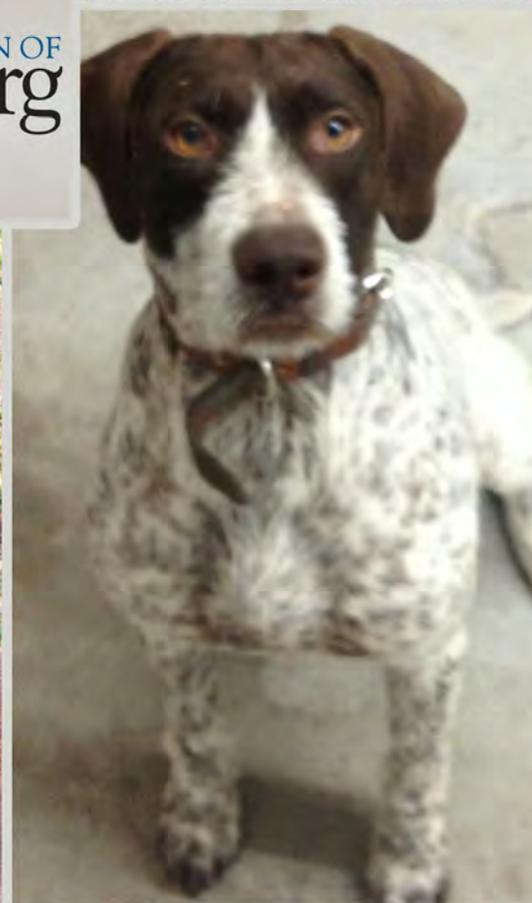


Town of Blacksburg, Virginia



TOWN OF
Blacksburg
a special place



Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2015

TOWN OF BLACKSBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
June 30, 2015

DEPARTMENT OF FINANCIAL SERVICES

TOWN OF BLACKSBURG, VIRGINIA

TABLE OF CONTENTS

INTRODUCTORY SECTION

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

FINANCIAL SECTION

Independent Auditor’s Report.....	1-3
Management’s Discussion and Analysis	4-13

Basic Financial Statements

Government-wide Financial Statements

Exhibit 1 Statement of Net Position	15
Exhibit 2 Statement of Activities.....	16

Fund Financial Statements

Exhibit 3 Balance Sheet – Governmental Funds.....	17
Exhibit 4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18-19
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund (Non-GAAP Budgetary Basis).....	20
Exhibit 6 Statement of Net Position – Proprietary Funds.....	21
Exhibit 7 Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	22
Exhibit 8 Statement of Cash Flows – Proprietary Funds.....	23-24
Exhibit 9 Statement of Fiduciary Net Position – Agency Funds	25

Notes to Financial Statements	26-74
-------------------------------------	-------

Required Supplementary Information

Exhibit 10 Schedule of Changes in Net Pension Liability and Related Ratios	76
Exhibit 11 Schedule of Pension Contributions.....	77
Exhibit 12 Schedule of Funding Progress for Other Post Employment Benefits	77

Notes to Required Supplementary Information	78
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Other Supplementary Information

Combining Statements

Exhibit A-1 Combining Balance Sheet – Non-Major Governmental Funds.....	81
Exhibit A-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Non-Major Governmental Funds	82
Exhibit B-1 Combining Statement of Fiduciary Net Position	84
Exhibit B-2 Combining Statement of Changes in Fiduciary Net Position	85

TOWN OF BLACKSBURG, VIRGINIA

TABLE OF CONTENTS

Other Supplementary Information (Continued)

Supporting Schedules

Schedule 1 Schedule of Expenditures of Federal Awards.....	87
Schedule 2 Computation of Legal Debt Margin.....	88

STATISTICAL SECTION

Table 1	Net Position by Component.....	90
Table 2	Changes in Net Position by Component	91-92
Table 3	Fund Balances – Governmental Funds	93
Table 4	Changes in Fund Balances – Governmental Funds	94
Table 5	Assessed Value and Actual Value of Taxable Property	95
Table 6	Principal Property Tax Payers	96
Table 7	Property Tax Levies and Collections	97
Table 8	Water and Sewer Revenues by Component.....	98
Table 9	Water and Sewer Rates	99
Table 10	Principal Water and Sewer Customers.....	100
Table 11	Legal Debt Margin Information	101
Table 12	Ratios of Outstanding Debt by Type.....	102
Table 13	Pledged Revenue Coverage	103
Table 14	Demographic and Economic Statistics.....	104
Table 15	Principal Employers.....	105
Table 16	Full-Time Equivalent Town Government Employees by Function/Program.....	106
Table 17	Operating Indicators by Function/Program.....	107
Table 18	Capital Asset and Infrastructure Statistics by Function/Program.....	108
Table 19	Continuing Bond Disclosures.....	109-114

