



THE TOWN OF VINTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR FISCAL YEAR
ENDING JUNE 30, 2018**



TOWN OF VINTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

Prepared by the Town of Vinton

Finance Department/Treasurer's Office

TOWN OF VINTON, VIRGINIA

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INTRODUCTORY SECTION



TOWN OF VINTON

311 S. POLLARD STREET
VINTON, VIRGINIA 24179

PHONE (540) 983-0608
FAX (540) 985-3105

November 15, 2018

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

We are pleased to present the Town of Vinton, Virginia (the Town) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018 in accordance with Section 15.1-167 of the 1950 *Code of Virginia*, (1950 as amended). The *Code* requires that the Town issues an annual report on its financial accounts and records. In addition, the report must be audited. The report was prepared by the Treasurer's Office and audited independently by the accounting firm Brown Edwards & Company, L.L.P.

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

The Reporting Entity and Services Provided

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

The Town of Vinton provides a full range of municipal services. These services include police protection, fire and first aid services, refuse and recycling functions, general public improvements, street and right-of-way maintenance, recreational and cultural activities, and planning and zoning. The Town also provides potable water distribution, wastewater collection, maintenance and service of line, meters, and other components related to its utility system. Based on the latest Water Quality Report, the water system meets all state and federal requirements administered by the Office of Drinking Water under the Virginia Department of Health. According to the 2017 Water Quality Report, the Town had no water quality violations. The Virginia Department of Environmental Quality reported statewide recycling rates for calendar year 2017.

Local Economic Condition and Outlook

The Town of Vinton is located in the southern end of the Shenandoah Valley, in the southwestern region of Virginia. Vinton is a part of the Roanoke Metropolitan Statistical Area, which includes the Cities of Roanoke and Salem and Counties of Roanoke, Botetourt, and Craig. The Town is a compact, urban area of 3.2 square miles located within eastern Roanoke County and shares a common border with the City of Roanoke. It is approximately 170 miles west of Richmond, Virginia, the State capital.

Local Economic Condition and Outlook (Continued)

The Town is a major gateway to the recreational attractions of Smith Mountain Lake and the Blue Ridge Parkway. Approximately 78.8% of the total land within the Town is developed; 50.6% for residential use, 13.8% for commercial or industrial development (within the Town industrial park and at various other locations) and 14.4% for public facility development.

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

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

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

The Town also participates in the Greenway Commission, the purpose of which is to identify and construct greenway infrastructure in the Roanoke Valley. Through this the Town is building a greenway that will connect the downtown business district with Downtown Roanoke and points beyond. This will allow for an individual to reasonably travel by bike or of by foot from Vinton to various points of interest along the entire greenway network to include Roanoke County's Explore Park, Mill Mountain, Carvins Cove and Greenhill Park in Salem. Vinton is also partnering with the Roanoke-Alleghany Regional Commission to develop and market the Roanoke River Blueway, which provides a series of boat launch sites along the Roanoke River and runs parallel to the Greenway System.

Vinton has maintained stable property tax rates over the years, while continuing to provide high quality municipal services and responsive government. The combined real estate and personal property tax collections for fiscal year 2018 generate approximately \$707,000 or 8.63% of total revenue in the general fund.

The meals tax continues to be a strong revenue source for the Town and is estimated to generate \$1,026,000. This stable revenue source is reflective of the value our restaurants are able to offer their customers. We are optimistic that this revenue source will maintain at this level or may actually increase more with a growing list of downtown restaurants, a craft brewery and entertainment offerings that provide opportunities for patrons to remain within the downtown later into the evenings and throughout the weekends.

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

Long-term Financial Planning

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

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

Major Initiatives

The Town completed a \$700,000 Department of Housing and Community Development (DHCD) Block Grant in December of 2016 that focused on four key areas of the Downtown improvements and initiatives to include: (1) streetscape and fixture improvements, (2) business storefront and facade improvements, (3) branding and marketing collateral, and (4) a revolving loan fund to support business development.

In 2017, the Town began two new initiatives to continue the revitalization momentum by focusing on downtown housing rehabilitation and the re development planning for targeted underutilized commercial properties.

The Town was awarded a \$30,000 planning grant from DHCD to establish a housing rehabilitation program within three downtown neighborhoods. The Town has already completed an exercise to identify and rank current housing conditions and to engage with community stakeholders to confirm that conditions exist and resources are available to develop the redevelopment plan. The Town intends to apply for future grant funding from DHCD for construction and implementation of the rehabilitation program in 2019.

Working with the Virginia Brownfields Assistance Fund (VABF) and the Department of Environmental Equality (DEQ), the Town was awarded a \$60,000 grant and completed a Phase I and Phase II Environmental Study at Gish's Mill. The Town also completed a Redevelopment Feasibility Study for the property that included a historical inventory, a physical assessment and the development of three conceptual design options. In addition, The Town and submitted a \$300,000 grant application with the Environmental Protection Agency (EPA), to review environmental conditions at other "brownfield" sites throughout the community. If successful, the EPA grant could lead to additional funding that could be used for conceptual planning and/or site cleanup.

In partnership with Roanoke County, Vinton is realizing success with targeted redevelopment strategies with projects such as the former Roland E. Cook School and the former William Byrd High School as apartments, the redevelopment of the former Vinton Library as a full service Macado's Restaurant, the renovation and reinstallation of ice at the Lancerlot Sports Complex, and the redevelopment of the former Vinton Motors into a mixed-use restaurant and commercial space.

Prospects for the Future

The likely development of the River Park Shopping Center, the former Off-Track Betting facility and the Gish Mill Property prove that the Town is primed to continue to take advantage of this approach into the foreseeable future.

Accounting System and Budgetary Controls

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

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

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

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

Cash Management

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

Risk Management

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

Independent Audit

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

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial reporting to the Town for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. The Certificate of Achievement is a national award that recognizes conformance with the highest standards for preparation of government financial reports.

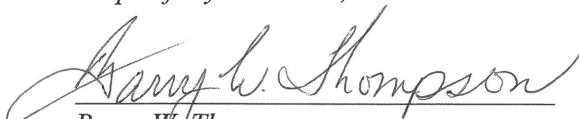
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which must conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable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

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

Acknowledgements

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

Respectfully submitted,


Barry W. Thompson
Town Manager


Anne W. Cantrell
Treasurer/Finance Director



Government Finance Officers Association

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

Presented to

**Town of Vinton
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

TOWN OF VINTON, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2018

TOWN COUNCIL

Bradley Grose, Mayor
Matt Hare, Vice Mayor
Keith Liles
Sabrina McCarty
Janet Schneid

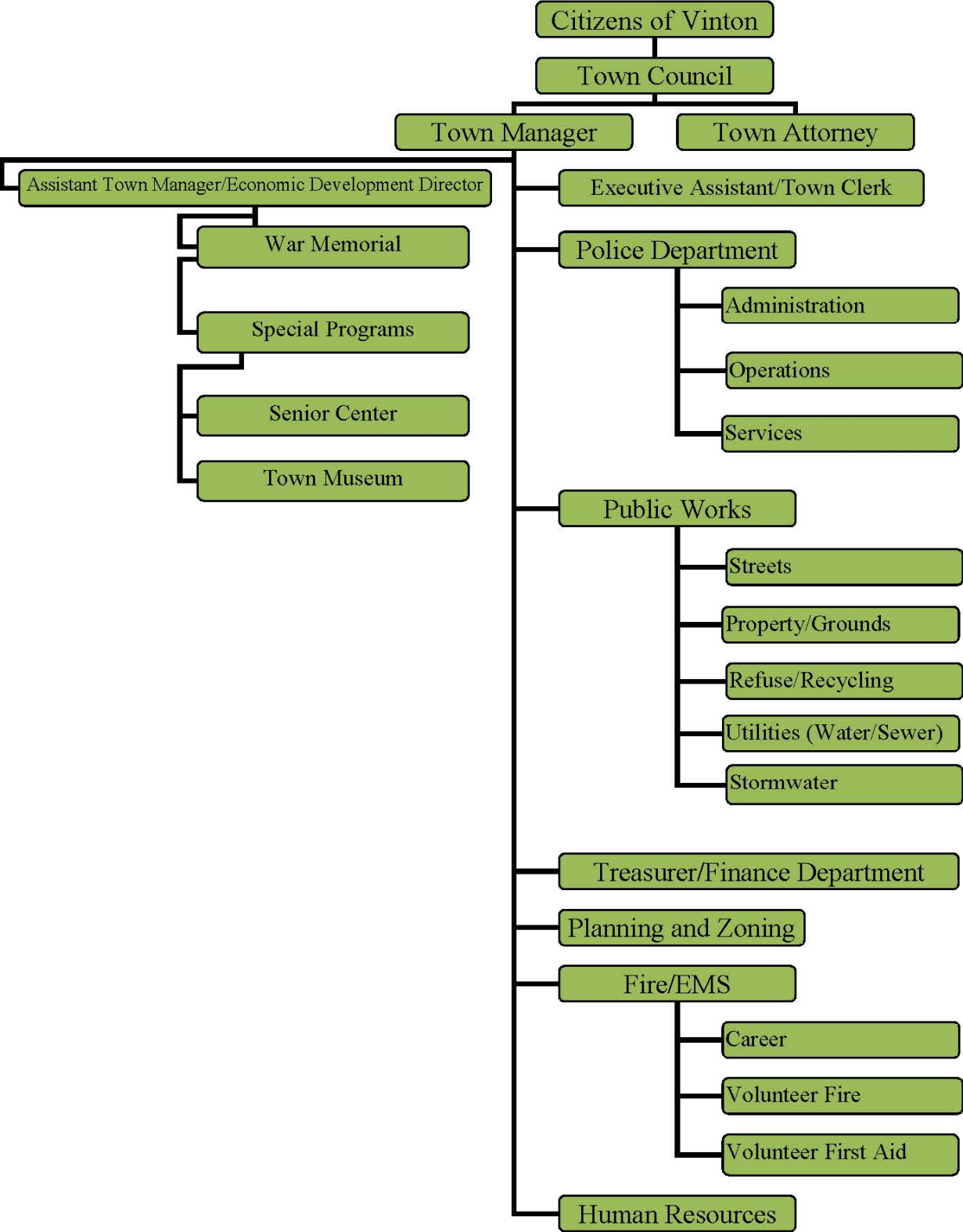
APPOINTED OFFICIALS

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

INDEPENDENT AUDITORS

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

Organizational Chart



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Vinton, Virginia (the "Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on the Financial Statements (Continued)

Change in Accounting Principle

As described in Note 17 to the financial statements, in 2018 the Town adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Town's 2017 financial statements, and in our report dated November 15, 2017, we expressed unmodified opinions on those financial statements. The 2017 financial information is provided for comparative purposes only. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived. Because information to restate prior years in relation to GASB 75, discussed above, is not readily available, the comparative information has not been restated.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 15, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Vinton, Virginia (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. 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 total assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$14,012,544 (net position). Of this amount, \$2,290,645 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$620,575. This increase is largely due to total expenses of \$11,104,561 being less than total revenues of \$11,725,136. However, a decrease of \$1,450,832 (21.64%) in current and other assets occurred. Capital assets decreased by \$1,087,347 with the final result being a decrease of 5.25% in total assets.

On the other hand, long-term liabilities decreased by \$812,515 (6.32%), mostly due to decrease in net pension liability. Other liabilities increased by \$188,863 (19.75%) which was an increase in accounts payable and related liabilities and in accrued payroll and related liabilities due to end of year timing.

Deferred Outflows decreased \$408,826 (37.46%) and Deferred Inflows increased \$474,198 (60.38%) due to the net difference between projected and actual earnings on plan investments.

The final result of all these effects is a 0.75% increase in net position.

- As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$3,222,506, an increase of \$422,544 in comparison with the prior year. This is mostly due to an increase of \$117,917 (54.5%) in accounts payable. In addition, deferred inflows increased by \$24,814 (2.38%).
- Approximately 83.03% of the ending governmental fund balance, \$2,675,654 is available for spending at the Town's discretion (unassigned fund balance), and represents 34.52% of the governmental fund's expenditures.

Overview of the Financial Statements

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

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

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

Overview of the Financial Statements (Continued)

Government-wide Financial Statements (Continued)

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, community development, and parks, recreation, and cultural. The business-type activity of the Town is the water and sewer department.

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

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Department.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statement.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, the net position was \$14,012,544 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (80.71%) reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment less any related debt used to acquire those assets that are still outstanding). The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town's Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 4,893,387	\$ 4,306,230	\$ 3,263,231	\$ 2,399,556	\$ 8,156,618	\$ 6,705,786
Capital assets	9,058,492	9,507,841	10,553,850	11,191,848	19,612,342	20,699,689
Total assets	13,951,879	13,814,071	13,817,081	13,591,404	27,768,960	27,405,475
Deferred outflows of resources	477,791	799,612	204,761	291,766	682,552	1,091,378
Current and other liabilities	621,099	483,828	523,898	472,306	1,144,997	956,134
Long-term liabilities	5,241,976	5,830,980	6,792,430	7,015,941	12,034,406	12,846,921
Total liabilities	5,863,075	6,314,808	7,316,328	7,488,247	13,179,403	13,803,055
Deferred inflows of resources	1,137,883	757,328	121,682	28,039	1,259,565	785,367
Net position						
Net investment in capital assets	6,548,322	6,638,792	4,760,652	4,862,273	11,308,974	11,501,065
Restricted	412,925	132,387	-	-	412,925	132,387
Unrestricted	467,465	770,368	1,823,180	1,504,611	2,290,645	2,274,979
Total net position	\$ 7,428,712	\$ 7,541,547	\$ 6,583,832	\$ 6,366,884	\$ 14,012,544	\$ 13,908,431

Unrestricted net position of \$2,290,645 may be used to meet the Town's ongoing obligations to citizens and creditors.

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

Governmental activities – Governmental activities increased the Town's net position by \$351,981, when including the restated net position in Note 17.

