERRED INFLOWS OF RESOURCES					
Unearned grants	-	30,000	7,001	37,001	-
Total deferred inflows of resources	-	30,000	7,001	37,001	-
NET POSITION					
Net investment in capital assets	8,704,310	20,157,659	151,780	29,013,749	137,477
Unrestricted	1,686,704	4,198,523	949,502	6,834,729	353,145
Total net position	\$ 10,391,014	\$ 24,356,182	\$ 1,101,282	\$ 35,848,478	\$ 490,622

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

TOWN OF BLACKSBURG, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014**

	Business-type Activities – Enterprise Funds				Governmental Activities – Internal Service Fund
	Water and Sewer	Transit System	Solid Waste and Recycling	Total	
OPERATING REVENUES					
Charges for services	\$ 8,573,721	\$ 3,898,564	\$ 1,735,237	\$ 14,207,522	\$ 1,293,594
Availability and transfer fees	765,235	-	-	765,235	-
Meter installation	145,874	-	-	145,874	-
Connection fees	73,566	-	-	73,566	-
Other	112,984	2,261	76	115,321	-
Total operating revenues	<u>9,671,380</u>	<u>3,900,825</u>	<u>1,735,313</u>	<u>15,307,518</u>	<u>1,293,594</u>
OPERATING EXPENSES					
Personal services	1,512,028	4,172,430	103,104	5,787,562	354,291
Contractual services	5,003,294	813,437	1,265,914	7,082,645	94,589
Administration	1,266,064	393,800	201,510	1,861,374	47,989
Depreciation	918,456	2,437,072	23,119	3,378,647	41,171
Other	454,740	2,187,206	77,408	2,719,354	738,529
Total operating expenses	<u>9,154,582</u>	<u>10,003,945</u>	<u>1,671,055</u>	<u>20,829,582</u>	<u>1,276,569</u>
Operating income (loss)	<u>516,798</u>	<u>(6,103,120)</u>	<u>64,258</u>	<u>(5,522,064)</u>	<u>17,025</u>
NONOPERATING REVENUES (EXPENSES)					
Gain on disposal of capital assets	4,610	70,673	-	75,283	11,500
Intergovernmental revenue	-	3,177,607	17,017	3,194,624	-
Unrealized gains on investments	4,914	15,882	-	20,796	-
Interest income	7,868	49,931	-	57,799	-
Interest expense	(190,382)	-	-	(190,382)	-
Net nonoperating revenues (expenses)	<u>(172,990)</u>	<u>3,314,093</u>	<u>17,017</u>	<u>3,158,120</u>	<u>11,500</u>
Income (loss) before contributions and transfers	343,808	(2,789,027)	81,275	(2,363,944)	28,525
CAPITAL CONTRIBUTIONS	259,502	5,816,649	-	6,076,151	-
TRANSFERS IN	-	-	-	-	99,299
TRANSFERS OUT	<u>(214,784)</u>	<u>-</u>	<u>(44,667)</u>	<u>(259,451)</u>	<u>-</u>
Change in net position	388,526	3,027,622	36,608	3,452,756	127,824
NET POSITION AT JULY 1	<u>10,002,488</u>	<u>21,328,560</u>	<u>1,064,674</u>	<u>32,395,722</u>	<u>362,798</u>
NET POSITION AT JUNE 30	<u>\$ 10,391,014</u>	<u>\$ 24,356,182</u>	<u>\$ 1,101,282</u>	<u>\$ 35,848,478</u>	<u>\$ 490,622</u>

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

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Business-type Activities – Enterprise Funds				Governmental Activities – Internal Service Fund
	Water and Sewer	Transit System	Solid Waste and Recycling	Total	
OPERATING ACTIVITIES					
Receipts from customers	\$ 9,587,392	\$ 3,924,716	\$ 1,735,487	\$ 15,247,595	\$ 1,293,594
Payments to suppliers	(6,675,156)	(3,494,433)	(1,574,065)	(11,743,654)	(869,692)
Payments to employees	(1,539,097)	(4,138,095)	(100,721)	(5,777,913)	(349,366)
Other receipts	112,984	2,261	76	115,321	-
Net cash provided by (used in) operating activities	1,486,123	(3,705,551)	60,777	(2,158,651)	74,536
NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	(214,784)	-	(44,667)	(259,451)	-
Operating assistance grants received	-	3,967,647	17,017	3,984,664	-
Interfund borrowing (repayments)	1,270,000	(801,048)	-	468,952	-
Net cash provided by (used in) noncapital financing activities	1,055,216	3,166,599	(27,650)	4,194,165	-
CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(1,260,043)	(4,524,378)	(36,785)	(5,821,206)	(6,046)
Proceeds from sale of capital assets	8,800	70,673	-	79,473	-
Contribution of capital by other governments	-	7,476,242	-	7,476,242	-
Principal paid on capital debt	(646,512)	-	-	(646,512)	-
Interest paid on capital debt	(177,942)	-	-	(177,942)	-
Net cash provided by (used in) capital and related financing activities	(2,075,697)	3,022,537	(36,785)	910,055	(6,046)
INVESTING ACTIVITIES					
Net sale (purchases) of investments	460,901	(1,127,998)	-	(667,097)	-
Interest received	7,868	49,931	-	57,799	-
Net cash provided by (used in) investing activities	468,769	(1,078,067)	-	(609,298)	-
Net (decrease) increase in cash and cash equivalents	934,411	1,405,518	(3,658)	2,336,271	68,490
CASH AND CASH EQUIVALENTS					
Beginning at July 1	941,122	-	878,871	1,819,993	205,875
Ending at June 30	\$ 1,875,533	\$ 1,405,518	\$ 875,213	\$ 4,156,264	\$ 274,365
RECONCILIATION TO STATEMENT OF NET POSITION:					
Cash and cash equivalents	\$ 1,525,912	\$ 1,405,518	\$ 875,213	\$ 3,806,643	\$ 274,365
Cash and cash equivalents, restricted	349,621	-	-	349,621	-
	\$ 1,875,533	\$ 1,405,518	\$ 875,213	\$ 4,156,264	\$ 274,365

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

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Business-type Activities – Enterprise Funds				Governmental Activities – Internal Service Fund
	Water and Sewer	Transit System	Solid Waste and Recycling	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN)					
OPERATING ACTIVITIES					
Operating income (loss)	\$ 516,798	\$ (6,103,120)	\$ 64,258	\$ (5,522,064)	\$ 17,025
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	918,456	2,437,072	23,119	3,378,647	41,171
Change in assets and liabilities					
(Increase) decrease in:					
Receivable, net	15,486	(3,848)	(1,086)	10,552	-
Inventories	-	(223,876)	-	(223,876)	(1,476)
(Decrease) increase in:					
Accounts payable and accrued liabilities	48,942	123,886	(29,233)	143,595	12,891
Accrued payroll and related liabilities	(27,069)	34,335	2,383	9,649	4,925
Unearned revenue	-	30,000	1,336	31,336	-
Customer deposits	13,510	-	-	13,510	-
Net cash provided by (used in) operating activities	<u>\$ 1,486,123</u>	<u>\$ (3,705,551)</u>	<u>\$ 60,777</u>	<u>\$ (2,158,651)</u>	<u>\$ 74,536</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital asset purchases financed by accounts payable	<u>\$ 172,248</u>	<u>\$ 36,663</u>	<u>\$ -</u>	<u>\$ 208,911</u>	<u>\$ -</u>
Capital contributions received	<u>\$ 259,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,502</u>	<u>\$ -</u>
Decrease in due from other governmental units for capital and operating grants	<u>\$ -</u>	<u>\$ 2,449,653</u>	<u>\$ -</u>	<u>\$ 2,449,653</u>	<u>\$ -</u>

(Continued)

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

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS

June 30, 2014

	Agency Funds
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 451,736
	<hr/>
Total assets	<u>\$ 451,736</u>
LIABILITIES	
Liability to agency	\$ 451,736
	<hr/>
Total liabilities	<u>\$ 451,736</u>

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

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

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

The following entities are excluded from the accompanying financial statements:

Jointly Governed Organizations:

NRV Regional Water Authority

The Blacksburg-Christiansburg-VPI Water Authority was created by a concurrent resolution of the Town and other participating governing bodies. The Authority operates and maintains a water supply system for the Town, Virginia Tech, Montgomery County, and the Town of Christiansburg. Each governing body appoints one member of the five-member board of directors. Two at-large members are appointed by joint resolution of each of the member localities. All indebtedness is payable solely from the revenues of the water system. Although the Town is one of the Authority’s customers, the Town has no obligation for any of its indebtedness. During fiscal year 2014, the Town paid \$1,780,479 to the Authority for purchases of water.

Montgomery Regional Solid Waste Authority

The Town is a member of the Montgomery Regional Solid Waste Authority, which was created by a joint resolution on December 14, 1994 by the Towns of Blacksburg and Christiansburg, Montgomery County, and Virginia Tech. The Authority is governed by a five-member board whereby the governing body of each member jurisdiction appoints one board member, and all jurisdictions jointly appoint a fifth member. The Authority, which began operation in August 1995, operates a sanitary landfill and recycling facility. Each jurisdiction provides collection of solid waste and recyclables from within its jurisdiction and delivers the collected materials to the Authority for disposal of waste in the landfill, and processing and marketing of the recyclables. All Authority operations are financed by tipping fees and the individual jurisdictions are not liable for the debt of the Authority. The Town paid \$230,049 in tipping fees during fiscal year 2014.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Jointly Governed Organizations: (Continued)

Blacksburg-VPI Sanitation Authority

The Blacksburg-VPI Sanitation Authority was created by a concurrent resolution of the Town and Virginia Tech. The Authority operates and maintains a wastewater treatment system for the Town and Virginia Tech. The five-member board of directors consists of one member appointed by each governing body. Three at-large members are appointed by joint resolution. All indebtedness of the Authority is payable solely from its revenues and is not an obligation of the Town. During fiscal year 2014, the Town paid \$2,403,247 to the Authority for purchase of wastewater treatment services.

Virginia Tech-Montgomery Regional Airport Authority

The Virginia Tech-Montgomery Regional Airport Authority (the "Airport Authority") was created by concurrent resolutions of the governing bodies of the Towns of Blacksburg and Christiansburg, Montgomery County, and Virginia Tech. The Authority is governed by a five-member board whereby the governing body of each member jurisdiction appoints one board member, and all jurisdictions jointly appoint a fifth member. The Airport Authority utilizes revenues generated by the airport and contributions by the members to fund all airport activities. The Airport Authority has bonded indebtedness. All indebtedness of the Airport Authority is payable solely from its revenues and is not an obligation of the Town. During fiscal year 2014, the Town paid \$50,000 toward the operations of the airport.

Blacksburg/Christiansburg/Montgomery Area Metropolitan Planning Organization

The Town is a member of the Blacksburg/Christiansburg/Montgomery Area Metropolitan Planning Organization (the "MPO"). The MPO is a transportation policy-making organization serving the Blacksburg, Christiansburg, and Montgomery County area. The MPO provides the information, tools, and public input necessary to improve the performance of the transportation system of the region. Future transportation needs are addressed, giving consideration to all possible strategies and the community's vision. The Town has three members within this organization, two of which are voting members that are appointed by Town Council. During fiscal year 2014, the Town paid \$5,576 toward operations of the MPO.

Montgomery Regional Tourism Board

The Town is a member of the Montgomery Regional Tourism Board (the "MRTB"). The MRTB functions as a joint tourism agency that serves the County of Montgomery and the Towns of Blacksburg and Christiansburg to promote tourism in the region. Per the operating agreement, the board consists of the County Administrator and both Town Managers. Funding for tourism expenditures are based on the amount of funding received from hotel occupancy taxes. The Town pays 1% of the 7% transient lodging tax collections to the MRTB less 15% of this amount for the Town's own tourism efforts. During fiscal year 2014, the Town paid \$127,034 to the MRTB.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Jointly Governed Organizations: (Continued)

New River Valley Emergency Communications Regional Authority

The Town is a member of the New River Valley Emergency Communications Regional Authority (the "Communications Authority"). The Communications Authority is a regional partnership, serving the County of Montgomery, the Towns of Blacksburg and Christiansburg, and Virginia Tech. The Communications Authority provides 911 dispatch and emergency communication services to the community and agencies in these localities. The Communications Authority is governed by a five-member board whereby the governing body of each member jurisdiction appoints one board member, and all jurisdictions jointly appoint a fifth member. During fiscal year 2014, the Town paid \$156,525 toward operations of the Communications Authority.

B. Government-Wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. However, agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

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

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

The Town reports the following major proprietary funds:

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

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

Additionally, the Town reports the following fund types:

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

The *agency funds* are used to account for monies held by the Town as an agent or custodian for others. These funds consist of the New River Valley Alcohol Safety Action Program and the Virginia Tech/Montgomery Regional Airport Authority.