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 <i>Government Auditing Standards</i>	116-117
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by <i>OMB Circular A-133</i>	118-119
Summary of Compliance Matters	120
Schedule of Findings and Questioned Costs	121-122

INTRODUCTORY SECTION

November 30, 2015

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

Section 15.1-167 of the *Code of Virginia*, requires an annual independent audit and report of financial activity of the Town of Blacksburg, Virginia (the “Town”) presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accounts. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town for the fiscal year ended June 30, 2015.

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

The Town’s financial statements have been audited by the independent certified public accounting firm of Brown, Edwards & Company, L.L.P. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town’s financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP. The independent auditor’s report is presented at the front of the financial section of this report.

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

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

Profile of the Government

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

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

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

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

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

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

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

Local Economy

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

The economic condition and outlook for the Town is stable but impacted by the national economy and its impacts on the state budget. Maintaining current services with increasing employee benefit costs in conjunction with slight revenue growth defines the character of the municipal corporation for both fiscal year 2015 and for the near future. The cost of health insurance, retirement benefits, snow removal, and fleet related expenses are three areas where costs continue to grow. Concurrently, Federal and State revenues continue to decline with no relief in sight. Reduced sales tax revenue due to the changes adopted by the General Assembly again impacts the Town's budget because a replacement revenue source was not identified. Lodging tax is expected to decrease in 2016 due to the demolition of an existing hotel that will eventually be replaced by two new hotels. The Town has added back several positions that had previously been cut because of the uncertain economy a few years ago. Adding these positions back will allow departments to operate more efficiently and effectively. In 2015, the real estate tax rate was increased by 3 cents to help fund the debt service on the new rescue station currently being built. Alongside the increase in the rate, property values were reassessed. This reassessment saw a 9% increase in property values.

The Town's major employer, Virginia Tech, is the largest university in the Commonwealth and is located on over 2,600 acres with more than 125 buildings on its campus. One of Virginia Tech's goals as outlined by the University President is to increase enrollment by 5,000 students. This growth will have a financial impact to the Town as more people will demand Town services. Virginia Tech continues to position itself as a major research institution with a high level of effort being concentrated on Intelligent Vehicle Highway System (IVHS) technology and Biotechnology. Growth in technology-based research and the spawning of businesses from the Corporate Research Center ("CRC") reflect well on the area and the wealth of resources offered by a major academic institution makes the Town an attractive venue for business. The CRC is now home to over 140 technology-based companies that collectively employ over 2,200 knowledge-based workers. The emergence of the university as a major research institution has occurred during the past decade with a research portfolio of more than \$450 million, and it is currently ranked 41st in university research in the U.S. The university routinely ranks among the top 15 universities in the number of patents issued to U.S. universities.

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

Local industry serves as a strong complement to the presence of Virginia Tech. Manufacturers of automobile components and electronic/fiber-optic technology continue to provide an employment base that contributes significantly to the economy of the Town. The retail sector is changing in the Town. An upscale mixed used development south of the downtown area called First & Main opened in October, 2008. This helped attract upscale national franchise outlets, such as Talbots and Jos. A. Banks, and complements a regional shopping area just to the south of the corporate limits. In 2015, construction was completed on a new IMAX theatre at the First & Main shopping center. This new theatre should attract other new businesses to the First & Main area. Blacksburg is now home to only the second IMAX theatre west of Richmond. This helps in developing specialty niches that the Blacksburg community will support.

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

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

In 2015, renovations were completed to the Alexander Black House. This museum celebrates Blacksburg's history and is a step forward for the Blacksburg Museum and Cultural Foundation.

Long-term Financial Planning

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

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

Recognizing the importance of infrastructure, beginning in fiscal year 2009, the Town began administering the Virginia Department of Transportation (VDOT) Urban Construction Initiative. The Town will administer its own local street construction projects with guidance from VDOT. This was a new program with the State and the Town joined eleven other localities participating in this program. This program's expenditures and revenue from the State was approximately \$22 million from fiscal year 2009 to fiscal year 2014. Following fiscal year 2014, VDOT decided to eliminate this program across the State. Even so, projects administered by VDOT continue in the Town such as the Southgate Interchange project which will allow easier access to the Virginia Tech Campus and the CRC.