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

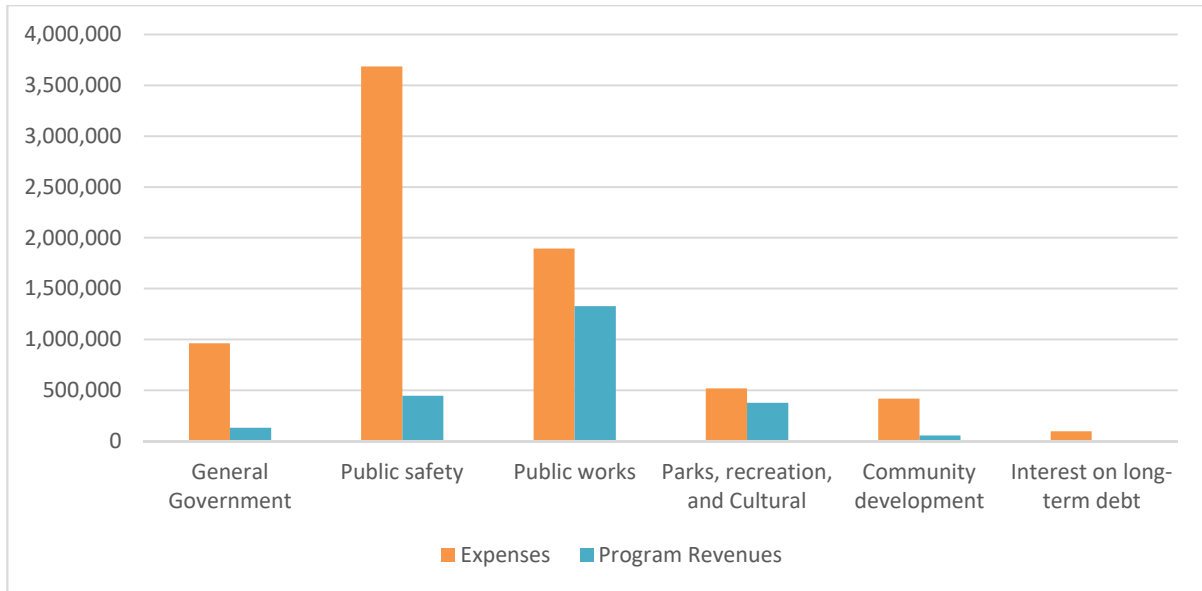
Government-wide Financial Analysis (Continued)

The Town's Changes in Net Position

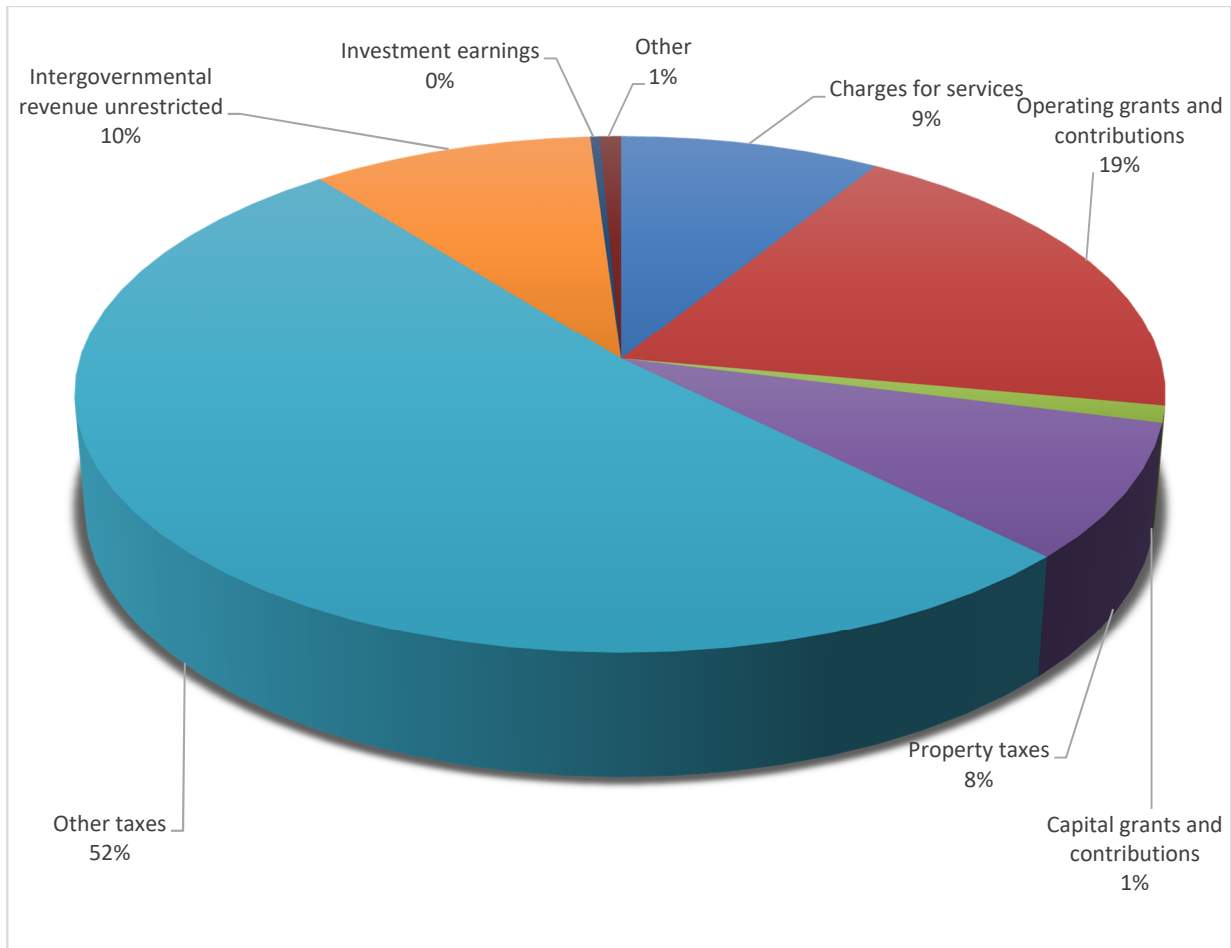
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Charges for services	\$ 709,926	\$ 769,199	\$ 3,354,057	\$ 3,398,582	\$ 4,063,983	\$ 4,167,781
Operating grants and contributions	1,539,975	1,666,789	-	-	1,539,975	1,666,789
Capital grants and contributions	84,184	408,362	-	-	84,184	408,362
General revenues						
Property taxes	684,319	697,622	-	-	684,319	697,622
Other taxes	4,191,215	4,232,122	-	-	4,191,215	4,232,122
Intergovernmental revenue unrestricted	770,645	773,690	-	-	770,645	773,690
Investment earnings	25,780	19,406	8,152	2,266	33,932	21,672
Other	57,781	66,305	299,102	338,118	356,883	404,423
Gain (Loss) on Sale	-	-	-	-	-	-
Total revenues	8,063,825	8,633,495	3,661,311	3,738,966	11,725,136	12,372,461
Expenses						
General government	962,685	992,699	-	-	962,685	992,699
Public safety	3,686,891	3,926,763	-	-	3,686,891	3,926,763
Public works	1,893,248	2,011,469	-	-	1,893,248	2,011,469
Parks, recreation, and cultural	517,122	591,208	-	-	517,122	591,208
Community development	416,637	479,973	-	-	416,637	479,973
Interest on long-term debt	94,963	106,756	-	-	94,963	106,756
Water and sewer	-	-	3,279,827	3,088,256	3,279,827	3,088,256
Stormwater management	-	-	253,188	419,957	253,188	419,957
Total expenses	7,571,546	8,108,868	3,533,015	3,508,213	11,104,561	11,617,081
Excess of revenues over expenditures	492,279	524,627	128,296	230,753	620,575	755,380
Other Financing Sources (Uses)						
Transfers in (out)	(140,298)	(219,978)	140,298	219,978	-	-
Total Other Financing Sources (Uses)	(140,298)	(219,978)	140,298	219,978	-	-
Change in net position	351,981	304,649	268,594	450,731	620,575	755,380
Net position – July 1 (Restated)	7,076,731	7,236,898	6,315,238	5,916,153	13,391,969	13,153,051
Net position – June 30	\$ 7,428,712	\$ 7,541,547	\$ 6,583,832	\$ 6,366,884	\$ 14,012,544	\$ 13,908,431

Government-wide Financial Analysis (Continued)

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



Government-wide Financial Analysis (Continued)

Business-type activities – Business-type activities increased the Town’s net position by \$268,594, when including the restated net position in Note 17. The last increase by the Town was effective July 1, 2015 with a rate of 8.9%. There was no increase in the last three fiscal years.

Financial Analysis of the Government’s Funds

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

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

As of the end of the current fiscal year, the Town’s governmental fund reported an ending fund balance of \$3,222,506, an increase of \$422,544 in comparison with the prior year. This is partly due to an increase in deferred inflows of \$24,814 (2.38%) and largely due to an increase in accounts payable and accrued liabilities of \$117,917 (51.12%) and an increase in accrued payroll and related liabilities of \$26,560 (12.54%). Accounts payable and accrued liabilities, accrued payroll and related liabilities, and unearned revenue increased by \$139,799 (30.04%); this increase was due to a large accounts payable carried into the next year for fiscal year 2018 street paving.

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

Unrestricted net position of the Water and Sewer Department at the end of the year amounted to \$1,893,051. Unrestricted net position of the Stormwater Management Department at the end of the year was deficit \$69,871. Factors concerning the finances of this fund have already been addressed in the discussion of the Town’s business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for revenues were \$616,912 primarily due to carryover grants included in Categorical Aid amounting to \$533,565. Another component of the variance from budget includes \$34,531 in charges for services and \$42,417 in other local taxes. There was a decrease in revenue in Fee for Transport, and less revenue than anticipated from the War Memorial and Senior Center Rentals. The Town of Vinton experienced less than anticipated collections in consumer’s utility tax, which resulted in a shortfall in the other local taxes category.

Differences between the original budget and the final amended budget for expenditures were \$715,189 with the majority being primarily due to decreased spending in the public works department than anticipated expenditures.

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

There was only a minor variance in real property taxes, and 96.79% of the budgeted amount was collected. The real property tax rate did not change from \$0.07 per \$100 of assessed value.

There was a variance of other local taxes of \$42,417 or 1.00%. This was primarily due to a decrease in Consumer’s Utility Tax from anticipated budget, a shortfall of \$16,668 or 2.25%. The Consumer’s Utility Tax is generated by fees relating to cable, phone, and other utility services.

General Fund Budgetary Highlights (Continued)

Cigarette tax collection historically has decreased within Town limits as a result of \$0.20 increase in tax rate effective July 2013. The tax rate was reduced by \$0.15 in March 2014 to encourage buyers, but the market has not fully recovered. The Town reduced the budget to match the trend in fiscal year 2018, and Cigarette tax collection generated \$10,020 or 6.07% above budgeted estimate. However, one retailer in Town limits removed cigarettes from retail during fiscal year 2019, and future revenues are anticipated to decrease as a result of the change of the business.

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

All expenditures by budget functions have favorable variances due to concerted efforts of all departments to control and minimize expenditures. The transfer to the Stormwater Fund was reduced \$73,000 from anticipated budget, and was a major component of the favorable balance in the General Fund.

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

In 2018, the Town of Vinton adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The overall effect of this new standard is to reflect the Town's long-term other postretirement benefit ("OPEB") obligations directly in the financial statements. Under previous accounting guidance, these amounts were recorded incrementally over time, but were not recognized in their entirety. Instead, the total liability which has now been recorded, was only disclosed. The new standard not only changes certain measurement methodologies, but also requires certain new disclosures and that the Town record a net OPEB liability directly on the statement of net position. Beginning net position has been restated as discussed in Note 17, and this has had a significant impact on the Town's net position. However, because similar information has been disclosed in prior years, both in the notes to the financial statements and in required supplementary information, the effect of this new standard is not expected to negatively affect how most governmental entities are viewed by sophisticated readers of their financial statements. Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis has not been restated.

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, 2018, amounts to \$19,612,342 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure, machinery, and equipment. The total decrease in the Town's investment in capital assets for the current fiscal year was 5.259% (a 4.73% decrease for governmental activities and a 5.70% decrease for business-type activities). Additional information on the Town's capital assets can be found in Note 5 of this report.

Capital Asset and Debt Administration (Continued)

The Town's Capital Assets (Net of Depreciation)						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,832,033	\$ 1,832,033	\$ 80,752	\$ 80,752	\$ 1,912,785	\$ 1,912,785
Buildings and systems	4,747,664	5,019,401	7,711,634	8,183,663	12,459,298	13,203,064
Infrastructure	1,934,831	1,880,757	-	-	1,934,831	1,880,757
Improvements other than buildings	-	-	2,285,350	2,429,311	2,285,350	2,429,311
Machinery and equipment	336,827	435,380	463,268	485,599	800,095	920,979
Construction in progress	207,137	340,270	12,846	12,523	219,983	352,793
Total	<u>\$ 9,058,492</u>	<u>\$ 9,507,841</u>	<u>\$ 10,553,850</u>	<u>\$ 11,191,848</u>	<u>\$ 19,612,342</u>	<u>\$ 20,699,689</u>

Long-term debt – At the end of the current fiscal year, the Town had total debt outstanding of \$9,453,756. Of this amount, \$6,862,946 comprises debt backed by the full faith and credit of the government, \$1,852,000 is related to revenue bond obligations, and \$738,810 is related to capital leases.

The Town's Outstanding Debt General Obligation and Capital Leases						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 2,617,814	\$ 2,919,146	\$ 3,789,564	\$ 4,175,676	\$ 6,407,378	\$ 7,094,822
Revenue bonds	-	-	1,852,000	2,011,000	1,852,000	2,011,000
Other obligations	203,036	266,576	252,532	266,363	455,568	532,939
Capital leases	240,612	54,837	498,198	-	738,810	54,837
	<u>\$ 3,061,462</u>	<u>\$ 3,240,559</u>	<u>\$ 6,392,294</u>	<u>\$ 6,453,039</u>	<u>\$ 9,453,756</u>	<u>\$ 9,693,598</u>

The Town's total debt decreased by \$239,842, or 2.47%, during the fiscal year. This decrease is due to the payment of principal payment on outstanding debt.

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

Economic Factors and Next Year's Budgets and Rates

During the current year, the Town took measures to mitigate the impact of the economic downturn. Departments were also asked to delay small capital expenditures and to monitor operating expenditures for the remainder of the fiscal year. The Town experienced an unexpected increase in sales tax at the end of year, as well as reduced costs in stormwater management that resulted in a favorable variance for the budget year.

Economic Factors and Next Year's Budgets and Rates (Continued)

- The unemployment rate for Roanoke County (no statistics are available for the Town individually) as of June 30, 2018 is 3.40%, which is a decrease from last year's rate of 3.70%. This is comparable to the state's average unemployment rate as of June 30, 2018 of 3.20% and to the national average rate of 4.0%.
- The occupancy rate of the Town's central business district has remained at 90% for the past five years.
- Inflationary trends in the region compare favorably to national indices.
- No real property tax increase for calendar year 2018, but a reassessment increase in real estate values slightly increased the tax levy.