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

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

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

D. Budgets and Budgetary Accounting

The budget for the General Fund is adopted and maintained on the modified accrual basis adjusted for encumbrances. The original budget and budget revisions during the fiscal year are authorized at the departmental level by Town Council. The Town Manager has the authority to transfer amounts within departments, as long as the total appropriation for the department is not adjusted. The Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual (Non-GAAP Budgetary Basis) – General Fund reflects these revisions, if any. All appropriations lapse at year end to the extent they have not been expended or lawfully encumbered. An appropriation equal to year end encumbrances is authorized in the succeeding year.

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

	<u>General Fund</u>
Net change in fund balance (non-GAAP budgetary basis)	\$ (605,168)
Encumbrances at June 30, 2014	<u>362,950</u>
Net change in fund balance (GAAP basis)	<u><u>\$ (242,218)</u></u>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents

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

F. Investments

Investments are stated at fair value.

G. Allowance for Uncollectible Accounts

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

H. Inventories

Inventories are stated at cost (first-in, first-out) or market for enterprise and internal service funds and at cost for the general fund. Inventories consist of parts and materials held for consumption, which are recorded as an expenditure or expense when used.

I. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest expense was capitalized during the current year.

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

Buildings and improvements	20-40 years
Machinery and equipment	3-20 years
Water and sewer systems	30 years
Infrastructure	15-40 years

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

J. Deferred Inflows of Resources

In addition to liabilities, the statements that present financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two items reported as deferred inflows of resources. One item occurs only under a modified accrual basis of accounting. The item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 45 days of year-end and property taxes levied to fund future years. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other deferred inflow represents tax collections or governmental grants received before the period in which they are eligible for use.

K. Compensated Absences

The Town has policies which allow for the accumulation and vesting of limited amounts of vacation, compensatory, and sick leave until termination or retirement. Outstanding vacation and compensatory time is payable upon termination of employment. The amount of vacation leave payable is dependent on length of service and limited to a certain amount of hours. Sick leave is payable only upon retirement and may not exceed 50% for all sick leave accrued and shall not exceed a total of 720 hours. Sick leave is only accrued upon the announcement of an employee's retirement. Amounts for vacation and compensatory time are accrued when incurred in the government-wide, proprietary, and fiduciary statements. A liability for these amounts is reported in the governmental funds when the amounts are due for payment.

L. Other Post-employment Benefit Trust Fund

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

M. Long-Term Obligations

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

M. Long-Term Obligations (Continued)

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

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

Council establishes fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. Assigned fund balance is established by Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

Restricted Amounts

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

N. Fund Balances (Continued)

Minimum Fund Balance Policy

The General Fund undesignated fund balance is targeted at no less than 10% of operating expenditures exclusive of capital improvements. However, the Town will strive to increase the level to a target of 15% of operating expenditures exclusive of capital improvements by fiscal year 2016.

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances outstanding as of June 30 total \$362,950 in the general fund, \$2,417,101 in the capital projects fund, and \$888,630 in nonmajor governmental funds. Encumbrances outstanding at the end of the year are reappropriated as part of subsequent year's budget.

O. Estimates

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

Note 2. Deposits and Investments

Deposits

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 2. Deposits and Investments (Continued)

Investments

Investment Policy:

In accordance with the *Code* and other applicable law, including regulations, the Town's Investment Policy (Policy) permits investments in Treasury Securities, agency securities, prime quality commercial paper, certificates of deposit maturing within one year and issued by domestic banks, banker's acceptances, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements, open-end investments, the Virginia State Non-Arbitrage Program (SNAP) or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool). Pursuant to Sec. 2.1-234.7 of the *Code*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the fair value of the position in LGIP and SNAP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share).

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

Credit Risk:

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

The Town's investments in LGIP and SNAP are rated AAAM by Standard and Poor's and represent 47% of the Town's investment. Most of the Town's certificates of deposit are under \$250,000 and are secured by FDIC.

Concentration of Credit Risk:

The intent of the Policy is for the Town to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity; accordingly, the Policy places certain limits on the amount the Town may invest in any one issuer. The portions of the Town's portfolio that exceed 5% of the total portfolio at June 30, 2014 are shown in the table below under Interest Rate Risk.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Custodial Credit Risk:

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

Interest Rate Risk:

As of June 30, the fair values and weighted average maturity of investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity*	Percentage of Portfolio
SNAP	\$ 2,580,779	1	21.43%
LGIP	3,039,318	1	25.24%
Certificates of deposit	<u>6,423,193</u>	3,067	<u>53.33%</u>
Total investments	<u>\$ 12,043,290</u>		<u>100.00%</u>
Portfolio weighted average maturity			
*Weighted average maturity in days			

Investments	\$ 12,043,290
Deposits	<u>9,119,423</u>
Total deposits and investments	<u>\$ 21,162,713</u>
Reconciliation of deposits and investments to Exhibit 1:	
Cash and cash equivalents	\$ 9,700,152
Cash and cash equivalents, restricted	4,895,387
Investments	<u>6,567,174</u>
Total deposits and investments	<u>\$ 21,162,713</u>

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 3. Receivables, Net

Receivables are as follows:

	Governmental Activities				Business-Type Activities		
	General	Capital Projects	Equipment Replacement	Non-Major	Water and Sewer	Transit System	Solid Waste and Recycling
Receivables							
Interest	\$ 92,638	\$ -	\$ 60,633	\$ -	\$ 19,291	\$ 26,105	\$ -
Taxes	813,118	-	-	-	-	-	-
Developer fee (Note 15)	140,000	-	-	-	-	-	-
Accounts	109,238	33,166	-	72	930,674	230,541	207,529
	1,154,994	33,166	60,633	72	949,965	256,646	207,529
Less: allowance for uncollectibles	(29,176)	-	-	-	(2,282)	(1,100)	(952)
Receivables, net	<u>\$ 1,125,818</u>	<u>\$ 33,166</u>	<u>\$ 60,633</u>	<u>\$ 72</u>	<u>\$ 947,683</u>	<u>\$ 255,546</u>	<u>\$ 206,577</u>

Governmental funds report *deferred inflows-uneared revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental and proprietary funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, the components of *deferred inflows-unavailable/uneared revenue* reported in the governmental funds were as follows:

	Unavailable	Uneared	Total
Included in receivables:			
Delinquent property taxes	\$ 91,965	\$ -	\$ 91,965
Sales tax	105,149	-	105,149
Telecommunication tax	105,186	-	105,186
Meals tax and BPOL	192,978	-	173,101
Other	19,877	-	19,877
	<u>495,278</u>	<u>-</u>	<u>495,278</u>
Included in cash:			
Uneared grant funds	-	1,969	1,969
Subsequent years' tax collections	-	20,054	20,054
	<u>-</u>	<u>20,054</u>	<u>20,054</u>
Total deferred/uneared revenue for governmental funds	<u>\$ 495,278</u>	<u>\$ 22,023</u>	<u>\$ 517,301</u>

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Interfund Receivables, Payables, and Transfers

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	CDBG	\$ 12,857
General	HOME	<u>159,913</u>
		<u><u>\$ 172,770</u></u>

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

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

Interfund transfers are as follows:

	<u>Transfers In:</u>			
	<u>General Capital</u>	<u>Equipment Replacement</u>	<u>Equipment Operations</u>	<u>Debt Service</u>
Transfers out:				
General	\$ 1,516,681	\$ 1,011,523	\$ -	\$ 2,074,860
Equipment replacement	-	-	99,299	-
Solid waste and recycling	-	44,667	-	-
Water and sewer	-	214,784	-	-
Total	<u>\$ 1,516,681</u>	<u>\$ 1,270,974</u>	<u>\$ 99,299</u>	<u>\$ 2,074,860</u>
				<u>\$ 4,961,814</u>

The primary purposes of the transfers are as follows:

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 5. Due from Other Governmental Units

Amounts due from other governmental units are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Federal:		
Transit capital assistance grant	\$ -	\$ 80,599
Transit operational assistance grant		38,967
Transit TIGGER grant	-	180,115
Community Development Planning Entitlement Grant	43,189	-
HOME funding	192,025	-
Fire funds grant	20,238	-
Other Federal:		
Transit Grants	-	40,332
Commonwealth of Virginia:		
Transit Grants	-	718,220
Telecommunications tax	209,385	-
VDOT Revenue Sharing	394,454	-
VDOT Capital Projects	189,784	-
Other:		
Sales tax	218,144	-
Other – includes airport and VASAP	255,825	-
	<u><u>\$ 1,523,044</u></u>	<u><u>\$ 1,058,233</u></u>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Capital Assets

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 9,134,493	\$ 155,191	\$ (750,000)	\$ 8,539,684
Construction in progress	11,707,512	7,934,047	(6,407,879)	13,233,680
Total capital assets, not depreciated	20,842,005	8,089,238	(7,157,879)	21,773,364
Capital assets, depreciated				
Buildings and improvements	20,840,156	184,369	-	21,024,525
Infrastructure	33,446,770	6,496,229	-	39,942,999
Machinery and equipment	16,280,753	1,374,992	(829,375)	16,826,370
Total capital assets depreciated	70,567,679	8,055,590	(829,375)	77,793,894
Less accumulated depreciation for:				
Buildings and improvements	8,665,896	592,774	-	9,258,670
Infrastructure	11,022,381	1,258,229	-	12,280,610
Machinery and equipment	10,743,915	1,271,509	(770,091)	11,245,333
Total accumulated depreciation	30,432,192	3,122,512	(770,091)	32,784,613
Total capital assets, depreciated, net	40,135,487	4,933,078	(59,284)	45,009,281
Governmental activities, capital assets, net	<u>\$ 60,977,492</u>	<u>\$ 13,022,316</u>	<u>\$ (7,217,163)</u>	<u>\$ 66,782,645</u>
 Business-Type Activities				
Capital assets, not depreciated				
Land	\$ 213,314	\$ -	\$ -	\$ 213,314
Construction in progress	1,847,108	1,282,420	(1,340,066)	1,789,462
Total capital assets, not depreciated	2,060,422	1,282,420	(1,340,066)	2,002,776
Capital assets, depreciated				
Buildings and improvements	7,473,319	93,940	-	7,567,259
Water system-plant	10,474,498	905,674	-	11,380,172
Sewer system-plant	12,181,359	483,760	-	12,665,119
Machinery and equipment	30,117,653	4,561,156	(1,732,845)	32,945,964
Total capital assets depreciated	60,246,829	6,044,530	(1,732,845)	64,558,514
Less accumulated depreciation for:				
Buildings and improvements	3,401,785	252,686	-	3,654,471
Water system-plant	6,493,788	253,011	-	6,746,799
Sewer system-plant	5,145,981	375,339	-	5,521,320
Machinery and equipment	15,086,982	2,497,611	(1,728,655)	15,855,938
Total accumulated depreciation	30,128,536	3,378,647	(1,728,655)	31,778,528
Total capital assets, depreciated, net	30,118,293	2,665,883	(4,190)	32,779,986
Business-Type activities, capital assets, net	<u>\$ 32,178,715</u>	<u>\$ 3,948,303</u>	<u>\$ (1,344,256)</u>	<u>\$ 34,782,762</u>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Capital Assets (Continued)

The Virginia Department of Transportation (VDOT) and the Federal Transit Administration (FTA) have provided grants for certain Transit System capital assets which have a total net book value of \$20,086,417 as of June 30. The Town cannot dispose of these assets without prior approval from the grantors.