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

Another challenge that comes with opportunity is identifying the funding sources for constructing and supporting capital projects. The Town has been excellent at leveraging external funding sources but the debt incurred by the Town lessens the funding available for operations. Available funding for operations is also impacted by the on-going support required for a capital project. This is becoming a more difficult task to accomplish when anticipating future budgets and the opportunities that lie ahead.

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

Relevant Financial Policies

In accordance with State code and the Town's Investment Policy, the Town invests in Treasury securities, agency securities, certificates of deposit, the Commonwealth of Virginia's State Treasurer's Local Government Investment Pool (LGIP), and the Virginia State Non-Arbitrage Program (SNAP). To the extent possible, the Policy will match investments with anticipated cash flow requirements. The maturities of the investments range from overnight to eight years with an average maturity of five years. The average yield on investments for fiscal year 2015 was 2.465%.

Major Initiatives

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

Despite the economic climate, there are various projects underway throughout Town including the University City Boulevard improvement project, the Turner Street streetscape project, parking expansion projects including the change out of all parking meters in Town including the addition of new parking pay stations, development of the South Point Park, and construction of a new rescue station. All of these projects will contribute to the economic and sustainable future.

The sale of the First & Main shopping center to owners with ties to the community in 2013 can only help move that project forward in a positive direction after stalling for four years. The new owners have created excitement among the tenants in the development and our community. The completion of an IMAX theatre has been met with enthusiasm. The planned opening of new restaurants and retail space has increased excitement about the center. The Town looks forward to working with First & Main to help them achieve the original vision for the project to make it the success it should be.

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

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

Awards and Acknowledgements

Certificate of Achievement The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Blacksburg for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the thirty-fifth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Distinguished Budget Presentation Award GFOA has also awarded the Town of Blacksburg with the prestigious Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2015. This is the twenty-fourth consecutive year that the Town has achieved this honor. In order to be awarded, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

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

Respectfully submitted,



Director of Finance
Town of Blacksburg



Government Finance Officers Association

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

Presented to

**Town of Blacksburg
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

TOWN OF BLACKSBURG, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2015

MEMBERS OF TOWN COUNCIL

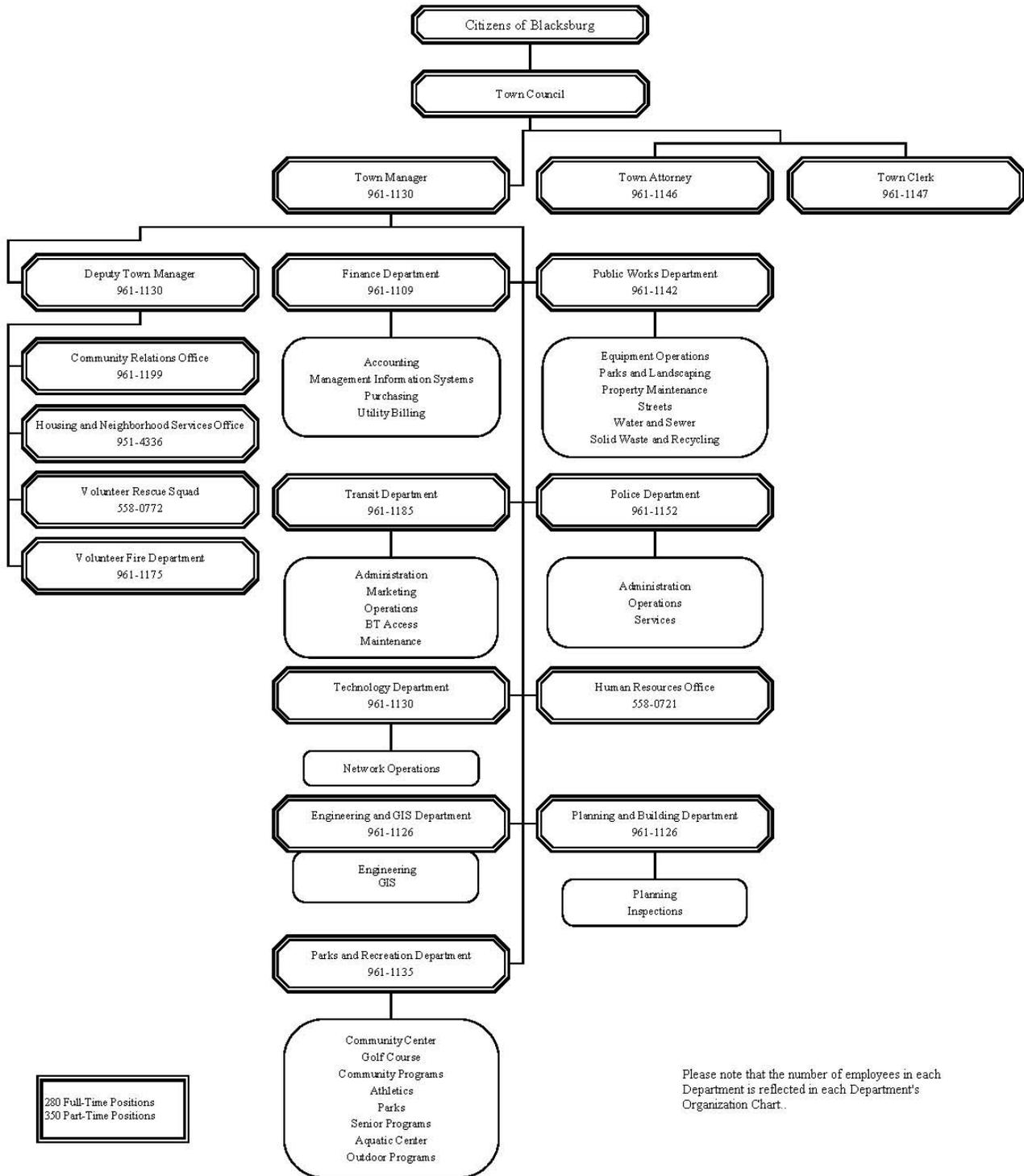
Ron RordamMayor
Krisha Chachra..... Vice-Mayor
John Bush
Michael Sutphin
Leslie Hager-Smith
Cecile Newcomb
Susan Anderson