During the current fiscal year, the unassigned fund balance in the general fund increased by \$97,461. The general fund remains strong with an ending unassigned fund balance of \$2,675,654. It is intended that this available fund balance will be used for future needs of the Town.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

TOWN OF VINTON, VIRGINIA

STATEMENT OF NET POSITION
June 30, 2018

			Totals	
	Governmental Activities	Business- Type Activities	2018	(For Comparison Only) 2017
ASSETS				
Cash and cash equivalents (Note 2)	\$ 3,610,785	\$ 2,036,547	\$ 5,647,332	\$ 4,617,321
Receivables, net (Note 3)	400,797	628,839	1,029,636	1,023,151
Due from other governmental units (Note 4)	449,644	-	449,644	776,207
Inventories	2,331	47,560	49,891	51,394
Prepays	63,666	17,094	80,760	80,541
Loans receivable	69,126	-	69,126	84,134
Cash and cash equivalents, restricted (Note 2)	297,038	533,191	830,229	73,038
Capital assets: (Note 5)				
Nondepreciable	2,039,170	93,598	2,132,768	2,265,578
Depreciable, net	7,019,322	10,460,252	17,479,574	18,434,111
Total assets	13,951,879	13,817,081	27,768,960	27,405,475
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	110,013	111,074	221,087	249,762
Deferred outflows related to pensions (Note 7)	329,429	89,426	418,855	841,616
Deferred outflows related to other postemployment benefits (Note 8 and 9)	38,349	4,261	42,610	-
Total deferred outflows of resources	477,791	204,761	682,552	1,091,378
LIABILITIES				
Accounts payable and accrued liabilities	348,592	379,051	727,643	556,455
Accrued payroll and related liabilities	238,361	50,789	289,150	259,508
Accrued interest payable	15,927	49,958	65,885	74,274
Customer security deposits	-	44,100	44,100	43,000
Unearned revenue	18,219	-	18,219	22,897
Long-term liabilities:				
Net pension liability (Note 7)	1,109,980	301,310	1,411,290	2,497,573
Net other post employment benefit liability (Note 8 and 9)	667,012	73,989	741,001	190,964
Due within one year (Note 6)	531,135	622,915	1,154,050	1,110,687
Due in more than one year (Note 6)	2,933,849	5,794,216	8,728,065	9,047,697
Total liabilities	5,863,075	7,316,328	13,179,403	13,803,055
DEFERRED INFLOWS OF RESOURCES				
Property taxes	663,409	-	663,409	645,383
Deferred inflows related to pensions (Note 7)	430,607	116,891	547,498	139,984
Deferred inflow related to other postemployment benefits (Note 8 and 9)	43,867	4,791	48,658	-
Total deferred inflows of resources	1,137,883	121,682	1,259,565	785,367
NET POSITION				
Net investment in capital assets	6,548,322	4,760,652	11,308,974	11,501,065
Restricted for:				
Public safety	155,323	-	155,323	132,387
Public works	257,602	-	257,602	-
Unrestricted	467,465	1,823,180	2,290,645	2,274,979
Total net position	\$ 7,428,712	\$ 6,583,832	\$ 14,012,544	\$ 13,908,431

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

TOWN OF VINTON, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
							2018	(For Comparison Only) 2017
Governmental activities								
General government administration	\$ 962,685	\$ 125,928	\$ 3,928	\$ -	\$ (832,829)		\$ (832,829)	\$ (871,045)
Public safety	3,686,891	93,599	337,641	13,341	(3,242,310)		(3,242,310)	(3,316,605)
Public works	1,893,248	110,167	1,198,306	19,609	(565,166)		(565,166)	(642,739)
Parks, recreation, and cultural	517,122	373,927	-	1,234	(141,961)		(141,961)	(177,676)
Community development	416,637	6,305	100	50,000	(360,232)		(360,232)	(149,697)
Interest on long-term debt	94,963	-	-	-	(94,963)		(94,963)	(106,756)
Total governmental activities	7,571,546	709,926	1,539,975	84,184	(5,237,461)		(5,237,461)	(5,264,518)
Business-type activities								
Water and sewer	3,279,827	3,354,057	-	-		\$ 74,230	74,230	310,326
Stormwater management	253,188	-	-	-		(253,188)	(253,188)	(419,957)
Total business-type activities	3,533,015	3,354,057	-	-		(178,958)	(178,958)	(109,631)
Total	\$ 11,104,561	\$ 4,063,983	\$ 1,539,975	\$ 84,184	(5,237,461)	(178,958)	(5,416,419)	(5,374,149)
General revenues								
Property taxes (Note 11)					684,319	-	684,319	697,622
Sales tax					1,370,590	-	1,370,590	1,436,325
Meals tax					966,053	-	966,053	953,721
Utilities tax					756,225	-	756,225	755,985
Business license tax					482,003	-	482,003	500,713
Cigarette tax					175,020	-	175,020	178,125
Other local taxes					441,324	-	441,324	407,253
Unrestricted intergovernmental revenue					770,645	-	770,645	773,690
Unrestricted investment earnings					25,780	7,627	33,407	21,578
Restricted investment earnings					-	525	525	94
Other					57,781	299,102	356,883	404,423
Transfers (Note 16)					(140,298)	140,298	-	-
Total general revenues					5,589,442	447,552	6,036,994	6,129,529
Change in net position					351,981	268,594	620,575	755,380
NET POSITION AT JULY 1, AS RESTATED (NOTE 17)					7,076,731	6,315,238	13,391,969	13,153,051
NET POSITION AT JUNE 30					\$ 7,428,712	\$ 6,583,832	\$ 14,012,544	\$ 13,908,431

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

TOWN OF VINTON, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2018

	General Fund	
	(For Comparison Only)	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 3,610,785	\$ 2,952,161
Receivables, net	400,797	398,338
Due from other governmental units	449,644	776,207
Inventories	2,331	3,351
Prepays	63,666	66,152
Loans receivable	69,126	84,134
Cash and cash equivalents, restricted	297,038	25,887
Total assets	<u>\$ 4,893,387</u>	<u>\$ 4,306,230</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 348,592	\$ 230,675
Accrued payroll and related liabilities	238,361	211,801
Unearned revenue	18,219	22,897
Total liabilities	<u>605,172</u>	<u>465,373</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue	<u>1,065,709</u>	<u>1,040,895</u>
FUND BALANCES		
Nonspendable	103,927	89,382
Restricted	412,925	132,387
Committed	30,000	-
Unassigned	<u>2,675,654</u>	<u>2,578,193</u>
Total fund balances	<u>3,222,506</u>	<u>2,799,962</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,893,387</u>	<u>\$ 4,306,230</u>

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

TOWN OF VINTON, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018**

	General Fund	
		(For Comparison Only)
	2018	2017
Total Fund Balances – Governmental Fund	\$ 3,222,506	\$ 2,799,962
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 19,222,618	
Less: accumulated depreciation	<u>(10,164,126)</u>	
	9,058,492	9,507,841
Bond premiums are reported as revenues in the governmental funds, but are amortized over the life of the debt obligation in the statement of net position:		
Bond premiums total \$(65,279) and accumulated amortization is \$45,920.	(19,359)	(21,637)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	402,300	395,512
Financial statement elements related to other postemployment benefits and pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows related to:		
Pensions	329,429	
Other postemployment benefits	38,349	
Deferred inflows related to:		
Pensions	(430,607)	
Other postemployment benefits	(43,867)	
Net pension liability	(1,109,980)	
Net other postemployment benefits liability	<u>(667,012)</u>	
	(1,883,688)	(1,436,213)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds, including unamortized deferred amounts	(2,507,801)	
Obligations payable – Roanoke County and RCACP	(203,036)	
Capital lease obligations	(240,612)	
Accrued interest payable	(15,927)	
Compensated absences	<u>(384,163)</u>	
	(3,351,539)	(3,703,918)
Total Net Position – Governmental Activities	<u>\$ 7,428,712</u>	<u>\$ 7,541,547</u>

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

TOWN OF VINTON, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2018

	General Fund	
	(For Comparison Only)	
	2018	2017
REVENUES		
General property taxes	\$ 685,924	\$ 677,609
Other local taxes	4,182,822	4,227,337
Permits, privilege fees, and regulatory licenses	8,955	8,712
Fines and forfeitures	71,210	75,085
Revenues from use of money and property	148,433	136,695
Charges for services	377,369	418,042
Other	137,547	150,967
Gain sharing	567,201	552,764
Recovered costs	52,732	36,498
Non-categorical aid	402,537	416,105
Categorical aid	1,422,307	1,960,410
Total revenues	8,057,037	8,660,224
EXPENDITURES		
Current:		
General government administration	695,683	650,824
Public safety	3,703,343	3,649,236
Public works	1,775,465	1,749,305
Parks, recreation, and cultural	533,892	570,065
Community development	485,624	889,397
Capital projects	37,880	463,945
Debt service:		
Principal retirement	436,699	535,374
Interest and fiscal charges	83,211	91,789
Bond issuance costs	-	-
Total expenditures	7,751,797	8,599,935
Excess of revenues over expenditures	305,240	60,289
OTHER FINANCING SOURCES (USES)		
Proceeds from capital lease	257,602	-
Proceeds from sale of capital assets	-	80,430
Transfers out	(140,298)	(219,978)
Total other financing sources (uses)	117,304	(139,548)
Net change in fund balance	422,544	(79,259)
FUND BALANCE AT JULY 1	2,799,962	2,879,221
FUND BALANCE AT JUNE 30	\$ 3,222,506	\$ 2,799,962

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

TOWN OF VINTON, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE
GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018**

	General Fund	
	(For	
	Comparison	
	Only)	
	2018	2017
Net change in fund balance governmental fund	\$ 422,544	\$ (79,259)
Amounts reported for governmental activities in the statement of activities are different because:		
The net effect of the change in accrued interest expense is not reflected in the fund statements.	2,528	(1,261)
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation \$(580,410) exceeded capital outlays \$131,061 and the value of capital assets disposed in the current period.	(449,349)	(47,631)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	6,788	(56,900)
Governmental funds report employer pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which employer pension contributions \$323,479 exceed pension expense \$98,424 in the current period.	225,055	31,526
Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the statement of activities the cost of these benefits earned, net of employee contributions, is reported as other postemployment benefit expense.		
Employer other postemployment benefit contributions	\$17,649	
Other postemployment benefits expense	(53,559)	
	(35,910)	-
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of those differences.	164,817	521,668
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of a decrease in compensated absences \$15,508.	15,508	(63,494)
Change in net position of governmental activities	\$ 351,981	\$ 304,649

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

TOWN OF VINTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
GENERAL FUND
Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 708,679	\$ 708,679	\$ 685,924	\$ (22,755)
Other local taxes	4,225,239	4,225,239	4,182,822	(42,417)
Permits, privilege fees, and regulatory licenses	10,750	10,750	8,955	(1,795)
Fines and forfeitures	78,700	78,700	71,210	(7,490)
Revenues from use of money and property	152,000	152,000	148,433	(3,567)
Charges for services	411,900	411,900	377,369	(34,531)
Other	126,750	128,250	137,547	9,297
Gain sharing	552,000	552,000	567,201	15,201
Recovered costs	24,000	38,096	52,732	14,636
Non-categorical aid	408,535	412,463	402,537	(9,926)
Categorical aid	1,861,599	1,955,872	1,422,307	(533,565)
Total revenues	8,560,152	8,673,949	8,057,037	(616,912)
EXPENDITURES				
Current:				
General government administration	700,516	707,342	695,683	11,659
Public safety	3,554,992	3,711,119	3,703,343	7,776
Public works	1,866,534	2,337,338	1,775,465	561,873
Parks, recreation, and cultural	561,706	560,156	533,892	26,264
Community development	1,019,869	530,165	485,624	44,541
Capital projects	80,248	84,600	37,880	46,720
Debt service:				
Principal retirement	481,772	457,272	436,699	20,573
Interest and fiscal charges	83,494	78,994	83,211	(4,217)
Total expenditures	8,349,131	8,466,986	7,751,797	715,189
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	-	-	257,602	257,602
Proceeds from sale of capital assets	3,000	3,000	-	(3,000)
Transfers out	(214,021)	(214,021)	(140,298)	73,723
Total other financing sources	(211,021)	(211,021)	117,304	328,325
Net change in fund balance	\$ -	\$ (4,058)	\$ 422,544	\$ 426,602

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

TOWN OF VINTON, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Business-Type Activities – Enterprise Funds			
	2018			2017
	Water and Sewer	Stormwater Management	Total Enterprise	Total Enterprise (For Comparison Only)
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,027,154	\$ 9,393	\$ 2,036,547	\$ 1,665,160
Receivables, net	628,839	-	628,839	624,813
Inventories	47,560	-	47,560	48,043
Prepays	15,235	1,859	17,094	14,389
Cash and cash equivalents, restricted	533,191	-	533,191	47,151
Total current assets	3,251,979	11,252	3,263,231	2,399,556
Noncurrent assets:				
Capital assets:				
Nondepreciable	93,598	-	93,598	93,275
Depreciable, net	10,460,252	-	10,460,252	11,098,573
Total noncurrent assets	10,553,850	-	10,553,850	11,191,848
Total assets	13,805,829	11,252	13,817,081	13,591,404
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	111,074	-	111,074	123,191
Deferred outflows related to pensions (Note 7)	73,509	15,917	89,426	168,575
Deferred outflows related to other postemployment benefits (Note 8 and 9)	3,314	947	4,261	-
Total deferred outflows of resources	187,897	16,864	204,761	291,766
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	376,855	2,196	379,051	325,780
Accrued payroll and related liabilities	43,217	7,572	50,789	47,707
Accrued interest payable	49,958	-	49,958	55,819
Customer security deposits	44,100	-	44,100	43,000
Current portion of noncurrent liabilities	622,915	-	622,915	559,087
Total current liabilities	1,137,045	9,768	1,146,813	1,031,393
Noncurrent liabilities:				
Net pension liability	247,681	53,629	301,310	500,264
Net other postemployment benefit liability	61,123	12,866	73,989	19,160
Due in more than one year	5,794,216	-	5,794,216	5,937,430
Total noncurrent liabilities	6,103,020	66,495	6,169,515	6,456,854
Total liabilities	7,240,065	76,263	7,316,328	7,488,247
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions (Note 7)	96,086	20,805	116,891	28,039
Deferred inflows related to other postemployment benefits (Note 8 and 9)	3,872	919	4,791	-
Total deferred inflows of resources	99,958	21,724	121,682	28,039
NET POSITION				
Net investment in capital assets	4,760,652	-	4,760,652	4,862,273
Unrestricted	1,893,051	(69,871)	1,823,180	1,504,611
Total net position	\$ 6,653,703	\$ (69,871)	\$ 6,583,832	\$ 6,366,884