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Executive	\$ 31,356
Financial services	13,497
Technology	28,254
Police	487,756
Fire and rescue	345,466
Public works	615,415
Recreation	266,337
Planning and engineering	35,031
Unallocated depreciation	1,258,229
Internal service fund	41,171
	<u>\$ 3,122,512</u>
Business-type activities:	
Water and sewer	\$ 918,456
Transit system	2,437,072
Solid Waste and Recycling	23,119
	<u>\$ 3,378,647</u>

Construction Commitments

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

Project	Spent to Date	Remaining Commitment
Givens/Progress Lane	\$ 8,255,017	\$ 788,519
Grissom Affordable Housing	80,000	420,000
Turner Streetscape	840,345	808,080
Givens Pump Station	576,079	190,450
	<u>\$ 9,751,441</u>	<u>\$ 2,207,049</u>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 7. Long-Term Liabilities

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
General obligation bonds	\$ 17,953,095	\$ -	\$ 1,481,488	\$ 16,471,607	\$ 1,450,789
Net discounts/premiums	(160,776)	-	(23,557)	(137,219)	-
Total bonds payable	17,792,319	-	1,457,931	16,334,388	1,450,789
Capital lease	191,775	-	53,704	138,071	63,078
Compensated absences	1,675,390	1,273,988	1,107,783	1,841,595	199,025
Other post-employment benefits	408,375	338,137	323,935	422,577	-
	<u>\$ 20,067,859</u>	<u>\$ 1,612,125</u>	<u>\$ 2,943,353</u>	<u>\$ 18,736,631</u>	<u>\$ 1,712,892</u>
<u>Business-Type Activities:</u>					
General obligation bonds	\$ 6,902,903	\$ -	\$ 646,512	\$ 6,256,391	\$ 664,211
Net discounts/premiums	(154,835)	-	(17,078)	(137,757)	-
Total bonds payable	6,748,068	-	629,434	6,118,634	664,211
Compensated absences	453,625	348,706	356,524	445,807	153,886
Other post-employment benefits	99,044	81,765	78,469	102,340	-
	<u>\$ 7,300,737</u>	<u>\$ 430,471</u>	<u>\$ 1,064,427</u>	<u>\$ 6,666,781</u>	<u>\$ 818,097</u>

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

The gross amount of equipment acquired under the capital lease is \$294,017.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS June 30, 2014

Note 7. Long-Term Liabilities (Continued)

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

Year Ended June 30	Governmental Activities				Business-Type Activities	
	General Obligation Bonds		Capital Lease		General Obligations Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,450,789	\$ 430,434	\$ 63,078	\$ 4,561	\$ 664,211	\$ 160,737
2016	1,401,768	392,672	74,993	2,412	599,232	143,261
2017	1,426,085	356,844	-	-	615,915	126,729
2018	1,314,043	324,137	-	-	575,957	111,718
2019	1,334,751	292,658	-	-	590,249	97,163
2020-2024	5,421,808	1,008,110	-	-	2,538,192	277,809
2025-2029	3,062,363	403,343	-	-	672,635	33,782
2030-2032	1,060,000	45,173	-	-	-	-
	<u>\$ 16,471,607</u>	<u>\$ 3,253,371</u>	<u>\$ 138,071</u>	<u>\$ 7,063</u>	<u>\$ 6,256,391</u>	<u>\$ 951,199</u>

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Date	Amount of Original Issue	Governmental Activities	Business-type Activities
<u>General Obligation Bonds:</u>						
General Obligation Bonds	3.34	02-05	09-16	\$ 1,618,000	\$ 474,750	\$ 158,250
General Obligation Bonds	3.70-5.00	01-07	03-27	4,875,000	2,250,000	1,350,000
General Obligation Bonds	2.13	10-09	09-18	1,625,000	776,790	168,210
General Obligation Bonds	5.21	10-09	03-30	3,180,000	2,670,000	-
General Obligation Bonds	3.60	04-11	01-31	1,270,000	1,043,067	-
General Obligation Bonds	2.95	04-11	01-21	3,670,000	1,274,860	1,002,071
General Obligation Bonds	1.92	11-11	10-25	9,545,000	4,432,140	3,577,860
General Obligation Bonds	1.94	11-12	03-32	3,855,000	3,550,000	-
					16,471,607	6,256,391
				Net discounts/premiums	(137,219)	(137,757)
					<u>\$ 16,334,388</u>	<u>\$ 6,118,634</u>
<u>Capital Lease:</u>						
SunTrust – Energy performance contract equipment	3.55	05-03	03-16	\$ 556,731	\$ 138,071	\$ -

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 8. Net Position/Fund Equity

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

	General Fund	Other Governmental Funds
Nonspendable:		
Inventories	\$ 254,012	\$ -
Restricted for:		
Urban construction – capital outlays	-	1,999,902
Committed to:		
Executive	49,582	-
Legal	20,990	-
Financial services	13,995	-
Technology	14,342	-
Police	82,144	-
Fire and rescue	28,049	-
Public works	150,699	-
Engineering and GIS	3,149	-
Urban construction – capital projects	-	788,519
General capital projects	-	1,515,461
Equipment replacement	-	113,121
CDBG capital projects	-	110,616
HOME capital projects	-	778,014
Total committed	<u>362,950</u>	<u>3,305,731</u>
Assigned to:		
General capital projects	-	1,794,344
Equipment replacement	-	4,601,788
Total assigned	<u>-</u>	<u>6,396,132</u>
Unassigned	<u>3,987,120</u>	<u>(2,393,078)</u>
Total fund balance	<u>\$ 4,604,082</u>	<u>\$ 9,308,687</u>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 9. Defined Benefit Pension Plan

A. Plan Description

The Town contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System"). All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has a different eligibility and benefit structure as set out below:

VRS PLAN 1

About VRS Plan 1 – VRS 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 VRS 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 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 VRS Plan were not eligible to elect the Hybrid Retirement Plan and remain as plan members or ORP.

Retirement Contributions – Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

VRS PLAN 1 (Continued)

Vesting – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

Calculating the Benefit – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. 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 1.7% or 1.85% as elected by the employer.

Normal Retirement Age – Age 65.

Earliest Unreduced Retirement Eligibility – Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years of creditable service or at age 50 with at least 30 years of creditable service. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility – Members may retire with a reduced benefit as early as age 55 with at least five years of creditable service or age 50 with at least 10 years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement – The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

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.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

VRS PLAN 1 (Continued)

Cost-of-Living Adjustment (COLA) in Retirement – (Continued)

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 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

VRS PLAN 2

VRS Plan 2 is the same as VRS Plan 1 except for the following:

Employees are eligible for VRS 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.

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 – For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

Normal Retirement Age – Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility – Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years of creditable service or when their age and service equal 90.

Earliest Reduced Retirement Eligibility – Members may retire with a reduced benefit as early as age 60 with at least five years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement – The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Disability Coverage – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% 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.

HYBRID RETIREMENT PLAN

The Hybrid Retirement Plan is the same as VRS Plan 1 except for the following:

About the 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 VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window.

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

About the Hybrid Retirement Plan (Continued)

- 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:

- State employees*
- School division employees
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1 – 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:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- 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 VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

Retirement Contributions – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service

Defined Benefit Component: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

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

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 of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years 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.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

Calculating the Benefit

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 VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier – The retirement multiplier is 1.0%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Normal Retirement Age

Defined Benefit Component: Same as VRS Plan 2.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component: Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years of creditable service or when their age and service equal 90.

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 of creditable service.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component: Same as VRS Plan 2.

Defined Contribution Component: Not applicable.

Disability Coverage – Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% 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. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2014 was 12.91% of annual covered payroll.

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 9. Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost

For fiscal year 2014, the Town's annual pension cost of \$1,695,545 was equal to its required and actual contributions. The fiscal year 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for local general government employees and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%.

The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 1,695,545	100%	\$ -
June 30, 2013	\$ 1,688,275	100%	\$ -
June 30, 2012	\$ 1,728,161	100%	\$ -

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 68.01% funded. The actuarial accrued liability (AAL) for benefits was \$63,674,139, and the actuarial value of assets was \$43,307,357, resulting in an unfunded actuarial accrued liability (UAAL) of \$20,366,782. The covered payroll (annual payroll of active employees covered by the plan) was \$13,426,101, and ratio of the UAAL to the covered payroll was 151.70%.

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.

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 10. Property Taxes

Property is assessed at its current market value on January 1 by Montgomery County, Virginia. Real estate taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on June 5 and December 5. Town Council approves the tax rate for both installments in April of each year. The Town bills and collects the real estate taxes. A penalty of 10% of the tax or \$10, whichever is greater, but not to exceed the tax, is assessed after June 5 and December 5. Taxes were levied at a rate of \$.22 per \$100 of assessed valuation for the 2014 and 2013 calendar years. The Town places liens on property as necessary to supplement collection efforts. The Commonwealth of Virginia has no limitation on tax rates.

Note 11. Post-employment Health Insurance Benefits

The cost of post-employment healthcare benefits are associated with the periods in which the cost occurs, rather than in the future years when it will be paid. Recognition of the liability accumulated from years prior to adoption will be phased in over 30 years, and commenced with the 2009 liability. A trust fund was established by the Town with the Virginia Pooled OPEB Trust Fund (the "Trust Fund"), sponsored by the Virginia Municipal League (VML) and the Virginia Association of Counties (VaCo). The Trust Fund is established as an investment vehicle for participating employers to accumulate assets to fund OPEB. Plan assets for purposes of GASB Statement No. 45 are usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, in which (a) contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer or plan administrator, for the payment of benefits in accordance with the terms of the plan. Further information, including financial statements, can be obtained by writing to the Virginia Municipal League, P.O. Box 12164, Richmond, VA 23241.

Plan Description

The Town provides post-employment health benefits for retired employees through a single-employer defined benefit plan. The Town may change, add or delete health insurance benefits as the Town deems appropriate with Town Council approval. The plan does not grant retirees vested health coverage benefits.

Benefits Provided

The Town provides healthcare, prescription drug, vision, and life insurance benefits to retirees and their dependents. The Town also pays a portion of the cost of healthcare and prescription drug benefits for retirees, disabled retirees, spouses, and dependents. All full-time, active employees who retire or are disabled directly from the Town and meet the eligibility criteria may participate.

Membership

The number of participants at June 30, 2014 was as follows:

Retirees currently receiving benefits	57
Active employees	264
Total	<u>321</u>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

Funding Policy

The contributions to the Trust Fund are established and may be amended by the Town Council. GASB Statement No. 45 requires recognition of the current expense of OPEB based on the Town's annual required contribution, but does not require funding of the related liability. The Town contributed \$246,150 to the VACo/VML Pooled OPEB Trust Fund. This contribution reflects the current year Five Year Phase-in funding approach for the Town.

Annual Other Post-employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2014, the Town's annual OPEB cost (expense) was \$419,902. The payment of current health insurance premiums and contributions to the Trust, which totaled \$402,404 for retirees, resulted in an increase to the Net OPEB obligation of \$17,498 for the year ended June 30, 2014.

Annual required contribution	\$ 408,882
Interest on net OPEB obligation	37,955
Adjustment to annual required contribution	<u>(26,936)</u>
Annual OPEB cost	419,902
Contributions made	<u>(402,404)</u>
Increase in net OPEB obligation	17,498
Net OPEB obligation-beginning of year	<u>507,419</u>
Net OPEB obligation-end of year	<u><u>\$ 524,917</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 are as follows.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2014	\$419,902	96%	\$524,917
06/30/2013	\$416,450	126%	\$507,419
06/30/2012	\$500,962	99%	\$617,504

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014 was as follows:

Actuarial Accrued Liability (AAL)	\$5,625,378
Actuarial Value of Plan Assets	\$1,203,902
Unfunded Actuarial Accrued Liability (UAAL)	\$4,421,476
Funded Ratio (Actuarial Value of Plan Assets/AAL)	21.00%
Covered Payroll (Active Plan Members)	\$13,030,418
UAAL as a Percentage of Covered Payroll	33.93%

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, the post-retirement health costs are assumed to be earned ratably from date of hire to the participant's full eligibility age (age 50 or older with 15 or more years of service). The actuarial assumptions used a 7.5% discount rate and an initial annual healthcare cost trend rate of 8.25% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 4.75%. No general inflation rate was used. The unfunded actuarial accrued liability is being amortized over an open period of 30 years. The remaining amortization period at June 30, 2014 is 24 years.

Note 12. Risk Management

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 13. Commitments and Contingencies

Special Purpose Grants

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

Landfill

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

VDOT Land Contribution

During 2007, \$1,725,000 of land was contributed to the Town by the Virginia Department of Transportation (VDOT). This land was intended by VDOT to be used for open space/recreation purposes for the general public. If the Town elects not to devote the land for the specified purpose within ten years, the land is conveyed back to VDOT. However, the Town has the right to designate a portion of the land (six to eight acres) for future commercial use. Currently, the Town is marketing a portion of this land for sale but has not designated the land for a specified purpose. During 2014, four acres were sold for \$750,000. All of the proceeds will be used to grade some of the Town's property that will become ball fields and to construct a road to the future ball fields.

Litigation

A claim was filed against the Town by a property owner on North Main Street that alleged the Town eliminated access to parking spaces at their place of business. The matter was contested vigorously and subsequent to year end, Town Council approved a tentative settlement whereby the Town will purchase the property for \$900,000. The Town plans on selling the property as soon as possible.

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

Note 14. Cemetery Trust Disclosure

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

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 15. Contribution Agreement

During 2008, the Town entered into agreements with the Montgomery County Industrial Development Authority (IDA) and the Blacksburg Partnership designed to benefit the Town through historic tax credits for the rehabilitation of a historic structure to be an addition to Town Hall. The Town entered a co-development agreement with the Blacksburg Partnership under which it will provide various services and personnel for the project. The Blacksburg Partnership assisted in the formation of the various entities required for this project. When sold, the credits will reduce the Town's cost of rehabilitation.

In conjunction therewith, in 2008 the Town contributed approximately \$3,325,000 to the IDA, which the IDA will loan to Blacksburg Motor Partners, LP ("LP") for the rehabilitation. The Town may, from time to time, demand any loan repayments received by the IDA be contributed back to the Town.

The IDA will lease the rehabilitated facility from the Town for a nominal annual rent for a term of 40 years, and sublease the facility to the LP under similar terms.

In addition, the LP will lease the facility to BMC Tenant, LP ("Tenant LP"). Tenant LP will lease the facility to the Town. Both leases are for a term of 35 years, starting when a certificate of occupancy for the rehabilitated structure is obtained. The lease payment terms provide for a monthly rent payment of approximately \$16,000. In May 2009, Blacksburg Motor Partners, L.P., entered into a limited partnership agreement with the Sherwin-Williams Company.