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

TOWN OF VINTON, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2018

	Business-Type Activities – Enterprise Fund			
	2018			2017
	Water and Sewer	Stormwater Management	Total Enterprise	Total Enterprise (For Comparison Only)
OPERATING REVENUES				
Water service charges and fees	\$ 1,552,545	\$ -	\$ 1,552,545	\$ 1,567,715
Sewer service charges and fees	1,749,192	-	1,749,192	1,774,446
Water/sewer penalties	52,320	-	52,320	56,421
Other revenue	299,102	-	299,102	338,118
Total operating revenues	3,653,159	-	3,653,159	3,736,700
OPERATING EXPENSES				
Salaries	759,204	153,995	913,199	830,346
Fringe benefits	279,548	49,239	328,787	339,614
Contractual services	54,042	13,113	67,155	79,808
Maintenance	226,068	-	226,068	275,015
Rent, utilities, and insurance	256,466	956	257,422	270,886
Materials and supplies	114,757	12,234	126,991	117,594
Equipment repairs and rentals	38,062	-	38,062	30,501
Sewage treatment	325,956	-	325,956	342,708
Purchase of water	124,102	-	124,102	113,914
Other	165,955	23,651	189,606	201,894
Depreciation	766,804	-	766,804	721,776
Total operating expenses	3,110,964	253,188	3,364,152	3,324,056
Operating income (loss)	542,195	(253,188)	289,007	412,644
NON-OPERATING REVENUE (EXPENSE)				
Interest income	8,152	-	8,152	2,266
Interest expense	(168,863)	-	(168,863)	(184,157)
Net non-operating expense	(160,711)	-	(160,711)	(181,891)
Income (loss) before transfers	381,484	(253,188)	128,296	230,753
TRANSFERS IN (OUT)	(140,298)	280,596	140,298	219,978
Change in net position	241,186	27,408	268,594	450,731
NET POSITION AT JULY 1, AS RESTATED (NOTE 17)	6,412,517	(97,279)	6,315,238	5,916,153
NET POSITION AT JUNE 30	\$ 6,653,703	\$ (69,871)	\$ 6,583,832	\$ 6,366,884

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

TOWN OF VINTON, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2018

	Business-Type Activities – Enterprise Fund			
	2018			2017
	Water and Sewer	Stormwater Management	Total Enterprise	Total Enterprise (For Comparison Only)
OPERATING ACTIVITIES				
Receipts from customers	\$ 3,351,131	\$ -	\$ 3,351,131	\$ 3,406,061
Receipts from other sources	299,102	-	299,102	338,118
Payments to suppliers	(1,262,191)	(51,758)	(1,313,949)	(1,341,153)
Payments to employees	(1,040,676)	(240,399)	(1,281,075)	(1,152,101)
Net cash provided by (used in) operating activities	1,347,366	(292,157)	1,055,209	1,250,925
NONCAPITAL FINANCING ACTIVITIES				
Transfers from (to) other funds	(140,298)	280,596	140,298	219,978
CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(118,846)	-	(118,846)	(272,663)
Principal paid on long-term liabilities	(595,555)	-	(595,555)	(543,289)
Proceeds from long-term liabilities	534,810	-	534,810	-
Interest paid	(166,641)	-	(166,641)	(181,582)
Net cash used in capital and related financing activities	(346,232)	-	(346,232)	(997,534)
INVESTING ACTIVITIES				
Interest received on investments	8,152	-	8,152	2,266
Net increase (decrease) in cash and cash equivalents	868,988	(11,561)	857,427	475,635
CASH AND CASH EQUIVALENTS				
Beginning at July 1	1,691,357	20,954	1,712,311	1,236,676
Ending at June 30	\$ 2,560,345	\$ 9,393	\$ 2,569,738	\$ 1,712,311
RECONCILIATION TO EXHIBIT 8				
Cash and cash equivalents	\$ 2,027,154	\$ 9,393	\$ 2,036,547	\$ 1,665,160
Cash and cash equivalents, restricted	533,191	-	533,191	47,151
	\$ 2,560,345	\$ 9,393	\$ 2,569,738	\$ 1,712,311
Reconciliation of operating income to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 542,195	\$ (253,188)	\$ 289,007	\$ 412,644
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	766,804	-	766,804	721,776
Pension expense net of employer contributions	(3,624)	(27,329)	(30,953)	7,126
Other postemployment benefit expense net of employer contributions	3,372	341	3,713	4,591
Change in certain assets and liabilities:				
(Increase) decrease in:				
Receivables, net	(4,026)	-	(4,026)	2,879
Inventories	483	-	483	23,212
Prepays	(3,497)	792	(2,705)	39,339
Increase (decrease) in:				
Accounts payable and accrued liabilities	46,231	(2,596)	43,635	28,616
Accrued payroll and related liabilities	6,969	(3,887)	3,082	19,230
Customer security deposits	1,100	-	1,100	4,600
Compensated absences	(8,641)	(6,290)	(14,931)	(13,088)
Net cash provided by (used in) operating activities	\$ 1,347,366	\$ (292,157)	\$ 1,055,209	\$ 1,250,925
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset purchases included in accounts payable	\$ 37,865	\$ -	\$ 37,865	\$ 28,229
Capitalized interest	\$ 323	\$ -	\$ 323	\$ 13,289

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

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

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

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

Jointly Governed Organizations

Roanoke Valley Resource Authority

The Town of Vinton, Roanoke County, and the City of Roanoke jointly participate in the Roanoke Valley Resource Authority, which operates a regional solid waste disposal system that includes a sanitary landfill, waste collection, and transfer station. The Authority is governed by a board composed of seven members appointed by the governing bodies of participating jurisdictions. Town Council appoints one member. The Town has control over the budget and financing of the Authority only to the extent of representation by the board member appointed. The participating localities are each responsible for their pro-rata share, based on population, of any year-end operating deficit. For the current year, the Town remitted \$173,173 to the Authority for services. A separate financial statement can be obtained from the Roanoke Valley Resource Authority, 110 Hollins Road, NE, Roanoke, Virginia 24012.

Roanoke Valley Regional Pound Facility

The Counties of Roanoke and Botetourt, the City of Roanoke, the Town of Vinton, and the Roanoke Valley Society for the Prevention of Cruelty to Animals, Inc. formed the Advisory Board of the Roanoke Valley Regional Pound Facility to construct and operate a regional pound facility. The Board is composed of nine members. Each locality's financial obligation is based on the number of animals caged per day at the facility. The Town's proportionate share totaled \$55,964 for the current year. Separate financial statements are not available.

Roanoke County Emergency Communications Center

The Town participates in an intergovernmental agreement with the County of Roanoke for the operation of a E-911 dispatch center. All personnel of the Center are employees of Roanoke County. The Director of Communications & Information Technology in coordination with the Emergency Communications Center Advisory Board is responsible for oversight of the Center. The Assistant Director for Communications and Information Technology is responsible for the day-to-day operational management of the Center. The Town and County contribute to the operational cost of the Center based on the pro rata share of call volume. The Town's share of the operating cost was approximately \$434,390 in the current year. Separate financial statements are not available.

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Jointly Governed Organizations (Continued)

Western Virginia Regional Industrial Facility Authority

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

Joint Venture

Regional Fire Training Facility

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

B. Individual Component Unit Disclosures

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

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for the governmental fund and proprietary funds.

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

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

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

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

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary funds:

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services. The stormwater management fund has not begun to collect dedicated utility fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Budgets and Budgetary Accounting

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

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

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting (Continued)

- 3) Prior to June 30, the budgets for the general and enterprise funds are legally enacted through passage of an appropriations ordinance. Town Council may, from time to time, amend the budget providing for additional expenditures and the means for financing them. Town Council approved additional general fund appropriations of approximately \$117,855 during the fiscal year ended June 30, primarily for capital projects deferred from the prior year and additional operating expenditures.
- 4) The appropriations ordinance places legal restrictions on expenditures at the department or function level. Management can over-expend at the line item level without approval of Town Council. The appropriation for each department or function can be revised only by Town Council. The Town Manager is authorized to transfer budget amounts within departments. All budget data presented in Exhibit 7 is at the legal level of budgetary control.
- 5) Formal budgetary integration is employed as a management control device during the year for the general and enterprise funds.
- 6) Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 7) Appropriations lapse on June 30.
- 8) All budget data presented in the accompanying financial statements are revised as of June 30.

F. Cash and Cash Equivalents

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

G. Allowance for Uncollectible Accounts

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

H. Inventories

Inventories are valued at cost. Inventories are accounted for under the consumption method, where inventories are recorded as expenditures when consumed, rather than when purchased.

I. Prepaid Items

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

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

I. Prepaid Items (Continued)

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

J. Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure assets acquired subsequent to July 1, 2001, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. *Capital assets* are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value.

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

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

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statements that present net position report a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statements that present financial position report a separate section for deferred inflows or resources. These items represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

L. Capitalization of Interest

The Town capitalizes net interest costs on funds borrowed to finance the construction of proprietary capital assets. Interest is not capitalized on the construction of assets used in governmental activities. There was \$323 of interest capitalized in the current year.

M. Compensated Absences

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

N. Pensions and Other Postemployment Benefits (OPEB)

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

O. Long-Term Obligations

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

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

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

P. Fund Balances

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

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

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

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

Minimum Fund Balance Policy

In November 2017, Council amended the General Fund Reserve Policy and kept a General Fund Reserve target equal to 2 months of discretionary General Fund revenues.

Q. Estimates

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

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

R. Comparative Information

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

S. Reclassifications

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

Note 2. Deposits and Investments

Deposits

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

Investments

Investment Policy

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

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Credit Risk

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following: Moody’s Investors Service, Standard & Poor’s, and Fitch Investors Service, provided that the issuing corporation has a net worth of at least \$50 million and its long-term debt is rated “A” or better by Moody’s and Standard & Poor’s. Bankers’ acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investors Service.

Although the intent of the Policy is for the Town to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity, the Policy places no limit on the amount the Town may invest in any one issuer.

Interest Rate Risk

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

Custodial Credit Risk

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

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

Deposits	<u>\$ 6,475,289</u>
Reconciliation of deposits to Exhibit 1:	
Cash and cash equivalents, excluding \$2,272 cash on hand	\$ 5,645,060
Cash and cash equivalents, restricted	<u>830,229</u>
Total deposits	<u>\$ 6,475,289</u>

Restricted cash and cash equivalents consists of \$746,241 of unspent lease proceeds, \$44,500 of utility deposits, \$36,749 of evidence found, and \$2,739 of flex benefit spending that can only be used for specific purposes.

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 3. Receivables

Receivables consist of the following:

	Governmental Activities	Business-type Activities	Total
Receivables			
Taxes	\$ 553,340	\$ -	\$ 553,340
Accounts	12,686	703,024	715,710
	<hr/>	<hr/>	<hr/>
Gross receivables	566,026	703,024	1,269,050
Less allowance for uncollectibles	165,229	74,185	239,414
	<hr/>	<hr/>	<hr/>
Receivables, net	<u>\$ 400,797</u>	<u>\$ 628,839</u>	<u>\$ 1,029,636</u>

Note 4. Due from Other Governmental Units

	Governmental Activities
A summary of funds due from other governmental units was as follows:	
Commonwealth of Virginia	
Communication taxes	\$ 49,904
Rolling stock tax	73
DMV DUI taskforce	14,520
DMV overtime	3,255
Walnut Avenue sidewalk improvements - VDOT	80,000
Miscellaneous non-categorical aid	165
	<hr/>
	147,917
	<hr/>
Federal Government	
Other	19,608
	<hr/>
County of Roanoke	
Local sales taxes	256,263
Transport fees	20,164
Other	5,692
	<hr/>
	282,119
	<hr/>
	<u>\$ 449,644</u>

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 5. Capital Assets

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not depreciated					
Land	\$ 1,832,033	\$ -	\$ -	\$ -	\$ 1,832,033
Construction in progress	340,270	89,399	(222,532)	-	207,137
Total capital assets, not depreciated	2,172,303	89,399	(222,532)	-	2,039,170
Capital assets, depreciated					
Buildings and improvements	9,487,764	-	(2,677)	-	9,485,087
Machinery and equipment	4,462,070	41,662	(224,409)	-	4,279,323
Infrastructure	3,196,506	222,532	-	-	3,419,038
Total capital assets, depreciated	17,146,340	264,194	(227,086)	-	17,183,448
Less accumulated depreciation for:					
Buildings and improvements	4,468,363	271,737	(2,677)	-	4,737,423
Machinery and equipment	4,026,690	140,215	(224,409)	-	3,942,496
Infrastructure	1,315,749	168,458	-	-	1,484,207
Total accumulated depreciation	9,810,802	580,410	(227,086)	-	10,164,126
Total capital assets, depreciated, net	7,335,538	(316,216)	-	-	7,019,322
Governmental activities capital assets, net	<u>\$ 9,507,841</u>	<u>\$ (226,817)</u>	<u>\$ (222,532)</u>	<u>\$ -</u>	<u>\$ 9,058,492</u>

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 5. Capital Assets (Continued)

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 80,752	\$ -	\$ -	\$ 80,752
Construction in progress	12,523	323	-	12,846
Total capital assets, not depreciated	93,275	323	-	93,598
Capital assets, depreciated				
Utility plant	20,653,509	65,217	(1,300,739)	19,417,987
Sewage treatment contract	4,111,373	-	-	4,111,373
Machinery and equipment	1,631,269	63,266	(27,438)	1,667,097
Total capital assets, depreciated	26,396,151	128,483	(1,328,177)	25,196,457
Less accumulated depreciation for:				
Utility plant	12,469,846	537,246	(1,300,739)	11,706,353
Sewage treatment contract	1,682,062	143,961	-	1,826,023
Machinery and equipment	1,145,670	85,597	(27,438)	1,203,829
Total accumulated depreciation	15,297,578	766,804	(1,328,177)	14,736,205
Total capital assets, depreciated, net	11,098,573	(638,321)	-	10,460,252
Business-type activities capital assets, net	<u>\$ 11,191,848</u>	<u>\$ (637,998)</u>	<u>\$ -</u>	<u>\$ 10,553,850</u>

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

Governmental activities	
General government administration	\$ 285,750
Public safety	101,007
Public works	193,653
	<u>\$ 580,410</u>
Business-type activities	
Water and sewer	<u>\$ 766,804</u>

Construction Commitments

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

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 5. Capital Assets (Continued)

Sewage Treatment Contract

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

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

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

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

Note 6. Long-Term Liabilities

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 2,919,146	\$ -	\$ (301,332)	\$ 2,617,814	\$ 306,059
Obligation payable – Roanoke County	222,000	-	(55,500)	166,500	55,500
Obligation payable – RCACP	44,576	-	(8,040)	36,536	8,240
Bond premiums	21,637	-	(2,278)	19,359	-
Capital leases	54,837	257,602	(71,827)	240,612	34,603
Compensated absences	399,671	109,064	(124,572)	384,163	126,733
	<u>\$ 3,661,867</u>	<u>\$ 366,666</u>	<u>\$ (563,549)</u>	<u>\$ 3,464,984</u>	<u>\$ 531,135</u>
Business-type Activities					
General obligation bonds	\$ 4,175,676	\$ -	\$ (386,112)	\$ 3,789,564	\$ 362,139
Revenue bonds	2,011,000	-	(159,000)	1,852,000	165,000
Obligation payable – WVWA	266,363	-	(13,831)	252,532	14,922
Bond Premiums	4,327	-	(3,710)	617	-
Capital leases	-	534,810	(36,612)	498,198	74,557
Compensated absences	39,151	-	(14,931)	24,220	6,297
	<u>\$ 6,496,517</u>	<u>\$ 534,810</u>	<u>\$ (614,196)</u>	<u>\$ 6,417,131</u>	<u>\$ 622,915</u>

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 6. Long-Term Liabilities (Continued)

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

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

Governmental Activities						
Fiscal Year	General Obligation Bonds		Capital Leases		Obligations Payable Roanoke County and RCACP	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 306,059	\$ 63,083	\$ 34,603	\$ 5,640	\$ 63,740	\$ 823
2020	326,522	55,643	35,449	4,794	63,944	619
2021	330,638	47,801	36,316	3,927	64,152	409
2022	339,387	39,635	37,204	3,039	8,868	194
2023	343,733	31,407	38,114	2,129	2,332	14
2024-2027	971,475	47,907	58,926	1,408	-	-
	<u>\$ 2,617,814</u>	<u>\$ 285,476</u>	<u>\$ 240,612</u>	<u>\$ 20,937</u>	<u>\$ 203,036</u>	<u>\$ 2,059</u>
Business-type Activities						
Fiscal Year	General Obligation Bonds		Revenue Bonds		Obligation Payable WWA	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 362,139	\$ 112,013	\$ 165,000	\$ 37,591	\$ 14,922	\$ 5,789
2020	358,028	101,202	174,000	32,800	15,275	5,437
2021	369,176	90,055	175,000	29,223	15,636	5,075
2022	380,671	78,561	181,000	25,574	16,006	4,706
2023	392,524	66,708	186,000	21,863	16,383	4,328
2024-2028	1,400,843	165,837	971,000	50,901	87,915	15,642
2029-2033	526,183	40,145	-	-	86,395	4,801
	<u>\$ 3,789,564</u>	<u>\$ 654,521</u>	<u>\$ 1,852,000</u>	<u>\$ 197,952</u>	<u>\$ 252,532</u>	<u>\$ 45,778</u>

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 6. Long-Term Liabilities (Continued)

	<u>Business-type Activities</u>	
	<u>Capital Leases</u>	
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 74,557	\$ 11,604
2020	76,367	9,794
2021	78,222	7,939
2022	80,121	6,039
2023	77,155	4,094
2024-2025	111,776	2,728
	<u>\$ 498,198</u>	<u>\$ 42,198</u>

The revenue bond has been issued in accordance with the terms of an indenture agreement with the Virginia Municipal League/Virginia Association of Counties. The indenture agreement requires the Town to pledge its Water and Sewer Fund Revenues as collateral for the revenue bond and to maintain revenues in the Water and Sewer Fund equal to at least 1.20 of all debt service payments which exclude any refunded principal payments. The pledged revenue coverage ratio for the year ended June 30, 2018 was 1.73. Statistical Section Table 11 presents the pledged revenue coverage ratio.

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 6. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business- Type Activities
<u>General Obligation Bonds</u>						
Virginia Resource Authority:						
G.O. Public Improvement Bonds	3.64-4.96%	06/01/06	10/01/26	\$ 755,000	\$ 425,000	\$ -
Virginia Revolving Loan Fund:						
G.O. Water and Sewer Bonds	3.30%	07/24/03	07/01/24	1,250,704	-	508,044
G.O. Water and Sewer Bonds	3.10%	10/01/04	10/01/26	2,479,000	-	1,278,261
G.O. Water and Sewer Bonds	3.10%	01/12/06	03/01/26	1,210,000	-	585,145
Virginia Association of Counties:						
G.O. Refunding Bonds	2.05%	05/25/16	02/01/27	702,000	626,000	-
Capital One Public Funding:						
G.O. Public Improvement Bonds	2.85%	06/27/13	11/01/32	1,993,152	-	1,414,114
Carter Bank and Trust:						
G.O. Refunding Bonds	2.05%	06/27/13	11/01/24	2,228,409	1,566,814	-
					2,617,814	3,789,564
					19,359	-
					<u>\$ 2,637,173</u>	<u>\$ 3,789,564</u>
<u>Revenue Bonds</u>						
Virginia Association of Counties:						
Revenue Water and Sewer Bonds	2.05%	05/25/16	08/01/27	\$1,786,000	\$ -	\$ 1,717,000
Revenue Water and Sewer Bonds	3.50-5.00%	12/19/07	08/01/18	2,750,000	-	135,000
						1,852,000
						617
					<u>\$ -</u>	<u>\$ 1,852,617</u>
<u>Capital Lease</u>						
U.S. Bancorp	2.29%	12/29/17	12/29/22	\$ 46,171	\$ -	\$ 41,788
U.S. Bancorp	2.43%	12/29/17	12/29/24	746,241	240,612	456,410
					<u>\$ 240,612</u>	<u>\$ 498,198</u>
<u>Obligations Payable</u>						
Roanoke County	0.00%	07/01/11	07/01/20	\$ 625,000	\$ 166,500	\$ -
RCACP	2.46%	12/31/13	09/30/22	73,180	36,536	-
WVWA	2.35%	03/01/15	09/01/32	294,516	-	252,532
					<u>\$ 203,036</u>	<u>\$ 252,532</u>

(Continued)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 6. Long-Term Liabilities (Continued)

Prior Year Defeasances of Debt

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

Note 7. Defined Benefit Pension Plan

Plan Description

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

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

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

- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. 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.

(Continued)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
- **Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier of eligible political subdivision hazardous duty employees is 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Age 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.

(Continued)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
 - **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
 - **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- **Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.
- **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. Members also may be eligible to purchase periods of leave without pay.

(Continued)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

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

(Continued)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 (Continued)

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

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

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

(Continued)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Creditable Service –**
 - **Defined Benefit Component** – Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
 - **Defined Contributions Component** – Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
- **Vesting –**
 - **Defined Benefit Component** – Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
 - **Defined Contributions Component** – Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
- **Calculating the Benefit –**
 - **Defined Benefit Component** – See definition under Plan 1.
 - **Defined Contribution Component** – The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation** – Same as Plan 2 for the defined benefit component of the plan.

(Continued)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Service Retirement Multiplier** – The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to hazardous duty employees.
- **Normal Retirement Age** –
 - **Defined Benefit Component** – Same as Plan 2, however, not applicable for hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility** –
 - **Defined Benefit Component** – Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Reduced Retirement Eligibility** –
 - **Defined Benefit Component** – Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement** –
 - **Defined Benefit Component** – Same as Plan 2.
 - **Defined Contribution Component** – Not Applicable.
 - **Eligibility** – Same as Plan 1 and 2.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1 and 2.

(Continued)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Disability Coverage** – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** –
 - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
 - Hybrid Retirement Plan members are ineligible for ported service.
 - **Defined Contribution Component** – Not Applicable.

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>64</u>
Inactive members:	
Vested inactive members	21
Non-vested inactive members	20
Inactive members active elsewhere in VRS	<u>58</u>
Total inactive members	99
Active members	<u>82</u>
Total covered employees	<u><u>245</u></u>

(Continued)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Contributions

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

The political subdivision's contractually required contribution rate for the year ended June 30, 2018 was 10.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$411,289 and \$393,323 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

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

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjustment to rates of retirement by increasing rate at 50 and lowering rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, and no changes to salary scale.

(Continued)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		4.80 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.30 %

- * The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

(Continued)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2016, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2016	\$ 17,588,951	\$ 15,091,378	\$ 2,497,573
Changes for the year:			
Service cost	443,567	-	443,567
Interest	1,197,526	-	1,197,526
Changes of assumptions	8,604	-	8,604
Differences between expected and actual experience	(356,343)	-	(356,343)
Contributions – employer	-	393,323	(393,323)
Contributions – employee	-	177,392	(177,392)
Net investment income	-	1,821,216	(1,821,216)
Benefit payments, including refunds of employee contributions	(962,861)	(962,861)	-
Administrative expenses	-	(10,681)	10,681
Other changes	-	(1,613)	1,613
Net changes	330,493	1,416,776	(1,086,283)
Balances at June 30, 2017	\$ 17,919,444	\$ 16,508,154	\$ 1,411,290

(Continued)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Political subdivision's net pension liability	\$ 3,674,739	\$ 1,411,290	\$ (469,322)

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

For the year ended June 30, 2018, the political subdivision recognized pension expense of \$148,064. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,830	\$ 315,606
Change in assumptions	5,736	-
Net difference between projected and actual earnings on pension plan investments	-	231,892
Employer contributions subsequent to the measurement date	411,289	-
Total	\$ 418,855	\$ 547,498

(Continued)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

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

The \$411,289 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2019	\$ (329,632)
2020	(57,712)
2021	3,207
2022	(155,795)
2023	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2018, approximately \$51,627 was payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll.

(Continued)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 8. Other Postemployment Benefits Liability – Local Plan

Plan Description and Benefits Provided

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

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

The plan does not provide audited financial statements.

Funding Policy

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

Employees Covered by Benefit Terms

As of the January 1, 2018 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries	1
Active plan members	<u>87</u>
	<u><u>88</u></u>

(Continued)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 8. Other Postemployment Benefits Liability – Local Plan (Continued)

Total OPEB Liability

The Town's total OPEB liability of \$442,003 was measured as of June 30, 2018 and was determined based on an actuarial valuation performed as of January 1, 2018.

Actuarial Assumptions and other inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases, including inflation	3.50% plus a variable merit component that is dependent on years of service
Healthcare cost trend rates	3.70% initially, grading up to 4.20% ultimately
Retirees' share of benefit-related costs	\$8,800

Mortality rates: Ranges from 0.00016 to 0.07979

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial VRS experience over the four-year period ending June 30, 2016.

Changes in assumptions and other inputs reflect plan changes, effect of economic/demographic gains or losses, and effect of assumptions changes or inputs.

Changes in the Total OPEB Liability

Balance at June 30, 2017	<u>\$ 405,504</u>
Changes for the year:	
Service cost	49,307
Interest	15,730
Assumption or other input changes	(17,718)
Benefit payments	<u>(10,820)</u>
Net changes	<u>36,499</u>
Balance at June 30, 2018	<u><u>\$ 442,003</u></u>

(Continued)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 8. Other Postemployment Benefits Liability – Local Plan (Continued)

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

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

	1.00% Decrease (2.87%)	Current Discount Rate (3.87%)	1.00% Increase (4.87%)
Total OPEB liability	\$ 490,797	\$ 442,003	\$ 396,550

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

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (2.70%) or one percentage point higher (4.70%) than the current healthcare cost trend rates:

	1.00% Decrease (2.70%)	Current Healthcare Cost Trend Rates (3.70%)	1.00% Increase (4.70%)
Total OPEB liability	\$ 367,606	\$ 442,003	\$ 534,402

(Continued)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 8. Other Postemployment Benefits Liability – Local Plan (Continued)

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

For the year ended June 30, 2018, the Town recognized OPEB expense of \$62,977. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ 15,658
Total	<u>\$ -</u>	<u>\$ 15,658</u>

The \$-0- reported as deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	\$ (2,060)
2020	(2,060)
2021	(2,060)
2022	(2,060)
2023	(2,060)
Thereafter	(5,358)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans

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

Plan Description

Group Life Insurance Program

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

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

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

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

Contributions

Contributions to the VRS OPEB program were based on actuarially determined rates from an actuarial valuation as of June 30, 2015. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB program is as follows:

Group Life Insurance Program

Governed by:	Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2018 Contribution	\$19,610
June 30, 2017 Contribution	\$19,078

(Continued)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the net OPEB liability was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2018 proportionate share of liability	\$299,000
June 30, 2017 proportion	0.01989%
June 30, 2016 proportion	0.01834%
June 30, 2018 expense	\$7,000

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

At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,000
Change in assumptions	-	15,000
Net difference between projected and actual earnings on OPEB plan investments	-	11,000
Changes in proportion	23,000	-
Employer contributions subsequent to the measurement date	19,610	-
Total	<u>\$ 42,610</u>	<u>\$ 33,000</u>

(Continued)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

The deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	\$ (3,000)
2020	(3,000)
2021	(3,000)
2022	(1,000)
2023	-
Thereafter	-

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2016, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Inflation	2.5%
Salary increases, including inflation:	
• Locality- general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation*	GLI: 7.0%

(Continued)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 7.

Net OPEB Liability

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB Liability	\$ 2,942,426
Plan fiduciary net position	1,437,586
Employers' net OPEB liability (asset)	\$ 1,504,840
Plan fiduciary net position as a percentage of total OPEB liability	48.86%

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

(Continued)

TOWN OF VINTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Long-Term Expected Rate of Return

Group Life Insurance

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		4.80 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.30 %

- * The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Discount Rate

The discount rate used to measure the GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the OPEB liability will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
GLI Net OPEB liability	\$ 387,000	\$ 299,000	\$ 228,000

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the OPEB Plan

At June 30, 2018, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll.