In 2009, the LP obtained a letter of credit up to a maximum of \$1,200,000. The Sherwin-Williams Company is named the beneficiary. The letter is for a term of six years, with an annual fee of 1% of letter of credit amount. The assignment of lease between LP and the Town and the moral obligation of the Town were used as collateral.

As part of the co-development agreement, the Town will be compensated \$640,000 for services provided during the rehabilitation project. This amount is payable, by the LP, from the proceeds of the sale of historic tax credits. During 2014, the Town received \$500,000 of the developer fee.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 16. New Accounting Standards

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* replaces the requirements of *GASB Statements No. 27 and No. 50* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. This Statement will be effective for the year ending June 30, 2015.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued to provide governmental guidance on governmental combinations and disposals of governmental operations that does not conflict with *GASB Statement No. 34*. The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. A disposal of a government's operations results in the removal of specific activities of a government. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial Statement users to evaluate the nature and financial effects of those transactions. This Statement will be effective for the year ending June 30, 2015.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* was issued to address an issue regarding application of the transition provisions of *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. This Statement amends *GASB Statement No. 68* to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This Statement will be effective for the year ending June 30, 2015.

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

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BLACKSBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN
June 30, 2014

	(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
June 30, 2013	\$ 43,307,357	\$ 63,674,139	\$ 20,366,782	68.01%	\$ 13,426,101	151.70%
June 30, 2012	\$ 41,156,875	\$ 60,321,210	\$ 19,164,335	68.23%	\$ 12,883,273	148.75%
June 30, 2011	\$ 41,141,066	\$ 56,203,895	\$ 15,062,829	73.20%	\$ 12,489,479	120.60%

TOWN OF BLACKSBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT BENEFITS
June 30, 2014

			Unfunded			UAAL as
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
June 30, 2013	\$ 1,203,902	\$ 5,625,378	\$ 4,421,476	21%	\$13,030,418	33.93%
June 30, 2011	\$ 702,076	\$ 5,538,505	\$ 4,836,429	13%	\$12,584,838	38.43%
June 30, 2009	\$ 108,601	\$ 5,144,192	\$ 5,035,591	2%	\$12,218,220	41.21%

OTHER SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

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

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

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

TOWN OF BLACKSBURG, VIRGINIA

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2014

	<u>CDBG</u>	<u>HOME</u>	<u>Total</u>
ASSETS			
Receivables, net	\$ 72	\$ -	\$ 72
Due from other governmental units	43,189	192,025	235,214
Total assets	<u>\$ 43,261</u>	<u>\$ 192,025</u>	<u>\$ 235,286</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 27,815	\$ 30,985	\$ 58,800
Accrued payroll and related liabilities	1,620	1,127	2,747
Due to other funds	12,857	159,913	172,770
Total liabilities	<u>42,292</u>	<u>192,025</u>	<u>234,317</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable/unearned revenue	969	-	969
Total deferred inflows of resources	<u>969</u>	<u>-</u>	<u>969</u>
FUND BALANCES			
Committed	110,616	778,014	888,630
Unassigned	(110,616)	(778,014)	(888,630)
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 43,261</u>	<u>\$ 192,025</u>	<u>\$ 235,286</u>

TOWN OF BLACKSBURG, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE

NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2014

	CDBG	HOME	Total
REVENUES			
Intergovernmental	\$ 399,360	\$ 662,216	\$ 1,061,576
Other	3,000	10,000	13,000
Total revenues	402,360	672,216	1,074,576
EXPENDITURES			
CDBG Entitlement	402,360	-	402,360
HOME Consortium	-	672,216	672,216
Total expenditures	402,360	672,216	1,074,576
Net change in fund balance	-	-	-
FUND BALANCES AT JULY 1	-	-	-
FUND BALANCES AT JUNE 30	\$ -	\$ -	\$ -

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FIDUCIARY FUNDS

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

New River Valley Alcohol Safety Action Program

Virginia Tech/Montgomery Regional Airport Authority

TOWN OF BLACKSBURG, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

	New River Valley Alcohol Safety Action Program	Virginia Tech/ Montgomery Regional Airport Authority	Total
ASSETS			
Cash and cash equivalents	\$ 229,672	\$ 222,064	\$ 451,736
Total assets	<u>\$ 229,672</u>	<u>\$ 222,064</u>	<u>\$ 451,736</u>
LIABILITIES			
Liability to agency	\$ 229,672	\$ 222,064	\$ 451,736
Total liabilities	<u>\$ 229,672</u>	<u>\$ 222,064</u>	<u>\$ 451,736</u>

TOWN OF BLACKSBURG, VIRGINIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
New River Valley Alcohol Safety Action Program				
ASSETS				
Cash and cash equivalents	\$ 357,065	\$ -	\$ 127,393	\$ 229,672
Total assets	<u>\$ 357,065</u>	<u>\$ -</u>	<u>\$ 127,393</u>	<u>\$ 229,672</u>
LIABILITIES				
Liability to agency	\$ 357,065	\$ -	\$ 127,393	\$ 229,672
Total liabilities	<u>\$ 357,065</u>	<u>\$ -</u>	<u>\$ 127,393</u>	<u>\$ 229,672</u>
Virginia Tech/Montgomery Regional Airport Authority				
ASSETS				
Cash and cash equivalents	\$ 719,598	\$ -	\$ 497,534	\$ 222,064
Total assets	<u>\$ 719,598</u>	<u>\$ -</u>	<u>\$ 497,534</u>	<u>\$ 222,064</u>
LIABILITIES				
Liability to agency	\$ 719,598	\$ -	\$ 497,534	\$ 222,064
Total liabilities	<u>\$ 719,598</u>	<u>\$ -</u>	<u>\$ 497,534</u>	<u>\$ 222,064</u>
Total All Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 1,076,663	\$ -	\$ 624,927	\$ 451,736
Total assets	<u>\$ 1,076,663</u>	<u>\$ -</u>	<u>\$ 624,927</u>	<u>\$ 451,736</u>
LIABILITIES				
Liability to agency	\$ 1,076,663	\$ -	\$ 624,927	\$ 451,736
Total liabilities	<u>\$ 1,076,663</u>	<u>\$ -</u>	<u>\$ 624,927</u>	<u>\$ 451,736</u>

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SUPPORTING SCHEDULES

SCHEDULE 1

TOWN OF BLACKSBURG, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Community Development Block Grants	14.218	\$ 399,360
HOME Investment Partnership Program	14.239	662,216
<u>DEPARTMENT OF JUSTICE</u>		
Edward Byrne Memorial Formula Grant Program	16.579	17,233
<u>DEPARTMENT OF TRANSPORTATION</u>		
<u>Transit Cluster:</u>		
Federal Transit - Capital Investment Grant	20.500	3,981,271
Federal Transit - Formula Grant	20.507	1,273,484
Job Access Reverse Commute	20.516	223,124
VA-90-4400		
VA-90-4390		
73013-70/73013-80		
71112-04/71112-05		
73013-68/73013-71		
73013-73/73013-81		
73112-18, 73007-37, 71412-08, 71213-05, 71412-07, 71613-04		
VA-88-0001		
MPO Grant	20.500	72,556
46012-12		
TIGGER Grant	20.523	1,033,292
VA-88-0001		
<u>Department of Motor Vehicles</u>		
Alcohol Impaired Driving Countermeasurer Incentive Grant	20.601	29,917
<u>Department of Transportation</u>		
Transportation Enhancement Grant/EN03-150-103	20.205	240,526
Highway Safety Improvement Projects	20.205	374,422
Safe Route to Schools	20.205	42,070
<u>Department of Conservation and Recreation</u>		
Recreational Trails Program	20.219	27,900
<u>DEPARTMENT OF ENERGY</u>		
ARRA - Energy Efficiency and Conservation Block Grant	81.128	2,535
Total Expenditures of Federal Awards		<u>\$ 8,379,906</u>

Significant Accounting Policy

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

Subrecipients

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

SCHEDULE 2**TOWN OF BLACKSBURG, VIRGINIA****COMPUTATION OF LEGAL DEBT MARGIN****June 30, 2014**

Total assessed value of real estate (including public service corporations)	<u>\$ 2,548,308,538</u>
Debt limit: 10% of total assessed value of real estate (1)	<u>\$ 254,830,854</u>
Less: Amount of debt applicable to debt limit:	
General bonded debt	16,471,607
Enterprise debt	6,256,391
Capital lease obligations	<u>138,071</u>
	<u>22,866,069</u>
Legal debt margin	<u><u>\$ 231,964,785</u></u>

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

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STATISTICAL SECTION

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

<u>Contents</u>	<u>Table</u>
Financial Trends These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	1-4
Revenue Capacity These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes, as well as revenues from its water and sewer operations.	5-10
Debt Capacity These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	11-13
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment in which the Town's financial activities take place and to help make comparison over time and with other governments.	14-15
Operating Information These schedules contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates to the services the Town provides and the activities it performs.	16-18
Continuing Disclosures These schedules are used to meet the Town's continuing disclosure responsibility.	19

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

TABLE 1

Town of Blacksburg, Virginia

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006*	2005
Governmental activities										
Net investment in capital assets	\$52,856,050	\$ 46,489,358	\$ 38,424,336	\$ 26,949,080	\$ 25,764,585	\$ 19,969,681	\$ 15,808,625	\$ 14,318,948	\$10,936,577	\$ 3,185,685
Restricted	1,999,902	4,232,468	4,977,107	8,177,561	8,930,797	9,742,165	16,546	16,546	226,186	12,934
Unrestricted	8,002,610	9,741,501	10,740,636	12,577,701	7,386,710	8,044,842	7,397,007	10,806,579	11,591,560	11,053,032
Total governmental activities net position	\$62,858,562	\$ 60,463,327	\$ 54,142,079	\$ 47,704,342	\$ 42,082,092	\$ 37,756,688	\$ 23,222,178	\$ 25,142,073	\$22,754,323	\$14,251,651
Business-type activities										
Net investment in capital assets	\$29,013,749	\$ 25,779,737	\$ 23,184,487	\$ 22,697,086	\$ 23,031,456	\$ 15,723,568	\$ 14,920,879	\$ 15,270,171	\$10,151,736	\$ 9,167,488
Restricted	-	49,080	49,080	191,159	101,920	49,702	49,702	51,696	49,702	41,050
Unrestricted	6,834,729	6,566,905	7,655,159	7,993,716	7,826,479	7,181,687	7,307,516	6,901,487	9,774,920	8,453,491
Total business-type activities net position	\$35,848,478	\$ 32,395,722	\$ 30,888,726	\$ 30,881,961	\$ 30,959,855	\$ 22,954,957	\$ 22,278,097	\$ 22,223,354	\$19,976,358	\$17,662,029
Primary government										
Net investment in capital assets	\$81,869,799	\$ 72,269,095	\$ 61,608,823	\$ 49,646,166	\$ 48,796,041	\$ 35,693,249	\$ 30,729,504	\$ 29,589,119	\$21,088,313	\$12,353,173
Restricted	1,999,902	4,281,548	5,026,187	8,368,720	9,032,717	9,791,867	66,248	68,242	275,888	53,984
Unrestricted	14,837,339	16,308,406	18,395,795	20,571,417	15,213,189	15,266,529	14,704,523	17,708,066	21,366,480	19,506,523
Total primary government net position	\$98,707,040	\$ 92,859,049	\$ 85,030,805	\$ 78,586,303	\$ 73,041,947	\$ 60,751,645	\$ 45,500,275	\$ 47,365,427	\$42,730,681	\$31,913,680

* During fiscal year 2007, the Town retroactively reported the Town's governmental infrastructure networks. Fiscal year 2006 has been restated to show this implementation.