- Group Life Insurance \$1,596

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 10. Service Contracts

Sewage Treatment

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

Water Purchases/Sales

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

Note 11. Property Taxes

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

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

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

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

Note 12. Leases

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

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 13. Risk Management

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

Workers' Compensation

Workers' compensation insurance is provided through the Virginia Municipal League. During 2017-2018, total premiums paid were approximately \$120,000. Benefits are those afforded through Commonwealth of Virginia as outlined in the *Code of Virginia* Section 65.2-100; premiums are based upon covered payroll, job rates, and claims experience.

General Liability

The Town provides general liability and other insurance through policies with Virginia Municipal Self-Insurance Association. During 2017-2018, total premiums paid were approximately \$95,000. General liability and business automobile have a \$1,000,000 limit per occurrence. Boiler and machinery coverage and property insurance are covered per statement of values. The Town maintains an additional \$4,000,000 umbrella policy over all forms of liability insurance. Police professional liability and public officials' liability insurance with a \$1,000,000 limit are covered through a policy with the Commonwealth of Virginia.

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

Healthcare

The Town provides healthcare coverage for employees through a policy with Anthem Blue Cross Blue Shield. The Town contributes the required premium amount for single coverage for each employee. Dependents of employees are also covered by the policy provided they pay the additional premium to the Town. During 2017-2018, total premiums paid were approximately \$739,000.

Note 14. Commitments and Contingencies

Special Purpose Grants

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

Landfill Closure and Post-Closure Costs

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

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

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 14. Commitments and Contingencies (Continued)

Gain Sharing Agreement – Vinton Business Center

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

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

Roanoke County/Vinton Branch Library

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

Note 15. Major Customer/Taxpayer

During fiscal year 2018, approximately 4.1% of the Town's business-type revenues were generated by one industrial customer.

Note 16. Interfund Activity

The primary purpose of the \$140,298 from the general fund and \$140,298 from the water and sewer fund to the stormwater management fund was to cover obligations of stormwater fund.

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 17. Adoption of New Standard and Prior Period Restatement

In the current year, the Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard replaces the requirements of GASB Statements No. 45 as it relates to governments that provide postemployment benefits other than pensions. The new Statement requires governments providing defined benefit postemployment benefits to recognize the long-term obligation for those benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of other postemployment 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 plan are determined, and assumptions and methods used to calculate the liability. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

The following is a summary of the restatements to net position, resulting from the adoption of GASB Statement No. 75:

	<u>Governmental Activities</u>	<u>Water and Sewer Fund</u>	<u>Stormwater Fund</u>
Net position, July 1, 2017, per above	\$ 7,541,547	\$ 6,452,686	\$ (85,802)
Recognition of other postemployment benefits related liabilities and deferred outflows/inflows in accordance with GASB No. 75	<u>(464,816)</u>	<u>(40,169)</u>	<u>(11,477)</u>
Net position, July 1, 2017, as restated	<u><u>\$ 7,076,731</u></u>	<u><u>\$ 6,412,517</u></u>	<u><u>\$ (97,279)</u></u>

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 18. Fund Balances

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

	<u>General Fund</u>
Nonspendable:	
Inventories	\$ 2,331
Prepays	63,666
CDBG revolving loan	<u>37,930</u>
Total nonspendable	<u>103,927</u>
Restricted for:	
Public safety	155,323
Public works	<u>257,602</u>
Total restricted	412,925
Committed	
General government administration	<u>30,000</u>
Unassigned	<u>2,675,654</u>
Total fund balance	<u><u>\$ 3,222,506</u></u>

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

Note 19. Subsequent Event

In July 2018, the Town took on a \$162,000 lease for a vehicle for a seven-year term that is recorded in the General Fund and Governmental Activities.

Note 20. New Accounting Standards

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

The GASB issued **Statement No. 83**, *Certain Asset Retirement Obligations* in November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 84**, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The GASB issued **Statement No. 87**, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 20. New Accounting Standards (Continued)

The GASB issued **Statement No. 88**, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in March 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 89**, *Accounting for Interest Cost Incurred before the End of a Construction Period* in June 2018. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2019. The requirements of this Statement should be applied prospectively.

The GASB issued **Statement No. 90**, *Major Equity Interests, an amendment of GASB Statements No. 14 and No. 61* in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF VINTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2018

	Plan Year			
	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 443,567	\$ 426,921	\$ 450,265	\$ 430,229
Interest on total pension liability	1,197,526	1,167,910	1,112,256	1,065,284
Difference between expected and actual experience	(356,343)	(201,924)	139,140	-
Changes in assumptions	8,604	-	-	-
Benefit payments, including refunds of employee contributions	(962,861)	(976,757)	(836,477)	(812,476)
Net change in total pension liability	330,493	416,150	865,184	683,037
Total pension liability - beginning	17,588,951	17,172,801	16,307,617	15,624,580
Total pension liability - ending	17,919,444	17,588,951	17,172,801	16,307,617
Plan Fiduciary Net Position				
Contributions - employer	393,323	405,320	413,851	307,429
Contributions - employee	177,392	164,126	181,194	184,601
Net investment income	1,821,216	257,935	673,666	2,045,884
Benefit payments, including refunds of employee contributions	(962,861)	(976,757)	(836,477)	(812,476)
Administrative expenses	(10,681)	(9,605)	(9,337)	(11,195)
Other	(1,613)	(111)	(144)	108
Net change in plan fiduciary net position	1,416,776	(159,092)	422,753	1,714,351
Plan fiduciary net position - beginning	15,091,378	15,250,470	14,827,717	13,113,366
Plan fiduciary net position - ending	16,508,154	15,091,378	15,250,470	14,827,717
Net pension liability - ending	<u>\$ 1,411,290</u>	<u>\$ 2,497,573</u>	<u>\$ 1,922,331</u>	<u>\$ 1,479,900</u>
Plan fiduciary net position as a percentage of total pension liability	<u>92%</u>	<u>86%</u>	<u>89%</u>	<u>91%</u>
Covered payroll	<u>\$ 3,664,576</u>	<u>\$ 3,289,982</u>	<u>\$ 3,353,343</u>	<u>\$ 3,699,186</u>
Net pension liability as a percentage of covered payroll	<u>39%</u>	<u>76%</u>	<u>57%</u>	<u>40%</u>

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

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

TOWN OF VINTON, VIRGINIA

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2018

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2018	\$ 411,289	\$ 411,289	\$ -	\$ 3,762,660	10.93%
2017	400,540	400,540	-	3,664,576	10.93%
2016	407,958	407,958	-	3,289,982	12.40%
2015	415,814	415,814	-	3,353,343	12.40%

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

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

TOWN OF VINTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS – LOCAL PLAN
June 30, 2018

	Fiscal Year 2018
	Local Plan
Total OPEB Liability	
Service cost	\$ 49,307
Interest on total OPEB liability	15,730
Changes in assumptions	(17,718)
Benefit payments	(10,820)
	<hr/>
Net change in total OPEB liability	36,499
Total OPEB liability - beginning	405,504
Total OPEB liability - ending	<hr/> <hr/> 442,003
Plan Fiduciary Net Position	
Contributions - employer	10,820
Benefit payments	(10,820)
	<hr/>
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	<hr/> <hr/> -
Net OPEB liability - ending	<hr/> <hr/> \$ 442,003
Plan fiduciary net position as a percentage of total OPEB liability	<hr/> <hr/> 0%
Covered payroll	<hr/> <hr/> \$ 3,831,682
Net OPEB liability as a percentage of covered payroll	<hr/> <hr/> 12%

This schedule is intended to show information for 10 years. Since fiscal year 2018 is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

TOWN OF VINTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – VRS GLI
June 30, 2018

Entity Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Group Life Insurance - General Employees					
2018	0.01989%	\$ 299,000	\$ 3,664,576	8.16%	48.86%

This schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amount above is for the measurement period, which is the twelve months prior to the entity's fiscal year.

TOWN OF VINTON, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS – VRS GLI
June 30, 2018

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Group Life Insurance - General Employees					
2018	\$ 19,610	\$ 19,610	\$ -	\$ 3,762,660	0.52%

This schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amount above is for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

TOWN OF VINTON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2018

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Other Postemployment Benefits (OPEB)

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

- Update mortality table
- Lowered in rates of service retirement
- Update withdrawal rates to better fit experience
- Lowered in rates of disability retirement
- No changes to salary rates
- Increase Line of Duty Disability rates
- Applicable to: Pension and GLI OPEB

Largest 10 –Hazardous Duty/Public Safety Employees:

- Update mortality table
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates
- Applicable to: Pension and GLI OPEB

(Continued)

TOWN OF VINTON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

Note 2. Changes of Assumptions (Continued)

All Others (Non 10 Largest) – Non-Hazardous Duty:

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 14% to 15%
- Applicable to: Pension and GLI OPEB

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STATISTICAL SECTION

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

<u>Contents</u>	<u>Table</u>
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Financial Trends.....	1-4
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These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity	5-8
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These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes, as well as customer rates for its water and sewer operations.

Debt Capacity	9-11
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These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic and Economic Information.....	12-13
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These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.

Operating Information.....	14-16
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These schedules contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates to the services the Town provides and the activities it performs.

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

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

The Town implemented GASB Statement 75 and restated beginning net position for 2018. The restatement is not included in the prior year data.

TABLE 1

TOWN OF VINTON, VIRGINIA

NET POSITION BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Net investment in capital assets	\$ 6,548,322	\$ 6,638,792	\$ 6,225,603	\$ 5,929,925	\$ 5,427,254	\$ 5,704,050	\$ 5,919,643	\$ 6,316,937	\$ 6,760,474	\$ 7,365,632
Restricted	412,925	132,387	209,649	235,246	190,161	91,676	-	20,053	20,000	20,000
Unrestricted	467,465	770,368	801,646	499,226	2,291,758	2,219,240	1,972,859	1,491,375	1,362,770	1,650,476
Total governmental activities net position	<u>\$ 7,428,712</u>	<u>\$ 7,541,547</u>	<u>\$ 7,236,898</u>	<u>\$ 6,664,397</u>	<u>\$ 7,909,173</u>	<u>\$ 8,014,966</u>	<u>\$ 7,892,502</u>	<u>\$ 7,828,365</u>	<u>\$ 8,143,244</u>	<u>\$ 9,036,108</u>
Business-type activities										
Net investment in capital assets	\$ 4,760,652	\$ 4,862,273	\$ 4,880,340	\$ 5,184,003	\$ 4,834,097	\$ 4,853,969	\$ 4,838,640	\$ 5,019,517	\$ 5,437,639	\$ 5,342,230
Unrestricted	1,823,180	1,504,611	1,035,813	117,415	410,722	394,976	339,523	661,273	297,150	968,176
Total business-type activities net position	<u>\$ 6,583,832</u>	<u>\$ 6,366,884</u>	<u>\$ 5,916,153</u>	<u>\$ 5,301,418</u>	<u>\$ 5,244,819</u>	<u>\$ 5,248,945</u>	<u>\$ 5,178,163</u>	<u>\$ 5,680,790</u>	<u>\$ 5,734,789</u>	<u>\$ 6,310,406</u>
Primary government										
Net investment in capital assets	\$ 11,308,974	\$ 11,501,065	\$ 11,105,943	\$ 11,113,928	\$ 10,261,351	\$ 10,558,019	\$ 10,758,283	\$ 11,336,454	\$ 12,198,113	\$ 12,707,862
Restricted	412,925	132,387	209,649	235,246	190,161	91,676	-	20,053	20,000	20,000
Unrestricted	2,290,645	2,274,979	1,837,459	616,641	2,702,480	2,614,216	2,312,382	2,152,648	1,659,920	2,618,652
Total primary government net position	<u>\$ 14,012,544</u>	<u>\$ 13,908,431</u>	<u>\$ 13,153,051</u>	<u>\$ 11,965,815</u>	<u>\$ 13,153,992</u>	<u>\$ 13,263,911</u>	<u>\$ 13,070,665</u>	<u>\$ 13,509,155</u>	<u>\$ 13,878,033</u>	<u>\$ 15,346,514</u>

TABLE 2

TOWN OF VINTON, VIRGINIA
CHANGE IN NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities										
General government	\$ 962,685	\$ 992,699	\$ 1,001,560	\$ 927,954	\$ 962,341	\$ 942,315	\$ 948,803	\$ 934,388	\$ 1,023,227	\$ 1,037,073
Public safety	3,686,891	3,926,763	3,340,624	3,418,566	3,339,148	3,238,361	3,214,622	3,397,562	3,446,746	3,593,946
Public works	1,893,248	2,011,469	2,026,305	2,021,994	1,993,713	2,074,464	2,062,430	2,243,111	2,457,832	2,455,754
Parks, recreation, and cultural	517,122	591,208	591,342	621,897	635,252	588,649	553,866	583,569	617,778	610,756
Community development	416,637	479,973	447,908	427,409	575,557	398,517	1,034,510	339,983	393,160	339,304
Interest on long-term debt	94,963	106,756	126,164	193,242	200,584	143,455	183,672	194,159	203,787	211,189
Total governmental activities	7,571,546	8,108,868	7,533,903	7,611,062	7,706,595	7,385,761	7,997,903	7,692,772	8,142,530	8,248,022
Business-type activities										
Water and sewer	3,279,827	3,088,256	3,103,779	2,994,485	3,174,896	2,946,127	3,044,342	3,002,964	3,238,927	3,189,315
Stormwater management	253,188	419,957	-	-	-	-	-	-	-	-
Total business-type activities expense	3,533,015	3,508,213	3,103,779	2,994,485	3,174,896	2,946,127	3,044,342	3,002,964	3,238,927	3,189,315
Total primary government expenses	\$ 11,104,561	\$ 11,617,081	\$ 10,637,682	\$ 10,605,547	\$ 10,881,491	\$ 10,331,888	\$ 11,042,245	\$ 10,695,736	\$ 11,381,457	\$ 11,437,337
Program Revenues										
Governmental activities										
Charges for services										
Public safety	\$ 93,599	\$ 118,454	\$ 63,735	\$ 72,356	\$ 88,364	\$ 89,115	\$ 91,196	\$ 119,870	\$ 108,187	\$ 172,357
Public works	110,167	110,145	110,099	110,295	110,425	110,115	110,460	110,380	110,175	132,382
Other activities	506,160	540,600	559,171	570,459	554,666	495,133	440,883	466,306	489,901	436,835
Operating grants and contributions	1,539,975	1,666,789	1,389,380	1,426,127	1,382,744	1,287,108	1,281,998	1,318,394	1,366,971	1,454,813
Capital grants and contributions	84,184	408,362	317,643	384,074	114,966	53,749	66,545	75,188	8,034	2,146
Total governmental activities program revenues	2,334,085	2,844,350	2,440,028	2,563,311	2,251,165	2,035,220	1,991,082	2,090,138	2,083,268	2,198,533
Business-type activities										
Charges for services										
Water and sewer	3,354,057	3,398,582	3,437,535	3,195,850	3,002,970	2,754,147	2,753,851	2,672,156	2,439,634	2,289,754
Capital grants and contributions	-	-	-	-	-	-	-	-	-	303,556
Total business-type activities program revenues	3,354,057	3,398,582	3,437,535	3,195,850	3,002,970	2,754,147	2,753,851	2,672,156	2,439,634	2,593,310
Total primary government program revenues	\$ 5,688,142	\$ 6,242,932	\$ 5,877,563	\$ 5,759,161	\$ 5,254,135	\$ 4,789,367	\$ 4,744,933	\$ 4,762,294	\$ 4,522,902	\$ 4,791,843
Net (expense) revenue										
Governmental activities	\$ (5,237,461)	\$ (5,264,518)	\$ (5,093,875)	\$ (5,047,751)	\$ (5,455,430)	\$ (5,350,541)	\$ (6,006,821)	\$ (5,602,634)	\$ (6,059,262)	\$ (6,049,489)
Business-type activities	(178,958)	(109,631)	333,756	201,365	(171,926)	(191,980)	(290,491)	(330,808)	(799,293)	(596,005)
Total primary government net expense	\$ (5,416,419)	\$ (5,374,149)	\$ (4,760,119)	\$ (4,846,386)	\$ (5,627,356)	\$ (5,542,521)	\$ (6,297,312)	\$ (5,933,442)	\$ (6,858,555)	\$ (6,645,494)