TABLE 2

Town of Blacksburg, Virginia

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental activities										
Legislative	\$ 270,763	\$ 251,958	\$ 241,530	\$ 231,703	\$ 245,076	\$ 232,377	\$ 222,711	\$ 206,647	\$ 219,920	\$ 203,616
Executive	2,256,772	1,921,674	1,701,070	1,403,791	1,170,592	1,406,801	5,314,570	1,904,368	1,634,919	1,449,293
Legal	331,616	294,699	273,191	264,370	249,725	294,780	349,234	271,281	207,112	187,682
Judicial	-	-	6,100	8,467	8,856	7,758	12,877	9,161	10,568	12,488
Financial services	1,600,576	1,560,128	1,440,990	1,550,048	1,479,279	1,484,055	1,432,163	1,388,921	1,277,070	1,182,912
Technology	626,438	601,503	551,139	527,641	534,597	549,092	558,463	549,248	380,362	366,520
Police	7,691,501	7,943,511	7,307,087	6,444,171	6,836,813	6,528,290	6,198,149	5,810,010	5,159,911	4,938,481
Fire and rescue	1,278,687	1,220,682	1,219,788	1,019,455	562,261	859,936	1,075,907	939,221	831,650	771,482
Public works	7,680,338	7,736,614	6,919,603	8,112,983	8,389,547	7,349,912	7,409,206	12,368,201	8,821,776	5,082,009
Recreation	2,370,603	2,291,017	2,334,189	2,242,560	1,705,504	1,847,169	1,820,605	1,552,018	1,530,633	1,507,758
Engineering and GIS	1,793,233	1,615,665	1,417,586	1,382,101	1,343,738	1,103,459	-	-	-	-
Planning and building	1,231,734	953,747	901,087	857,945	865,270	927,270	-	-	-	-
Planning and engineering	-	-	-	-	-	-	2,818,511	2,432,722	1,549,105	1,293,573
CDBG entitlement	402,360	623,505	379,983	437,066	1,111,071	416,456	-	-	376,513	458,943
HOME consortium	672,216	726,653	647,794	473,848	1,163,994	203,055	-	-	-	-
Grants	-	-	-	-	-	-	-	-	9,726	11,018
Capital outlay	-	-	-	-	-	-	-	-	659,830	562,878
Interest on long-term debt	552,382	684,779	622,997	719,046	735,300	615,742	673,520	673,210	615,826	636,484
Unallocated depreciation	1,258,229	945,610	755,705	470,750	428,824	264,006	251,360	232,057	216,062	199,076
Total governmental activities	30,017,448	29,371,745	26,719,839	26,145,945	26,830,447	24,090,158	28,137,276	28,337,065	23,500,983	18,864,213
Business-type activities										
Water and sewer	9,344,964	8,862,137	8,588,121	8,688,140	8,452,170	8,255,456	8,127,715	7,843,289	7,449,221	7,203,248
Transit system	10,003,945	8,609,385	8,382,557	8,102,931	6,883,924	6,236,561	5,994,087	5,141,724	4,573,832	4,338,079
Solid waste and recycling	1,671,055	1,584,094	1,484,319	1,445,065	1,420,779	1,402,489	1,332,143	1,282,488	1,194,148	1,151,220
Golf course	-	-	-	-	411,879	417,135	436,318	399,018	387,428	372,215
Total business-type activities expense	21,019,964	19,055,616	18,454,997	18,236,136	17,168,752	16,311,641	15,890,263	14,666,519	13,604,629	13,064,762
Total primary government expenses	\$ 51,037,412	\$ 48,427,361	\$ 45,174,836	\$ 44,382,081	\$ 43,999,199	\$ 40,401,799	\$ 44,027,539	\$ 43,003,584	\$ 37,105,612	\$ 31,928,975
Program Revenues										
Governmental activities										
Charges for services										
Public Safety	\$ 510,587	\$ 597,170	\$ 705,233	\$ 579,807	\$ 565,693	\$ 516,416	\$ 508,605	\$ 519,136	\$ 468,842	\$ 495,125
Public Works	1,633,230	1,459,679	1,419,076	1,366,649	1,284,492	1,286,722	1,364,557	1,323,361	1,100,227	989,677
Other Activities	2,557,517	2,194,673	2,816,666	2,294,680	2,986,244	2,490,258	2,497,429	1,808,624	1,701,975	1,534,941
Operating grants and contributions	4,072,899	3,982,480	3,919,134	3,908,463	3,892,484	3,855,423	3,764,061	3,659,234	3,539,210	3,327,385
Capital grants and contributions	4,081,847	7,846,314	5,407,444	5,303,881	6,110,555	13,868,890	2,175,882	8,561,884	4,505,909	692,443
Total governmental activities program revenues	12,856,080	16,080,316	14,267,553	13,453,480	14,839,468	22,017,709	10,310,534	15,872,239	11,316,163	7,039,571

(Continued)

TABLE 2

Town of Blacksburg, Virginia

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Business-type activities										
Charges for services	\$ 9,558,396	\$ 8,730,119	\$ 8,406,428	\$ 8,138,579	\$ 8,099,125	\$ 8,051,821	\$ 8,286,109	\$ 7,233,150	\$ 7,057,540	\$ 7,176,190
Water and sewer	3,898,564	3,587,399	3,161,117	3,230,281	2,872,835	2,842,638	2,384,551	2,384,148	2,050,288	1,865,884
Transit system	1,735,237	1,666,645	1,607,847	1,559,940	1,585,386	1,496,231	1,461,694	1,389,165	1,331,008	1,243,252
Solid waste and recycling	-	-	-	-	215,725	237,418	277,817	239,139	219,341	214,447
Golf course	3,194,624	3,023,237	2,706,887	2,682,891	2,197,223	2,244,815	2,181,423	2,225,219	1,913,700	1,820,227
Operating grants and contributions	6,076,151	3,559,305	2,273,015	2,531,592	8,640,465	1,487,346	725,352	2,559,206	3,015,749	214,099
Capital grants and contributions	24,462,972	20,566,705	18,155,294	18,123,283	23,610,759	16,360,269	15,316,946	16,030,027	15,587,626	12,534,099
Total business-type activities program revenues	\$ 37,319,052	\$ 36,647,021	\$ 32,422,847	\$ 31,576,763	\$ 38,450,227	\$ 38,377,978	\$ 25,627,480	\$ 31,902,266	\$ 26,903,789	\$ 19,573,670
Total primary government program revenues										
Net (expense) revenue	\$ (17,161,368)	\$ (13,291,429)	\$ (12,452,286)	\$ (12,692,465)	\$ (11,990,979)	\$ (2,072,449)	\$ (17,826,742)	\$ (12,464,826)	\$ (12,184,820)	\$ (11,824,642)
Governmental activities	3,443,008	1,511,089	(299,703)	(112,853)	6,442,007	48,628	(573,317)	1,363,508	1,982,997	(530,663)
Business-type activities	(13,718,360)	(11,780,340)	(12,751,989)	(12,805,318)	(5,548,972)	(2,023,821)	(18,400,059)	(11,101,318)	(10,201,823)	(12,355,305)
Total primary government net expense										
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes	\$ 5,624,078	\$ 5,544,687	\$ 5,554,193	\$ 5,454,459	\$ 5,338,784	\$ 5,181,131	\$ 5,080,523	\$ 4,367,238	\$ 3,739,179	\$ 3,483,165
Property taxes	10,327,472	10,352,187	9,865,455	9,059,494	8,626,597	8,063,424	7,409,423	6,966,237	6,453,655	6,343,493
Other local taxes	2,079,603	1,907,716	1,465,896	1,658,592	1,605,017	1,690,356	1,620,488	1,493,065	1,369,774	1,304,013
Business license taxes	-	-	-	-	-	-	-	588,563	879,541	795,133
Other general fees	19,911	125,615	89,005	641,965	201,150	148,427	128,601	308,497	221,348	47,775
Intergovernmental revenue unrestricted	178,730	301,616	298,900	262,730	356,410	499,393	502,546	430,446	143,577	259,459
Investment earnings	49,404	45,290	86,708	(230,085)	-	-	-	-	-	-
Unrealized gain/(loss) on investments	1,017,954	1,126,961	1,288,300	1,270,394	1,375,506	912,687	1,049,392	829,774	780,270	739,775
Other	259,451	208,605	241,566	197,166	(1,187,081)	111,541	115,874	(131,244)	78,062	10,605
Transfers	19,556,603	19,612,677	18,890,023	18,314,715	16,316,383	16,606,959	15,906,847	14,852,576	13,665,406	12,983,418
Total governmental activities										
Business-type activities:										
Investment earnings	57,799	44,049	91,241	115,643	171,771	397,264	421,832	395,487	134,073	202,533
Unrealized gain/(loss) on investments	20,796	9,662	44,437	(123,550)	-	-	-	-	-	-
Other	190,604	150,801	151,689	240,032	204,039	342,509	322,102	262,454	275,321	256,755
Transfers	(259,451)	(208,605)	(241,566)	(197,166)	1,187,081	(111,541)	(115,874)	131,244	(78,062)	(10,605)
Total business-type activities	9,748	(4,093)	45,801	34,959	1,562,891	628,232	628,060	789,185	331,332	448,683
Total primary government	\$ 19,566,351	\$ 19,608,584	\$ 18,935,824	\$ 18,349,674	\$ 17,879,274	\$ 17,235,191	\$ 16,534,907	\$ 15,641,761	\$ 13,996,738	\$ 13,432,101
Changes in Net Position										
Governmental activities	\$ 2,395,235	\$ 6,321,248	\$ 6,437,737	\$ 5,622,250	\$ 4,325,404	\$ 14,534,510	\$ (1,919,895)	\$ 2,387,750	\$ 1,480,586	\$ 1,158,776
Business-type activities	3,452,756	1,506,996	(253,902)	(77,894)	8,004,898	676,860	54,743	2,152,693	2,314,329	(81,980)
Total primary government	\$ 5,847,991	\$ 7,828,244	\$ 6,183,835	\$ 5,544,356	\$ 12,330,302	\$ 15,211,370	\$ (1,865,152)	\$ 4,540,443	\$ 3,794,915	\$ 1,076,796

Town of Blacksburg, Virginia

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

	2010	2009	2008	2007	2006	2005
Pre-GASB 54 Implementation:						
General Fund						
Reserved	\$ 821,151	\$ 746,527	\$ 376,448	\$ 465,107	\$ 1,253,145	\$ 431,038
Unreserved	2,391,309	2,375,247	3,179,782	6,403,500	5,568,193	5,354,483
Total general fund	<u>\$ 3,212,460</u>	<u>\$ 3,121,774</u>	<u>\$ 3,556,230</u>	<u>\$ 6,868,607</u>	<u>\$ 6,821,338</u>	<u>\$ 5,785,521</u>
All Other Governmental Funds						
Reserved	\$ 7,875,695	\$ 2,409,125	\$ 1,585,151	\$ 1,563,977	\$ 7,321,442	\$ 362,557
Unreserved, reported in:						
Special Revenue funds	1,708,900	7,874,938	-	-	-	-
Capital projects funds	7,574,327	5,730,126	4,805,665	4,973,017	(1,184,570)	6,083,947
Total all other governmental funds	<u>\$ 17,158,922</u>	<u>\$ 16,014,189</u>	<u>\$ 6,390,816</u>	<u>\$ 6,536,994</u>	<u>\$ 6,136,872</u>	<u>\$ 6,446,504</u>
Post-GASB 54 Implementation:						
General Fund						
Nonspendable	\$ 254,012	\$ 244,566	\$ 437,906	\$ 395,245		
Restricted	-	19,161	18,969	18,614		
Committed	362,950	248,061	295,076	392,826		
Unassigned	3,987,120	4,334,512	4,498,310	3,985,734		
Total general fund	<u>\$ 4,604,082</u>	<u>\$ 4,846,300</u>	<u>\$ 5,250,261</u>	<u>\$ 4,792,419</u>		
All Other Governmental Funds						
Restricted	\$ 1,999,902	\$ 4,213,307	\$ 4,958,138	\$ 8,158,947		
Committed	3,305,731	7,219,912	9,280,961	4,375,945		
Assigned	6,396,132	6,194,653	6,737,264	6,857,823		
Unassigned	(2,393,078)	(4,025,738)	(6,872,010)	(2,463,749)		
Total all other governmental funds	<u>\$ 9,308,687</u>	<u>\$ 13,602,134</u>	<u>\$ 14,104,353</u>	<u>\$ 16,928,966</u>		

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

TABLE 4

Town of Blacksburg, Virginia

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Taxes	\$ 15,979,783	\$ 15,904,094	\$ 15,354,299	\$ 14,731,137	\$ 13,714,423	\$ 13,137,175	\$ 12,498,249	\$ 11,233,510	\$ 10,504,529	\$ 10,061,456
Permits, privilege fees, and licenses	2,587,860	2,211,583	2,484,167	2,321,328	2,319,880	2,582,295	2,585,021	2,439,479	2,249,315	2,102,478
Fines and forfeitures	236,673	344,153	450,017	347,444	345,875	274,391	286,725	309,227	264,698	316,765
Revenue from use of money	228,134	346,906	385,608	84,894	356,410	499,393	502,546	430,446	143,577	259,459
Charges for services	2,994,939	2,813,066	2,969,731	2,738,117	3,245,746	2,177,797	2,312,046	2,019,273	1,943,551	1,790,953
Other	1,059,617	654,999	607,268	619,939	850,887	838,495	696,708	711,019	671,076	567,523
Intergovernmental	7,617,779	11,929,785	9,195,584	9,802,060	10,204,189	17,872,740	6,068,544	10,804,616	8,266,467	4,100,694
Total revenues	30,704,785	34,204,586	31,446,674	30,644,919	31,037,410	37,382,286	24,949,839	27,947,570	24,043,213	19,199,328
Expenditures										
General government	4,820,475	4,433,781	3,980,022	4,157,031	4,011,434	4,093,075	7,642,094	4,100,184	3,633,798	3,342,510
Judicial	-	-	5,720	7,705	8,094	6,996	12,115	8,399	9,806	11,726
Public safety	8,099,953	8,471,349	7,897,882	7,321,785	7,438,072	7,124,781	6,839,827	6,806,920	5,657,631	5,287,852
Public works	5,438,879	5,676,805	5,654,285	5,364,738	5,138,371	4,557,804	4,692,086	4,530,464	4,240,230	4,039,892
Recreation	2,065,887	2,036,250	1,972,667	1,938,326	1,539,526	1,641,839	1,587,494	1,357,801	1,376,737	1,324,166
Planning and engineering	2,247,140	2,225,383	2,062,767	1,995,305	1,969,816	1,787,791	1,774,597	1,771,483	1,582,477	1,273,355
Other	1,074,576	1,350,158	1,027,777	910,914	2,775,065	914,393	814,775	785,708	386,239	561,721
Capital outlays	10,423,543	12,937,636	9,557,271	7,107,725	6,755,768	6,484,576	3,393,977	9,521,188	4,993,876	3,083,126
Debt service										
Principal retirement	1,535,192	1,522,291	1,339,083	1,216,743	1,064,287	1,072,009	1,027,118	911,853	898,992	683,070
Interest and fiscal charges	539,668	651,726	791,066	759,790	735,455	621,646	676,907	621,810	615,304	695,423
Total expenditures	36,245,313	39,305,379	34,288,540	30,780,062	31,435,888	28,304,910	28,460,990	30,415,810	23,395,090	20,302,841
Excess of revenues over (under) expenditures	(5,540,528)	(5,100,793)	(2,841,866)	(135,143)	(398,478)	9,077,376	(3,511,151)	(2,468,240)	648,123	(1,103,513)
Other Financing Sources (Uses)										
Proceeds from issuance of debt	-	3,855,000	-	1,270,000	4,515,750	-	-	3,046,875	-	3,213,500
Premium on debt proceeds	-	60,661	-	-	-	-	-	-	-	-
Proceeds from issuance of refunding debt	-	-	5,387,540	1,994,645	-	-	-	-	-	-
Sale of general capital assets	844,711	70,347	-	-	-	-	-	-	-	-
Payments to bond escrow agents	-	-	(5,154,011)	(1,976,665)	(1,307,861)	-	-	-	-	(1,190,513)
Transfers in	4,862,515	4,475,827	10,094,828	6,230,527	5,943,752	4,584,280	7,051,980	5,897,146	7,955,436	4,420,959
Transfers out	(4,702,363)	(4,267,222)	(9,853,262)	(6,033,361)	(7,517,774)	(4,472,739)	(6,999,384)	(6,028,390)	(7,877,374)	(4,483,834)
Total other financing sources (uses)	1,004,863	4,194,613	475,095	1,485,146	1,633,867	111,541	52,596	2,915,631	78,062	1,960,112
Net change in fund balances	\$ (4,535,665)	\$ (906,180)	\$ (2,366,771)	\$ 1,350,003	\$ 1,235,389	\$ 9,188,917	\$ (3,458,555)	\$ 447,391	\$ 726,185	\$ 856,599
Debt service as a percentage of noncapital expenditures	7.79%	8.08%	8.76%	8.25%	7.31%	7.62%	6.57%	7.34%	8.23%	8.01%

TABLE 5

Town of Blacksburg, Virginia

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

Fiscal Year	Real Estate	Public Service Corporation	Total Assessed Value	Total Direct Tax Rate(1)
2014	\$ 2,499,516,720	\$ 48,791,818	\$2,548,308,538	\$ 0.22
2013	2,476,699,300	47,898,182	2,524,597,482	0.22
2012	2,472,590,460	49,735,455	2,522,325,915	0.22
2011	2,467,477,960	46,881,818	2,514,359,778	0.22
2010	2,380,745,200	49,227,727	2,429,972,927	0.22
2009	2,336,135,300	42,748,182	2,378,883,482	0.22
2008	2,261,835,200	45,062,727	2,306,897,927	0.22
2007	2,222,213,820	36,465,455	2,258,679,275	0.22
2006	1,669,904,900	39,074,545	1,708,979,445	0.22
2005	1,624,106,680	43,337,819	1,667,444,499	0.22

Notes: Real property is assessed at full market value. Real Property assessments are made by the Commissioner of Revenue of Montgomery County for concurrent use of the County and Town. Public Service Corporation are assessed by the State Corporation Commission. Both Real Estate and Public Service rates are \$.22.

(1) Per \$100 of assessed value.

TABLE 6

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

Taxpayer	Fiscal Year 2014			Fiscal Year 2005		
	Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Foxridge Association	\$ 71,227,100	1	24.32%	\$ 58,333,900	1	28.25%
MCS Virginia Tech, LLC	37,162,000	2	12.69%	-	-	-
Maple Ridge Land LLC	32,717,600	3	11.17%	-	-	-
SHP - The Village at BLBG LLC	31,195,400	4	10.65%	27,682,700	2	13.41%
BSE AH Blacksburg Apts LLC	28,601,200	5	9.76%	-	-	-
University Mall LLC	21,209,600	6	7.24%	-	-	-
Kroger Limited Partnership	18,896,800	7	6.45%	-	-	-
HCA Montgomery Regional Hospital	17,942,400	8	6.13%	18,141,300	3	8.79%
American Electric Power	17,246,328	9	5.89%	-	-	-
Blacksburg APF Partners LLC	16,701,150	10	5.70%	-	-	-
Collegiate Square LLC	-	-	-	11,455,400	9	5.55%
Terrace View Association	-	-	-	14,244,300	8	6.90%
Verizon Virginia Inc.	-	-	-	16,726,935	6	8.10%
Windsor Hills LP	-	-	-	15,381,400	7	7.45%
Oakbridge West LLC	-	-	-	11,000,100	10	5.33%
CSB LLC II	-	-	-	16,738,200	5	8.11%
Diversified Interest	-	-	-	16,766,900	4	8.12%
	<u>\$ 292,899,578</u>		<u>100.00%</u>	<u>\$206,471,135</u>		<u>100.00%</u>

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

TABLE 7**Town of Blacksburg, Virginia****Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 5,585,423	\$ 5,407,901	96.82%	\$ -	\$ 5,407,901	96.82%
2013	5,542,953	5,293,072	95.49%	229,292	5,522,364	99.63%
2012	5,539,488	5,319,413	96.03%	212,582	5,531,995	99.86%
2011	5,417,877	5,236,517	96.65%	176,022	5,412,539	99.90%
2010	5,302,922	5,052,796	95.28%	246,113	5,298,909	99.92%
2009	5,161,566	4,987,516	96.63%	171,358	5,158,874	99.95%
2008	5,038,150	4,847,447	96.21%	189,252	5,036,699	99.97%
2007	4,362,564	4,284,135	98.20%	77,149	4,361,284	99.97%
2006	3,705,691	3,646,865	98.41%	58,112	3,704,977	99.98%
2005	3,455,871	3,405,397	98.54%	49,894	3,455,291	99.98%

Source: Director of Financial Services, Town of Blacksburg

TABLE 8

Town of Blacksburg, Virginia

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Water Revenues										
Residential	\$ 2,424,371	\$ 2,254,407	\$ 2,199,971	\$ 2,031,664	\$ 1,958,341	\$ 1,934,448	\$ 1,881,208	\$ 1,682,289	\$ 3,131,521	\$ 3,012,644
Commercial	1,896,259	1,890,082	1,719,976	1,707,310	1,677,257	1,598,453	1,560,955	1,498,678	*	*
Other	434,628	311,287	313,704	317,962	316,771	588,799	668,552	455,788	447,133	456,558
Total Water Revenues	4,755,258	4,455,776	4,233,651	4,056,936	3,952,369	4,121,700	4,110,715	3,636,755	3,578,654	3,469,202
Sewer Revenues										
Residential	2,214,446	2,147,557	2,147,604	2,194,556	2,185,772	2,082,715	1,924,259	1,745,208	3,150,265	3,204,025
Commercial	1,925,000	1,932,524	1,888,145	1,914,708	1,926,293	1,768,908	1,633,521	1,586,975	*	*
Other	11,441	7,677	9,624	5,594	7,222	3,406	4,302	7,359	13,387	29,369
Total Sewer Revenues	4,150,887	4,087,758	4,045,373	4,114,858	4,119,287	3,855,029	3,562,082	3,339,542	3,163,652	3,233,394
Availability Fees										
	765,235	305,962	261,151	107,103	172,396	381,541	919,673	483,559	566,397	704,278
Total revenues	\$ 9,671,380	\$ 8,849,496	\$ 8,540,175	\$ 8,278,897	\$ 8,244,052	\$ 8,358,270	\$ 8,592,470	\$ 7,459,856	\$ 7,308,703	\$ 7,406,874

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

TABLE 9

Town of Blacksburg, Virginia

Water and Sewer Rates
Last Ten Fiscal Years

Fiscal Year	Basic in Town Rate				Outside Town Limits Rate			
	Volume Charge Per 1,000 Gallons		Fixed Charge Per Bill		Volume Charge Per 1,000 Gallons		Fixed Charge Per Bill	
	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer
2014	\$ 4.55	\$ 4.85	\$ 3.03	\$ 3.06	\$ 7.95	\$ 8.49	\$ 5.30	\$ 5.36
2013	\$ 4.22	\$ 4.70	\$ 2.94	\$ 2.97	\$ 7.38	\$ 8.23	\$ 5.15	\$ 5.20
2012	\$ 3.92	\$ 4.64	\$ 2.62	\$ 2.65	\$ 6.85	\$ 8.14	\$ 4.59	\$ 4.65
2011	\$ 3.76	\$ 4.77	\$ 2.58	\$ 2.61	\$ 6.57	\$ 8.35	\$ 4.52	\$ 4.57
2010	\$ 3.58	\$ 4.77	\$ 2.55	\$ 2.58	\$ 6.26	\$ 8.35	\$ 4.46	\$ 4.52
2009	\$ 3.51	\$ 4.47	\$ 2.47	\$ 2.50	\$ 6.14	\$ 7.82	\$ 4.32	\$ 4.38
2008	\$ 3.30	\$ 4.00	\$ 2.40	\$ 2.43	\$ 5.78	\$ 7.00	\$ 4.20	\$ 4.25
2007	\$ 3.16	\$ 3.80	\$ 2.26	\$ 2.29	\$ 5.53	\$ 6.65	\$ 3.96	\$ 4.01
2006	\$ 3.06	\$ 3.48	\$ 2.10	\$ 2.13	\$ 5.36	\$ 6.09	\$ 3.68	\$ 3.73
2005	\$ 2.92	\$ 3.48	\$ 2.08	\$ 2.11	\$ 5.11	\$ 6.09	\$ 3.64	\$ 3.69

TABLE 10

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

Customer	Fiscal Year 2014			Fiscal Year 2005		
	Revenue	Rank	Percentage of Total Town Revenue	Revenue	Rank	Percentage of Total Town Revenue
HH Hunt	\$ 807,244	1	43.66%	\$ 538,385	1	42.53%
Federal Mogul Division	222,991	2	12.06%	208,856	2	16.50%
MCS Virginia Tech, LLC	132,500	3	7.17%			0.00%
Chasewood Apartments	120,292	4	6.51%	66,337	7	5.24%
Moog Components Group	111,342	5	6.02%	67,098	6	5.30%
Windsor Hills Apartments	97,193	6	5.26%	73,918	4	5.84%
Chase Management Group	95,986	7	5.19%			0.00%
University Terrace	92,592	8	5.01%	75,115	3	5.93%
Montgomery Regional Hospital	85,896	9	4.65%	73,399	5	5.80%
Dutch Village, LLC	82,695	10	4.47%	-	-	-
Sturbridge Square Apartments	-	-	-	57,769	8	4.56%
Montgomery County School Board	-	-	-	52,618	9	4.16%
Baker, Vernon	-	-	-	52,253	10	4.13%
	<u>\$ 1,848,731</u>		<u>100.00%</u>	<u>\$ 1,265,748</u>		<u>100.00%</u>

TABLE 11

Town of Blacksburg, Virginia

Legal Debt Margin Information
Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Debt limit	\$ 254,830,854	\$ 252,459,748	\$ 252,232,592	\$ 251,435,978	\$ 242,997,293	\$ 237,888,348	\$ 230,689,793	\$ 225,867,928	\$ 167,377,300	\$ 166,744,450
Total net debt applicable to limit	22,866,069	25,047,773	23,390,669	24,927,552	25,361,515	23,749,761	25,350,867	26,880,559	23,480,387	21,440,565
Legal debt margin	\$ 231,964,785	\$ 227,411,975	\$ 228,841,923	\$ 226,508,426	\$ 217,635,778	\$ 214,138,587	\$ 205,338,926	\$ 198,987,369	\$ 143,896,913	\$ 145,303,885
Total net debt applicable to the limit as a percentage of debt limit	8.97%	9.92%	9.27%	9.91%	10.44%	9.98%	10.99%	11.90%	14.03%	12.86%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value	\$ 2,548,308,538
Debt limit (10% of assessed value)	\$ 254,830,854
Less debt applicable to limit:	
General obligation bonds	22,727,998
Other long-term obligations	138,071
Legal debt margin	\$ 231,964,785