TABLE 2
(Continued)

TOWN OF VINTON, VIRGINIA

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 684,319	\$ 697,622	\$ 640,391	\$ 539,764	\$ 448,349	\$ 453,135	\$ 510,558	\$ 429,409	\$ 419,401	\$ 434,176
Sales tax	1,370,590	1,436,325	1,348,456	1,320,700	1,287,437	1,284,455	1,247,566	1,171,590	1,113,322	1,132,519
Business license tax	482,003	500,713	508,747	489,749	517,111	491,996	460,638	454,636	456,536	437,797
Meals tax	966,053	953,721	955,488	912,713	900,591	912,226	909,814	864,448	842,384	861,286
Other taxes	616,344	585,378	576,896	561,080	628,177	692,669	698,412	734,316	755,808	386,703
Utilities tax	756,225	755,985	767,736	782,869	787,097	785,555	782,487	801,264	803,044	795,268
Intergovernmental revenue not restricted	770,645	773,690	744,247	768,956	756,199	807,117	773,617	748,815	664,975	631,320
Investment earnings not restricted	25,780	19,406	17,709	15,438	14,540	4,434	3,020	1,904	3,187	28,917
Restricted investment earnings	-	-	-	60,746	59,628	-	-	-	-	187
Gain on disposal of property	-	-	-	7,444	6,516	-	-	-	-	-
Other	57,781	66,305	106,706	27,002	21,752	41,418	184,846	81,373	29,275	16,038
Transfers	(140,298)	(219,978)	-	-	-	-	500,000	-	78,466	126,018
Total governmental activities	<u>5,589,442</u>	<u>5,569,167</u>	<u>5,666,376</u>	<u>5,486,461</u>	<u>5,427,397</u>	<u>5,473,005</u>	<u>6,070,958</u>	<u>5,287,755</u>	<u>5,166,398</u>	<u>4,850,229</u>
Business-type activities:										
Investment earnings not restricted	7,627	2,172	989	-	7	66	414	1,174	1,824	16,719
Restricted investment earnings	525	94	329	1,353	5,301	762	91	427	1,727	26,873
Other	299,102	338,118	279,661	250,562	255,135	261,934	287,359	275,208	298,591	236,198
Transfers	140,298	219,978	-	-	-	-	(500,000)	-	(78,466)	(126,018)
Total business-type activities	<u>447,552</u>	<u>560,362</u>	<u>280,979</u>	<u>251,915</u>	<u>260,443</u>	<u>262,762</u>	<u>(212,136)</u>	<u>276,809</u>	<u>223,676</u>	<u>153,772</u>
Total primary government	<u>\$ 6,036,994</u>	<u>\$ 6,129,529</u>	<u>\$ 5,947,355</u>	<u>\$ 5,738,376</u>	<u>\$ 5,687,840</u>	<u>\$ 5,735,767</u>	<u>\$ 5,858,822</u>	<u>\$ 5,564,564</u>	<u>\$ 5,390,074</u>	<u>\$ 5,004,001</u>
Changes in Net Position										
Governmental activities	\$ 351,981	\$ 304,649	\$ 572,501	\$ 438,710	\$ (28,033)	\$ 122,464	\$ 64,137	\$ (314,879)	\$ (892,864)	\$ (1,199,260)
Business-type activities	268,594	450,731	614,735	453,280	88,517	70,782	(502,627)	(53,999)	(575,617)	(442,233)
Total primary government	<u>\$ 620,575</u>	<u>\$ 755,380</u>	<u>\$ 1,187,236</u>	<u>\$ 891,990</u>	<u>\$ 60,484</u>	<u>\$ 193,246</u>	<u>\$ (438,490)</u>	<u>\$ (368,878)</u>	<u>\$ (1,468,481)</u>	<u>\$ (1,641,493)</u>

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

TABLE 3

TOWN OF VINTON, VIRGINIA

FUND BALANCES – GOVERNMENTAL FUND

Last Ten Fiscal Years
(modified accrual basis of accounting)

		<u>2010</u>	<u>2009</u>					
Pre-GASB 54 implementation:								
General Fund								
Reserved		\$ 361,090	\$ 272,645					
Unreserved		<u>1,322,095</u>	<u>1,698,851</u>					
Total general fund		<u><u>\$ 1,683,185</u></u>	<u><u>\$ 1,971,496</u></u>					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Post-GASB 54 implementation:								
General Fund								
Nonspendable	\$ 103,927	\$ 89,382	\$ 62,048	\$ 59,817	\$ 60,358	\$ 19,101	\$ 62,746	\$ 66,341
Restricted	412,925	132,387	209,649	235,246	190,161	274,908	17,068	372,271
Committed	30,000	-	-	-	-	-	-	100,000
Unassigned	<u>2,675,654</u>	<u>2,578,193</u>	<u>2,607,524</u>	<u>2,361,436</u>	<u>2,919,657</u>	<u>2,837,802</u>	<u>2,584,947</u>	<u>1,196,789</u>
Total general fund	<u><u>\$ 3,222,506</u></u>	<u><u>\$ 2,799,962</u></u>	<u><u>\$ 2,879,221</u></u>	<u><u>\$ 2,656,499</u></u>	<u><u>\$ 3,170,176</u></u>	<u><u>\$ 3,131,811</u></u>	<u><u>\$ 2,664,761</u></u>	<u><u>\$ 1,735,401</u></u>

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

TABLE 4

TOWN OF VINTON, VIRGINIA

CHANGES IN FUND BALANCES – GOVERNMENTAL FUND

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Taxes	\$ 4,868,746	\$ 4,904,946	\$ 4,845,354	\$ 4,469,823	\$ 4,562,633	\$ 4,597,882	\$ 4,529,953	\$ 4,467,158	\$ 4,345,947	\$ 4,049,513
Permits, privilege fees, and regulatory licenses	8,955	8,712	9,788	12,403	9,085	10,861	9,273	10,242	12,116	11,321
Fines and forfeitures	71,210	75,085	51,631	56,503	75,059	73,107	75,989	102,566	94,548	116,463
Revenue from use of money and property	148,433	136,695	141,889	197,241	198,625	105,998	105,666	118,560	156,533	201,341
Charges for services	377,369	418,042	452,903	438,558	407,900	387,049	333,832	355,606	328,116	319,293
Other	137,547	150,967	138,589	129,124	149,957	72,337	18,522	16,860	3,562	4,638
Intergovernmental	2,444,777	2,965,777	2,612,197	2,411,620	2,243,120	2,239,992	2,303,286	2,303,732	2,170,790	2,230,602
Total revenues	8,057,037	8,660,224	8,252,351	7,715,272	7,646,379	7,487,226	7,376,521	7,374,724	7,111,612	6,933,171
Expenditures										
General government	695,683	650,824	710,412	668,082	645,071	632,136	618,951	628,386	641,853	652,359
Public safety	3,703,343	3,649,236	3,304,624	3,313,099	3,201,533	3,005,917	2,948,155	3,250,590	3,200,859	3,259,980
Public works	1,775,465	1,749,305	1,942,260	1,918,439	1,795,602	1,892,656	1,834,120	1,990,381	2,164,328	2,219,226
Parks, recreation, and cultural	533,892	570,065	594,550	617,934	620,636	547,604	518,579	551,240	574,215	571,291
Community development	485,624	889,397	687,006	604,476	468,678	386,592	544,245	333,617	365,366	316,267
Capital projects	37,880	463,945	437,389	551,936	140,478	542,235	160,752	114,309	90,570	384,982
Debt service:										
Principal retirement	436,700	535,374	404,038	379,843	372,923	335,766	267,595	260,501	253,500	241,585
Interest and fiscal charges	83,210	91,789	115,486	182,584	186,377	174,699	185,715	195,608	205,189	212,090
Bond issuance costs	-	-	15,920	-	-	36,638	-	-	-	-
Total expenditures	7,751,797	8,599,935	8,211,685	8,236,393	7,431,298	7,554,243	7,078,112	7,324,632	7,495,880	7,857,780
Excess (deficiency) of revenues over expenditures	305,240	60,289	40,666	(521,121)	215,081	(67,017)	298,409	50,092	(384,268)	(924,609)
Other Financing Sources (Uses)										
Proceeds from long-term debt	-	-	702,000	-	-	2,411,641	-	-	-	-
Payments to refunded bond escrow agent	-	-	(686,080)	-	-	(2,190,889)	-	-	-	-
Proceeds from capital lease	257,602	-	136,599	-	-	313,315	-	-	-	-
Proceeds from sale of capital assets	-	80,430	29,537	7,444	6,516	-	130,951	2,124	17,491	15,560
Transfers in	(140,298)	(219,978)	-	-	-	-	500,000	-	78,466	126,018
Total other financing sources	117,304	(139,548)	182,056	7,444	6,516	534,067	630,951	2,124	95,957	141,578
Net change in fund balances	\$ 422,544	\$ (79,259)	\$ 222,722	\$ (513,677)	\$ 221,597	\$ 467,050	\$ 929,360	\$ 52,216	\$ (288,311)	\$ (783,031)
Debt service as a percentage of noncapital expenditures	6.82%	7.92%	6.90%	7.50%	7.58%	7.21%	6.49%	6.33%	6.19%	6.07%

TABLE 5

TOWN OF VINTON, VIRGINIA

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service Corporation	Mobile Homes	Total Assessed Value	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Assessed Value
2018	\$ 477,273,000	\$ 45,927,462	\$ 8,177,340	\$ 17,911,880	\$ 52,550	\$ 549,342,232	\$ 0.07	\$ 549,342,232	100%
2017	467,013,600	45,889,795	7,448,120	17,210,450	40,250	537,602,215	0.07	537,602,215	100
2016	461,728,300	45,958,231	7,146,010	17,038,560	38,300	531,909,401	0.07	531,909,401	100
2015	458,804,800	45,024,930	6,934,930	17,364,350	42,930	528,171,940	0.06	528,171,940	100
2014	455,632,200	45,223,230	6,882,820	13,713,107	45,720	521,497,077	0.06	521,497,077	100
2013	456,795,100	43,698,440	7,310,490	14,385,245	47,520	522,236,795	0.06	522,236,795	100
2012	465,957,200	43,682,200	7,232,260	15,347,180	46,800	532,265,640	0.06	532,265,640	100
2011	469,499,100	43,392,270	7,232,700	15,191,110	47,740	535,362,920	0.06	535,362,920	100
2010	468,470,600	42,803,545	7,303,000	15,632,460	48,190	534,257,795	0.06	534,257,795	100
2009	463,014,500	47,556,110	7,191,835	14,933,569	51,675	532,747,689	0.06	532,747,689	100

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

TABLE 6

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

Customer	Fiscal Year 2018			Fiscal Year 2009		
	Revenue	Rank	Percentage of Total Town Revenue	Revenue	Rank	Percentage of Total Town Revenue
Precision Fabrics Group, Inc.	\$ 164,937	1	4.51 %	\$ 240,417	1	9.52 %
Aramark	152,290	2	4.17	74,900	2	2.97
Cardinal Glass	138,938	3	3.80	44,596	3	1.77
The Berkshire	62,730	4	1.72	34,713	4	1.37
Blue Ridge Manor Apartments	52,196	5	1.43	-	-	-
RGM	40,160	6	1.10	32,458	5	1.28
Roanoke County Schools	32,573	7	0.89	16,538	7	0.65
Richard Dickerson/RL Mansard Sq	20,774	8	0.57	1,522	8	0.06
F & W Management	17,850	9	0.49	-	-	-
Clearview Manor	17,050	10	0.47	19,768	6	0.78
Syline Cleaners	-	-	-	8,048	9	0.32
American Efficiency	-	-	-	7,043	10	0.28
	<u>\$ 699,498</u>			<u>\$ 480,003</u>		

Source: Town of Vinton Finance Department

1) FY 2018 % was based on total water and sewer revenue of \$3,653,159

2) FY 2009 % was based on total water and sewer revenue of \$2,525,952

TABLE 7

TOWN OF VINTON, VIRGINIA

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2018	\$ 874,622	\$ 823,616	94.17%	\$ -	\$ 823,616	94.17%
2017	859,822	826,673	96.14	20,321	846,994	96.14
2016	853,737	785,340	91.99	13,902	799,242	94.37
2015	736,979	650,501	88.27	13,365	663,866	90.08
2014	645,360	610,294	94.57	12,010	622,304	94.57
2013	635,711	598,141	94.09	13,626	611,767	96.23
2012	637,626	600,406	94.16	13,528	613,934	96.28
2011	634,445	591,743	93.27	11,257	603,000	95.04
2010	637,392	607,701	95.34	13,950	621,651	97.53
2009	609,402	589,069	96.66	16,229	605,298	99.33

Source: Detailed Town property tax records.