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

TABLE 12

Town of Blacksburg, Virginia

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt			Percentage of Actual Value of Taxable Property	Per Capita	Other Governmental Debt	
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total General Bonded Debt			Capital Leases	
2014	\$ 16,471,607	\$ -	\$ 16,471,607	0.646%	\$ 377.71	\$ 138,071	
2013	17,953,095	-	17,953,095	0.711%	421.17	191,775	
2012	15,568,488	-	15,568,488	0.617%	365.29	243,673	
2011	16,623,947	-	16,623,947	0.661%	390.05	293,768	
2010	16,506,446	-	16,506,446	0.679%	363.43	340,032	
2009	14,011,262	-	14,011,262	0.589%	310.83	382,691	
2008	15,044,001	-	15,044,001	0.652%	342.49	421,961	
2007	16,034,305	-	16,034,305	0.710%	367.59	458,775	
2006	13,864,781	-	13,864,781	0.811%	318.61	493,277	
2005	14,731,448	-	14,731,448	0.883%	342.59	525,602	

Fiscal Year	Business-type Activities			Percentage of Actual Value of Taxable Property	Percentage of Personal Income	Per Capita	
	General Obligation Bonds	Capital Leases	Total Primary Government				
2014	\$ 6,256,391	\$ -	\$ 22,866,069	0.897%	0.13%	\$ 524.34	
2013	6,902,903	-	25,047,773	0.992%	0.11%	587.60	
2012	7,578,509	-	23,390,670	0.927%	0.12%	548.82	
2011	8,009,837	-	24,927,552	0.661%	0.11%	577.99	
2010	8,515,037	-	25,361,515	0.679%	0.11%	558.39	
2009	9,355,808	-	23,749,761	0.589%	0.11%	526.87	
2008	9,884,905	-	25,350,867	0.652%	0.10%	577.13	
2007	10,387,519	-	26,880,599	0.710%	0.12%	616.24	
2006	9,013,082	109,247	23,480,387	0.811%	1.06%	539.58	
2005	5,864,667	318,848	21,440,565	0.883%	0.97%	498.62	

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

TABLE 13

Town of Blacksburg, Virginia

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2014	\$ 9,671,380	\$ 8,236,126	\$ 1,435,254	\$ 646,512	\$ 190,382	1.71
2013	8,849,496	7,779,527	1,069,969	675,606	205,213	1.21
2012	8,540,175	7,469,812	1,070,363	601,205	263,889	1.24
2011	8,278,897	7,546,113	732,784	555,546	326,962	0.83
2010	8,244,052	7,342,883	901,169	798,457	347,884	0.79
2009	8,358,270	7,121,807	1,236,463	529,097	390,962	1.34
2008	8,592,470	6,982,179	1,610,291	480,275	408,442	1.81
2007	7,459,856	6,846,820	613,036	426,995	359,371	0.78
2006	7,308,703	6,617,697	691,006	324,862	267,378	1.17
2005	7,406,874	6,421,581	985,293	250,096	166,933	2.36

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

Operating expenses do not include depreciation, interest, or amortization expenses.

TABLE 14**Town of Blacksburg, Virginia****Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year Ended (1)	Population (2)	Total Personal Income (3) Thousands of Dollars	Per Capita Personal Income (3)	Unemployment Rate
2014	43,609	*	*	6.30%
2013	42,627	*	*	6.30
2012	42,620	\$ 3,404,296	\$ 30,428	6.40
2011	42,620	3,175,190	28,668	6.50
2010	45,419	3,089,516	27,844	8.90
2009	45,077	2,927,637	27,308	9.40
2008	43,926	2,880,134	27,102	4.80
2007	43,620	2,686,200	25,545	3.40
2006	43,516	2,495,995	23,973	3.10
2005	43,000	2,360,153	22,918	3.60

* Information not yet available.

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

(2) Population is based on figures available from the Weldon Cooper Center,
University of Virginia, and the Town Planning Department.

(3) Source: Weldon Cooper Center, University of Virginia. Information not
available for towns in Virginia. Blacksburg is included in statistics for
Montgomery County and Radford City. Latest available data.

Town of Blacksburg, Virginia

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2014			Fiscal Year 2005		
	Rank	Number of Employees	Percent of Total Employment	Rank	Number of Employees	Percent of Total Employment
Virginia Tech	1	> 1,000		1	6,002	
Virginia Tech Corporate Research Center	2	> 1,000		-	-	
Moog	3	500 to 999		-	-	
HCA Montgomery Regional Hospital	4	500 to 999		4	440	
NRV Community Services	5	500 to 999		-	-	
Federal-Mogul Corporation	6	500 to 999		3	653	
Town of Blacksburg	7	250 to 499		-	-	
United Pet Group (Tetra)	8	250 to 499		7	180	
Eaglepicher Wolverine LLC	9	100 to 249		5	311	
Virginia Tech Services, Inc.	10	100 to 249		-	-	
Poly-Scientific Division of Litton Industries	-	-		2	684	
Electro-Tec Corporation	-	-		6	200	

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

TABLE 16

Town of Blacksburg, Virginia
Full-Time Equivalent Town Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General government										
Management	19.87	21.37	20.37	20.37	19.87	21.71	22.07	21.21	19.73	19.95
Finance	14.50	14.50	13.50	13.50	13.50	15.00	14.50	13.50	13.63	13.63
Technology	3.00	3.00	3.00	3.00	3.00	3.50	3.63	3.60	3.60	3.30
Police										
Officers	63.00	63.00	63.00	62.00	62.00	62.00	58.00	58.00	58.00	58.00
Civilians	17.78	18.18	18.78	18.78	18.78	19.08	18.08	18.08	18.08	18.08
Fire and Rescue										
Firefighters	2.00	2.00	2.00	2.00	2.00	2.00	2.00	-	-	-
Civilians (all volunteer professionals)	1.63	1.00	2.00	2.00	2.00	2.63	2.63	4.63	4.63	4.63
Public works	61.92	64.52	56.90	58.77	58.77	65.25	62.25	59.91	59.91	59.91
Parks and recreation	41.12	47.12	46.37	46.37	40.83	23.54	39.12	39.12	39.12	38.99
Planning and Engineering	24.60	22.00	21.98	21.50	21.50	40.41	23.54	19.00	19.00	19.00
Water and Sewer	24.23	24.23	24.25	24.25	24.25	24.37	24.37	24.24	24.24	24.24
Golf Course	*	*	*	*	6.00	6.00	6.00	6.00	6.00	6.00
Solid Waste	2.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.75	2.75
Transit	105.07	104.07	97.14	95.14	89.21	93.18	90.27	84.60	82.76	80.76
Total	380.72	387.99	372.29	370.68	364.71	381.67	369.46	354.89	351.45	349.24

Source: Town's Adopted Operating Budget

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

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

TABLE 17

Town of Blacksburg, Virginia

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government										
Fleet										
Pieces of equipment maintained	391	377	376	371	378	379	358	328	356	338
Building permits issued	1,864	1,730	596	1,291	1,323	783	138	126	139	205
Public safety										
Police										
Physical arrests	915	1,097	1,195	1,688	1,598	1,077	930	1,239	799	841
Parking violations	3,727	5,689	7,252	7,051	5,486	5,717	6,153	1,444	5,065	6,949
Traffic violations	3,443	4,206	5,213	3,735	3,580	6,223	5,343	3,078	3,008	3,040
Fire										
Emergency responses	982	973	889	973	1,018	1,035	1,048	1,050	992	993
Public works										
Refuse collection										
Refuse collected (tons per day)	20	20	20	20	20	19	21	22	25	23
Recyclables collected (tons per day)	5	5	5	5	4	4	3	3	4	4
Other public works										
Street resurfacing (miles)	5.80	4.80	3.63	3.57	4.00	2.25	2.99	4.73	4.67	6.87
Parks, recreation, and cultural										
Parks and recreation										
Park acreage owned by the Town	544	544	544	544	544	428	428	428	427	427
Library										
Volumes in collection	83,165	86,137	86,280	86,280	84,886	83,575	78,312	78,757	70,000	70,000
Water										
Number of customer accounts	9,159	8,917	8,927	8,832	8,791	8,724	8,591	8,413	8,344	8,662
Miles of distribution lines	177	169	168	168	168	168	168	165.3	155.9	155.9
Volume pumped (million gallons per day average)	2.3	2.2	2.5	2.5	2.6	2.6	3.3	3.6	3.2	3.2
Sewer										
Number of customer accounts	8,260	8,213	8,174	8,124	8,080	8,016	7,897	7,741	7,714	7,716
Miles of sanitary sewers	156	156	155	155	154	154	154	148.0	139.2	139.2

Source: Town individual departments and Budget Document.

TABLE 18

Town of Blacksburg, Virginia
Capital Asset and Infrastructure Statistics by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Public safety										
Law enforcement vehicles	70	69	72	62	56	56	54	49	52	54
Fire stations	3	3	3	3	3	3	2	2	2	2
Public works										
Miles of streets	354	350	344	344	343	306	263	229	202	234
Streetslights	1,804	1,804	1,613	1,613	1,585	1,565	1,536	1,565	1,460	1,460
Parks, recreation, and cultural										
Community centers	1	1	1	1	1	1	1	1	1	1
Parks/athletic fields	35	35	30	30	30	30	29	20	20	20
Water and sewage										
Water mains (miles)	177	169	168	168	168	168	168	165	156	156
Storm sewers (miles)	35	46	37	37	37	37	37	36	53	53
Sanitary sewers (miles)	156	156	155	155	154	154	154	148	139	139

Source: Town individual departments and Budget Document.

TOWN OF BLACKSBURG, VIRGINIA

SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
REVENUES										
Taxes	\$ 15,979,783	\$ 15,904,094	\$ 15,354,299	\$ 14,731,137	\$ 13,714,423	\$ 13,137,175	\$ 12,498,249	\$ 11,233,510	\$ 10,504,529	\$ 10,061,456
Licenses and permits	2,587,860	2,211,583	2,484,167	2,321,328	2,319,880	2,582,295	2,585,021	2,439,479	2,249,315	2,099,146
Intergovernmental	4,386,406	4,375,613	4,348,396	4,046,573	4,088,926	3,978,598	5,040,567	4,915,791	8,223,472	4,067,603
Charges for services	2,994,939	2,813,066	2,969,731	2,738,117	3,245,746	2,177,797	2,080,056	2,019,273	1,943,551	1,790,953
Fines and forfeitures	236,673	344,153	450,017	347,444	345,875	274,391	286,725	309,227	264,698	316,765
Investment earnings	112,883	215,624	195,149	155,437	230,070	253,226	369,300	295,746	88,265	173,711
Unrealized gain/(loss)	32,203	31,281	63,339	(167,835)	-	-	-	-	-	-
Other	607,722	649,599	601,113	611,757	656,452	708,743	686,555	689,435	573,872	560,243
Other financing sources	94,711	186,008	5,399,273	3,365,573	2,520,095	-	83,957	97,589	607,000	2,213,500
Total revenues	27,033,180	26,731,021	31,865,484	28,149,531	27,121,467	23,112,225	23,630,430	22,000,050	24,454,702	21,283,377
EXPENDITURES										
Current:										
Legislative	269,326	253,817	240,263	231,586	243,323	226,409	221,809	205,155	217,503	203,903
Executive	2,150,690	1,850,440	1,609,640	1,611,610	1,547,838	1,657,238	2,003,955	1,900,931	1,618,901	1,439,919
Legal	330,220	298,964	270,487	257,808	247,270	282,623	344,093	267,249	201,811	189,283
Judicial	-	-	5,720	7,705	8,094	6,996	12,115	8,399	9,806	11,726
Financial services	1,566,972	1,555,497	1,419,112	1,611,673	1,528,293	1,497,448	1,421,990	1,320,930	1,216,993	1,154,763
Technology	503,267	475,063	440,520	444,354	444,710	429,357	433,278	405,919	378,590	354,642
Police	7,142,942	7,512,440	7,023,927	6,446,560	6,623,523	6,349,597	5,927,303	5,517,896	4,954,906	4,729,668
Fire and rescue	957,011	958,909	873,955	875,225	814,549	775,184	912,524	1,289,024	702,725	558,184
Public works	5,438,879	5,676,805	5,654,285	5,364,738	5,138,371	4,557,804	4,692,086	4,530,464	4,240,230	4,039,892
Recreation	2,065,887	2,036,250	1,972,667	1,938,326	1,539,526	1,641,839	1,587,494	1,357,801	1,376,737	1,324,166
Planning and engineering	2,247,140	2,225,383	2,062,767	1,995,305	1,969,816	1,787,791	1,774,597	1,771,483	1,582,477	1,273,355
Nondepartmental and transfers	2,528,204	2,141,589	2,550,139	1,831,484	5,125,726	2,640,740	5,907,538	1,843,867	5,403,910	2,265,192
Debt service	2,074,860	2,149,825	7,284,160	3,953,198	1,799,742	1,693,655	1,704,025	1,533,663	1,514,296	2,569,006
Total expenditures	27,275,398	27,134,982	31,407,642	26,569,572	27,030,781	23,546,681	26,942,807	21,952,781	23,418,885	20,113,699
Excess (deficiency) of revenues over expenditures	(242,218)	(403,961)	457,842	1,579,959	90,686	(434,456)	(3,312,377)	47,269	1,035,817	1,169,678
FUND BALANCES AT JULY 1	4,846,300	5,250,261	4,792,419	3,212,460	3,121,774	3,556,230	6,868,607	6,821,338	5,785,521	4,615,843
FUND BALANCES AT JUNE 30	4,604,082	4,846,300	5,250,261	4,792,419	3,212,460	3,121,774	3,556,230	6,868,607	6,821,338	5,785,521
Reserved:										
Reserved/Committed* for encumbrances	\$ 362,950	\$ 248,061	\$ 295,076	\$ 392,826	\$ 454,443	\$ 366,398	\$ 230,839	\$ 309,185	\$ 882,635	\$ 268,642
Reserved/Nonspendable* for inventories	254,012	244,566	215,145	183,615	158,005	127,676	128,819	129,441	144,324	129,027
Reserved/Restricted for museum lifetime memberships	-	19,161	18,969	18,614	18,158	17,737	16,546	16,546	15,856	-
Reserved for Toms Creek Interchange	-	-	-	-	-	-	-	-	210,330	-
Reserved/Nonspendable* for prepaid expenditures	-	-	222,761	211,630	190,545	234,716	244	9,935	-	20,435
Total	616,962	511,788	751,951	806,685	821,151	746,527	376,448	465,107	1,253,145	418,104
Total unreserved/unassigned* fund balance	3,987,120	4,334,512	4,498,310	3,985,734	2,391,309	2,375,247	3,179,782	6,403,500	5,568,193	5,367,417
Ending fund balance	<u>\$ 4,604,082</u>	<u>\$ 4,846,300</u>	<u>\$ 5,250,261</u>	<u>\$ 4,792,419</u>	<u>\$ 3,212,460</u>	<u>\$ 3,121,774</u>	<u>\$ 3,556,230</u>	<u>\$ 6,868,607</u>	<u>\$ 6,821,338</u>	<u>\$ 5,785,521</u>

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

(Continued)

TABLE 19

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
OPERATING REVENUES										
Charges for services	\$ 8,573,721	\$ 8,304,725	\$ 8,041,176	\$ 7,861,176	\$ 7,751,109	\$ 7,389,028	\$ 7,029,604	\$ 6,519,956	\$ 6,291,145	\$ 6,235,807
Availability and transfer fees	765,235	305,962	261,151	159,153	222,256	432,081	969,933	529,779	608,466	745,819
Meter installation	145,874	84,887	63,363	48,488	71,210	142,700	189,560	108,288	89,502	130,496
Connection fees	73,566	34,575	40,738	69,762	54,550	80,102	97,012	75,127	68,427	64,068
Other	112,984	119,377	133,747	140,318	144,927	314,359	306,361	226,706	251,163	230,684
Total operating revenues	9,671,380	8,849,496	8,540,175	8,278,897	8,244,052	8,358,270	8,592,470	7,459,856	7,308,703	7,406,874
OPERATING EXPENSES										
Personal services	1,512,028	1,531,539	1,406,099	1,402,094	1,429,945	1,362,647	1,371,601	1,250,949	1,128,274	1,126,810
Contractual services	5,003,294	4,617,489	4,613,068	4,758,024	4,545,424	4,372,996	4,176,133	4,243,537	4,235,929	3,768,543
Administration	1,266,064	1,194,376	1,101,954	887,100	867,200	850,000	810,000	798,200	746,000	700,500
Depreciation	918,456	877,397	854,420	894,398	761,403	758,919	737,094	622,785	537,867	550,134
Other	454,740	436,123	348,691	498,895	500,314	536,164	624,445	554,134	507,494	825,728
Total operating expenses	9,154,582	8,656,924	8,324,232	8,440,511	8,104,286	7,880,726	7,719,273	7,469,605	7,155,564	6,971,715
Operating income (loss)	516,798	192,572	215,943	(161,614)	139,766	477,544	873,197	(9,749)	153,139	435,159
NONOPERATING EXPENSES										
Intergovernmental revenue	-	-	15,000	-	-	-	-	-	-	-
Interest income	7,868	44,049	46,158	74,796	143,402	320,949	376,316	310,059	109,463	159,928
Interest expense	(190,382)	(205,213)	(263,889)	(326,962)	(347,884)	(374,730)	(408,442)	(373,684)	(293,658)	(231,533)
Unrealized gain/(loss) on investments	4,914	9,662	29,800	(90,690)	-	-	-	-	-	-
Gain (loss) on disposition of asset	4,610	19,123	-	-	-	7,910	-	23,059	3,456	12,486
Net nonoperating expenses	(172,990)	(132,379)	(172,931)	(342,856)	(204,482)	(45,871)	(32,126)	(40,566)	(180,739)	(59,119)
Income (loss) before contributions and transfers	343,808	60,193	43,012	(504,470)	(64,716)	431,673	841,071	(50,315)	(27,600)	376,040
CAPITAL CONTRIBUTIONS	259,502	-	340,000	340,000	-	-	-	540,366	-	-
TRANSFERS IN	-	-	-	-	214,675	64,169	55,361	269,355	52,254	118,964
TRANSFERS OUT	(214,784)	(168,383)	(211,010)	(164,110)	(184,045)	(164,323)	(136,545)	(128,332)	(129,605)	(112,498)
Change in net position	388,526	(108,190)	172,002	(328,580)	(34,086)	331,519	759,887	631,074	(104,951)	382,506
NET POSITION AT JULY 1	10,002,488	10,110,678	9,938,676	10,267,256	10,301,342	9,969,823	9,209,936	8,508,659	8,613,610	8,231,104
NET POSITION AT JUNE 30	\$ 10,391,014	\$ 10,002,488	\$ 10,110,678	\$ 9,938,676	\$ 10,267,256	\$ 10,301,342	\$ 9,969,823	\$ 9,139,733	\$ 8,508,659	\$ 8,613,610

(Continued)

TABLE 19

TOWN OF BLACKSBURG, VIRGINIA

CONTINUING BOND DISCLOSURES

TAXABLE RETAIL SALES AND

TAXABLE RETAIL SALES PER CAPITA

MONTGOMERY COUNTY (INCLUDING BLACKSBURG)

Last Ten Calendar Years

Calendar Year	Population	Taxable Retail Sales	Taxable Retail Sales Per Capita
2013	96,207	\$ 975,623,640	\$ 10,141
2012	95,626	967,667,151	10,119
2011	94,392	911,189,094	9,653
2010	94,392	892,050,066	9,450
2009	91,395	897,455,302	9,820
2008	90,517	925,283,130	10,222
2007	88,834	925,898,590	10,423
2006	88,454	865,232,779	9,782
2005	85,614	748,781,031	8,746
2004	83,959	799,503,447	9,523

(Continued)

TABLE 19

TOWN OF BLACKSBURG, VIRGINIA

CONTINUING BOND DISCLOSURES

SUMMARY OF CAPITAL IMPROVEMENT PROGRAM

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
<u>General Fund</u>					
Finance	\$ -	\$ -	\$ 50,000	\$ 139,500	\$ 50,000
Fire	175,267	688,267	175,267	175,267	175,267
Rescue	117,132	3,417,132	117,132	547,462	117,132
Parks and Recreation	424,297	245,000	340,000	148,500	130,625
Planning and Building	-	-	-	-	-
Engineering and GIS	657,148	599,200	587,000	582,000	652,000
Police	569,650	654,650	619,650	3,464,650	464,650
Public Works	1,292,432	1,243,132	878,632	785,532	682,732
Technology	90,000	409,000	214,000	163,000	63,000
Town Manager's Office	47,700	90,000	-	75,000	-
Museum	-	-	364,000	-	-
WTOB	-	54,000	-	-	-
General Fund Total	<u>3,373,626</u>	<u>7,400,381</u>	<u>3,345,681</u>	<u>6,080,911</u>	<u>2,335,406</u>
<u>Water/Sewer</u>					
Finance Department	\$50,000	\$50,000	\$50,000	\$85,000	\$50,000
Housing and Neighborhood Services	45,000	-	-	-	-
Engineering and GIS	1,078,000	704,650	134,100	340,750	-
Public Works	727,284	645,354	617,634	638,634	616,224
Water/Sewer Total	<u>1,900,284</u>	<u>1,400,004</u>	<u>801,734</u>	<u>1,064,384</u>	<u>666,224</u>
<u>VDOT Revenue Sharing</u>					
Public Works	335,000	235,400	233,464	126,359	119,880
Engineering and GIS	550,000	-	-	60,000	1,000,000
Parks and Recreation	-	114,000	-	-	-
	<u>885,000</u>	<u>349,400</u>	<u>233,464</u>	<u>186,359</u>	<u>1,119,880</u>
CDBG Entitlement Fund	1,000,000	-	-	-	-
Urban Construction Fund	500,000	-	-	-	-
Transit Fund	6,538,386	38,614,452	5,013,042	6,911,396	6,761,428
Equipment Replacement Fund	499,000	2,147,470	1,457,000	1,209,000	1,713,000
Major Building Systems Replacement	124,700	23,380	39,700	36,750	476,850
Solid Waste/Recycling	44,667	123,417	125,780	128,214	130,721
Grand Total	<u>\$ 14,865,663</u>	<u>\$ 50,058,504</u>	<u>\$ 11,016,401</u>	<u>\$ 15,617,014</u>	<u>\$ 13,203,509</u>

Source: Adopted Capital Improvement Program Fiscal Years Ending 2013/2014-2017/2018

(Continued)

TABLE 19

TOWN OF BLACKSBURG, VIRGINIA

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

Last Ten Fiscal Years

Fiscal Year	Population	Total Assessed Valuation	Total Bonded Debt	Ratio of Total Bonded Debt to Assessed Valuation	Total Bonded Debt Per Capita
2014	43,609	\$ 2,548,308,538	\$ 22,727,998	0.8919%	\$ 521.18
2013	42,627	2,524,597,482	24,855,998	0.9846%	583.10
2012	42,620	2,522,325,915	23,146,997	0.9180%	543.36
2011	42,620	2,514,359,778	24,633,787	0.9800%	578.26
2010	45,419	2,429,972,927	25,361,515	1.0440%	595.06
2009	45,077	2,378,883,342	23,367,071	0.9820%	558.39
2008	43,926	2,306,897,927	24,928,906	1.0810%	567.52
2007	43,620	2,258,679,275	26,421,824	1.1700%	605.73
2006	43,516	1,708,949,445	22,877,863	1.3390%	525.73
2005	43,000	1,667,444,499	20,596,115	1.2350%	478.98

(Continued)

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

Fiscal Year	Vehicle License Receipts¹	Business License Receipts	Meals Tax Receipts²
2014	\$ 235,411	\$ 2,066,822	\$ 4,579,931
2013	246,334	1,908,934	4,459,804
2012	234,208	1,860,603	4,237,159
2011	253,230	1,658,993	4,177,991
2010	239,507	1,605,817	3,558,541
2009	190,041	1,690,776	3,318,092
2008	189,318	1,620,888	2,696,373
2007	253,655	1,493,465	2,448,102
2006	283,734	1,369,774	2,374,584
2005	274,488	1,304,013	2,256,337

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

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

COMPLIANCE SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Blacksburg, Virginia (the "Town"), as of and for the year ended June 30, 2014 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 25, 2014.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. **We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 06-1, that we consider to be a significant deficiency.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free 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 Blacksburg's Response to Findings

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 25, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Blacksburg, Virginia's (the "Town") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2014. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 25, 2014

TOWN OF BLACKSBURG, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2014

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

State Agency Requirements

Highway Maintenance Funds

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

TOWN OF BLACKSBURG, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **One significant deficiency** relating to the audit of the financial statements was reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. **Item 06-1 was deemed to be a significant deficiency.**
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings related to major programs**.
7. The programs tested as major are:

<u>Name of Program:</u>	<u>CFDA #</u>
Highway Safety Improvement Projects	20.205
Transit Grant Cluster	20.500 and 20.507
TIGGER Grant	20.523

8. The **threshold** for distinguishing Type A and B programs was **\$300,000**.
9. The Town was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

06-1: Segregation of Duties (Significant Deficiency)

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to physical assets and the related accounting records, to all phases of a transaction, or have unlimited system administrator rights. Due to the limited staff size, a proper segregation has not been established. The Town has put compensating controls in place, to the extent practical for day-to-day operation.

Recommendation:

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

Management's Response:

The auditee concurs with this recommendation.

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

None noted.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

14-1: Commonwealth of Virginia – Highway Maintenance

Condition:

One out of twenty Highway Maintenance expenditures tested included immaterial errors related to improper equipment rates used in the reported qualifying expenditures.

Recommendation:

Steps should be taken to ensure that expenditures filed as qualifying are calculated accurately based on internal rates and usage information.

Management's Response: (Unaudited)

The auditee concurs with this recommendation.

14-2: Commonwealth of Virginia – Unclaimed Property

Condition:

Noted one check outstanding over one year as of July 1, 2013, in the amount of \$15.00.

Recommendation:

Management should continue to monitor all outstanding checks for compliance with the Commonwealth of Virginia unclaimed property regulations and submit all outstanding checks aged over one year to the Treasury on a timely basis.

Management's Response: (Unaudited)

The auditee concurs with this recommendation.