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

TABLE 8

TOWN OF VINTON, VIRGINIA

WATER AND SEWER RATES
Last Ten Fiscal Years

Fiscal Year	Residential ¹		Commercial ²	
	First 3,000 Gallons or Less		First 1,500 Gallons or Less	
	Water	Sewer	Water	Sewer
2018	\$ 18.85	\$ 27.68	\$ 9.43	\$ 13.84
2017	18.85	27.68	9.43	13.84
2016	18.85	27.68	9.43	13.84
2015	18.85	27.68	9.43	13.84
2014	17.31	25.42	8.66	12.71
2013	15.92	23.39	7.97	11.68
2012	15.92	23.39	7.97	11.68
2011	15.92	23.39	7.97	11.68
2010	13.84	20.34	6.93	10.16
2009	12.59	18.49	6.30	9.24

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

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

² Commercial minimum charges are billed on a monthly basis

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Debt limit	\$ 54,934,223	\$ 53,760,222	\$ 53,190,940	\$ 52,817,194	\$ 52,149,708	\$ 51,809,508	\$ 53,226,564	\$ 53,536,292	\$ 53,425,780	\$ 53,274,769
Total net debt applicable to limit	<u>6,407,378</u>	<u>7,094,822</u>	<u>7,757,263</u>	<u>8,344,738</u>	<u>8,959,814</u>	<u>10,118,536</u>	<u>7,125,222</u>	<u>7,103,808</u>	<u>7,548,025</u>	<u>7,978,160</u>
Legal debt margin	<u>\$ 48,526,845</u>	<u>\$ 46,665,400</u>	<u>\$ 45,433,677</u>	<u>\$ 44,472,456</u>	<u>\$ 43,189,894</u>	<u>\$ 41,690,972</u>	<u>\$ 46,101,342</u>	<u>\$ 46,432,484</u>	<u>\$ 45,877,755</u>	<u>\$ 45,296,609</u>
Total net debt applicable to the limit as a percentage of debt limit	11.66%	13.20%	14.58%	15.80%	17.18%	19.53%	13.39%	13.27%	14.13%	14.98%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value	<u>\$ 549,342,232</u>
Debt limit (10% of assessed value)	\$ 54,934,223
Less debt applicable to limit:	
General obligation bonds	<u>6,407,378</u>
Legal debt margin	<u>\$ 48,526,845</u>

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

TABLE 10

TOWN OF VINTON, VIRGINIA

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Governmental Activities						Business Type Activities				
Fiscal Year	General Obligation Bonds ¹	Revenue Bonds ¹	Capital Leases	Obligations Payable	Total	General Obligation Bonds ¹	Revenue Bonds ¹	Obligations Payable	Capital Leases	Total
2018	\$ 2,637,173	\$ -	\$ 240,612	\$ 203,036	\$ 3,080,821	\$ 3,789,564	\$ 1,852,617	\$ 252,532	\$ 498,198	\$ 6,392,911
2017	2,940,783	-	54,837	266,576	3,262,196	4,175,676	2,015,327	266,363	-	6,457,366
2016	3,242,029	-	230,969	327,424	3,800,422	4,539,723	2,184,037	280,605	-	7,004,365
2015	3,488,651	-	159,415	385,080	4,033,146	4,892,861	2,150,851	294,516	-	7,338,228
2014	3,724,405	-	209,262	442,548	4,376,215	5,235,409	2,274,519	-	-	7,509,928
2013	4,056,402	-	257,549	425,000	4,738,951	5,941,895	2,393,190	-	-	8,335,085
2012	2,733,027	1,377,256	-	475,000	4,585,283	3,950,222	2,506,858	-	-	6,457,080
2011	2,880,305	1,453,521	47,595	-	4,381,421	4,258,808	2,615,526	-	-	6,874,334
2010	3,027,582	1,524,786	93,096	-	4,645,464	4,558,026	2,719,195	-	-	7,277,221
2009	3,169,860	1,596,051	136,595	-	4,902,506	4,848,160	2,817,860	-	-	7,666,020

Fiscal Year	Total Primary Government ¹	Total Taxable Assessed Value	Net General Bonded Debt to Estimated Actual Value of Taxable Property	Population	Bonded Debt Per Capita	Per Capita Personal Income	Net General Bonded Debt Per Capita to Per Capita Personal Income
2018	\$ 6,426,737	\$ 549,342,232	1.17%	8,065	\$ 797	\$ 48,384	1.65%
2017	7,116,459	537,602,215	1.32	8,185	869	48,047	1.81
2016	7,781,752	531,909,401	1.46	8,231	945	45,577	2.07
2015	8,381,512	528,171,940	1.59	8,151	1,028	43,418	2.37
2014	8,959,814	521,497,080	1.72	8,151	1,099	42,288	2.60
2013	9,998,297	518,095,080	1.93	8,092	1,236	40,688	3.04
2012	6,683,249	532,265,640	1.26	8,130	822	39,866	2.06
2011	7,139,113	535,362,920	1.33	8,098	882	39,315	2.24
2010	7,585,608	534,257,800	1.42	7,814	971	39,315	2.46
2009	8,018,020	532,747,690	1.50	7,876	1,018	39,315	2.58

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

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

¹ Includes bond premiums

TABLE 11

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

Fiscal Year	Gross Revenue	Less: Operating Expenses ⁽¹⁾	Net Available Revenue	Debt Service		Coverage
				Principal ⁽²⁾	Interest	
2018	\$ 3,661,311	\$ 2,344,160	\$ 1,317,151	\$ 595,555	\$ 166,641	1.73
2017	3,738,966	2,182,323	1,556,643	543,289	181,582	2.12
2016	3,718,514	2,241,937	1,476,577	487,049	311,245	1.85
2015	3,447,765	2,115,736	1,332,029	462,548	257,957	1.85
2014	3,263,413	2,261,529	1,001,884	504,718	256,920	1.32
2013	3,016,909	2,129,633	887,276	428,247	215,281	1.38
2012	3,041,715	2,187,683	854,032	413,586	232,992	1.32
2011	2,948,965	2,140,766	808,199	399,218	225,689	1.29
2010	2,741,776	2,361,718	380,058	385,135	195,038	0.66
2009	2,873,100	2,312,595	560,505	281,331	213,792	1.13

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

(1) Excluding depreciation, interest, and amortization

(2) Excluding refunded principal payments

TABLE 12

TOWN OF VINTON, VIRGINIA

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

Fiscal Year Ended	Population (1)	Total Personal Income (2)	Per Capita Personal Income (2)	Public School Roanoke CO Enrollment (3)	Public Town of Vinton Enrollment (3)	Unemployment Rate (4)
2018	8,065	\$ 5,786,000	\$ 48,384	14,155	926	3.40%
2017	8,185	5,780,000	48,047	14,235	965	3.70
2016	8,231	5,435,865	45,577	14,135	910	3.70
2015	8,151	5,159,100	43,418	14,384	948	4.50
2014	8,151	4,984,547	42,288	14,333	965	5.50
2013	8,092	4,789,030	40,688	14,369	935	5.90
2012	8,130	4,672,000	39,866	14,454	927	5.70
2011	8,098	4,561,791	39,315	14,259	951	5.70
2010	7,814	4,561,791	39,315	14,474	921	6.30
2009	7,876	4,561,791	39,315	14,650	978	4.60

Sources:

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

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

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

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

TABLE 13

TOWN OF VINTON, VIRGINIA

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Employer	Fiscal Year 2018			Fiscal Year 2009		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Berkshire	204	1	2.53%	230	2	6.42%
Kroger	193	2	2.39	160	4	4.47
Precision Fabrics Group, Inc.	190	3	2.36	280	1	4.97
Roanoke County Schools (Vinton)	132	4	1.64	178	3	782.00%
Town of Vinton	97	5	1.20	117	5	3.27
Aramark Uniform Services	97	6	1.20	90	6	2.51
McDonalds	84	7	1.04	N/A	N/A	N/A
Magnets USA	70	8	0.87	N/A	N/A	N/A
Woods Service Center	44	9	0.55	N/A	N/A	N/A
Lancerlot	40	10	0.50	N/A	N/A	N/A
	<u>1,151</u>		<u>14.28%</u>	<u>1,055</u>		<u>29.46%</u>

Source: Employer Business Application or HR Contact

N/A - Not Available

TABLE 14

TOWN OF VINTON, VIRGINIA

FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General government										
Management services	4	4	4	4	4	4	4	4	4	4
Finance	5	5	5	6	6	6	6	5	5	5
Planning	2	3	3	3	3	3	3	3	3	3
Police										
Officers	23	24	22	22	24	24	24	25	24	24
Civilians	2	2	2	2	2	2	2	2	10	10
Fire										
Firefighters and officers	11	12	10	11	10	9	9	9	9	9
Other public works	34	33	29	31	32	32	32	34	33	33
Parks, recreation, and cultural	3	3	3	2	3	3	3	3	3	3
Total	<u>84</u>	<u>86</u>	<u>78</u>	<u>81</u>	<u>84</u>	<u>83</u>	<u>83</u>	<u>85</u>	<u>91</u>	<u>91</u>

Source: Town of Vinton HR Department

TABLE 15

TOWN OF VINTON, VIRGINIA
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General government										
Fleet equipment	133	133	133	133	133	117	117	117	117	117
Pieces of equipment maintained	133	133	133	133	133	117	117	117	117	117
Public safety:										
Police										
Arrests	1,034	594	722	507	578	582	667	546	531	658
Parking violations	40	58	133	52	64	48	56	82	139	84
Traffic violations	2,449	2,021	1,187	1,143	1,603	1,408	1,734	1,933	2,431	3,088
EMS										
Emergency responses	2,607	2,637	2,656	2,615	2,735	2,654	2,872	2,319	2,219	2,369
Fire										
Emergency responses	830	501	774	278	623	306	677	514	476	764
Public works										
Refuse collection										
Refuse collected (tons per day)	12	12	11.92	12.55	12.78	12.92	12.75	12.70	14.00	15.90
Recyclables collected (tons per day)	0.45	1	0.54	0.65	0.70	0.68	2.00	2.00	1.60	1.60
Other public works										
Street resurfacing (miles)	2.50	2	2.03	-	1.30	2.17	1.80	1.80	1.90	3.50
Parks, recreation, and cultural										
Parks and recreation - attendees										
Vinton Dogwood Festival (4-day)	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Vinton Bluegrass Festival (4-day)	Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed	20,000
4th of July	5,000	5,000	5,000	5,000	5,000	4,000	4,000	4,000	4,000	4,000
Enchanted Eve (Co-Sponsor Roanoke County)	Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed	5,000	5,000
Vinton Fall Festival (Co-Sponsor Chamber of Commerce)	6,000	6,000	9,000	9,000	6,000	6,000	6,000	6,000	6,000	6,000
Water										
Number of customer accounts	5,115	5,120	5,093	5,074	5,085	5,071	5,051	5,044	5,040	5,022
Miles of distribution lines	61	61	61	61	61	61	61	61	61	61
Volume pumped (million gallons per day average)	1	1	1.27	1.23	1.14	1.21	1.23	1.26	1.47	1.04
Sewer										
Number of customer accounts	4,691	4,686	4,658	4,639	4,642	4,636	4,607	4,610	4,609	4,600
Miles of collection lines	60	60	60	60	60	60	60	60	60	60
Waste/Water treated (million gallons per day)	1	1	1.40	1.19	0.92	0.96	0.99	1.09	1.27	1.04

N/A - Not available.

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

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

Source: Various Town of Vinton Departments

TABLE 16

TOWN OF VINTON, VIRGINIA

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

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public safety										
Law enforcement vehicles	27	27	25	26	25	25	26	27	27	29
Fire stations	1	1	1	1	1	1	1	1	1	1
Public works										
Primary streets (lane miles)	21.62	21.62	21.62	21.62	21.62	21.62	21.62	21.62	21.62	21.62
Secondary streets (lane miles)	66.32	66.32	66.32	66.32	66.32	66.32	66.32	66.32	66.32	66.32
Streetlights	505	505	503	502	500	500	500	500	500	500
Parks, recreation, and cultural										
Community centers										
Vinton Senior Program (No. of Events/Attendance)	356/5822	285/4370	252/4166	240/3990	223/3,965	253/3775	231/4033	174/3396	1/18	240/4236
Charles R. Hill Center (Rentals)	303	316	283	291	289	437	299	218	295	351
Skate Park	Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed
Vinton War Memorial	250	276	273	235	282	301	200	202	271	277
Parks/athletic fields										
Gearhart Park (TOV owned-Leased to Rke County)	NA	NA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	37/3000
Jaycee Field (Seasonal ballgames)	Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed
Greenway (3/4 Mile) Cinder Surface	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Lawfit Course (5 Fitness Stations)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,120	1,120	1,120
War Memorial Playground	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Vinton Municipal Pool	Closed	Closed	7,977	7,977	8,458	10,562	10,176	12,246	11,270	11,000
Water and sewer										
Water mains (miles)	61	61	61	61	61	61	61	61	61	61
Sanitary sewers (miles)	60	60	60	60	60	60	60	60	60	60
Stormwater										
Storm sewers (miles)	12	12	12	12	12	12	12	12	12	12
Signalized Street Intersections										
Traffic Signals (each)	11	11	11	11	11	11	11	11	11	11

Source: Various Town of Vinton Departments

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COMPLIANCE SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Vinton, Virginia (the "Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 15, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. **However, as described in the accompanying schedule of finding and response, we identified a certain deficiency in internal control that we consider to be a material weakness, which is labelled as item 2018-001.**

Compliance and Other Matters

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

Town of Vinton's Response to Finding

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 15, 2018

TOWN OF VINTON, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2018

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

STATE COMPLIANCE MATTERS

Code of Virginia:

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

State Agency Requirements:

- Highway Maintenance Funds

LOCAL COMPLIANCE MATTERS

Town Charter

TOWN OF VINTON, VIRGINIA
SCHEDULE OF FINDING AND RESPONSE
Year Ended June 30, 2018

A. FINDING – FINANCIAL STATEMENT AUDIT

2018-1: Segregation of Duties (Material Weakness)

Condition:

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

Recommendation:

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

Management's Response:

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

B. FINDING – COMMONWEALTH OF VIRGINIA

None.

TOWN OF VINTON, VIRGINIA
SCHEDULE OF PRIOR AUDIT FINDING
Year Ended June 30, 2018

A. FINDING – FINANCIAL STATEMENT AUDIT

2007-1: Segregation of Duties (Material Weakness)

Condition:

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

Current Status:

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