GENERAL TOWN GOVERNMENT

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

INDEPENDENT AUDITORS

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



280 Full-Time Positions
 330 Part-Time Positions

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

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Blacksburg, Virginia (the "Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison statement for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 17 to the financial statements, in 2015, the Town adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, 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 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Blacksburg, Virginia (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i through vi of this report.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$85,541,396 (net position). Of this amount, \$1,821,236 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$2,627,896. This increase is primarily attributable to the construction of the new rescue station, the purchase of the Compton property and the Cooks Clean Center, and an increase in real estate taxes, meals taxes and business license taxes.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$19,157,678 an increase of \$5,244,909 due to planned increases in capital outlay and capital project expenditures and the issuance of the Series 2015 bonds. Of this total amount, \$748,615 represents unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,018,265, or 8 percent of total general fund expenditures.
- In 2015 the Town adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The overall effect of this new standard is to reflect the Town's long-term Virginia Retirement System (VRS) obligations directly in the financial statements. Previously, such amounts were mostly disclosed, but were not recognized as long as the Town was current with its required VRS contributions. The new standard not only changes certain measurement methodologies, but also requires certain new disclosures and that the Town records a net pension liability directly on the statement of net position. Beginning net position has been restated as discussed in footnote 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, 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.

Overview of the Financial Statements

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

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

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

(Continued)

Overview of the 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 15 and 16 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 17 through 20 of this report.

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

(Continued)

Overview of the Financial Statements (Continued)

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

The basic proprietary fund financial statements can be found on pages 21 through 24 of this report.

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

The basic fiduciary fund financial statements can be found on pages 84 and 85 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 through 74 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town’s funding progress for the defined benefit pension plan and the liability for other post-employment benefits. Required supplementary information can be found on pages 76 through 78 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$85,541,396 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (97 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
	Current and other assets	\$ 24,308,827	\$ 17,793,926	\$ 11,090,300	\$ 9,943,104	\$ 35,399,127
Capital assets	71,103,854	66,782,645	33,087,353	34,782,762	104,191,207	101,565,407
Total assets	95,412,681	84,576,571	44,177,653	44,725,866	139,590,334	129,302,437
Deferred outflows of resources	1,592,416	-	459,510	-	2,051,926	-
Long-term liabilities outstanding	36,103,442	17,023,739	8,248,619	5,848,684	44,352,061	22,872,423
Other liabilities	5,450,978	4,672,247	3,109,279	2,991,703	8,560,257	7,663,950
Total liabilities	41,554,420	21,695,986	11,357,898	8,840,387	52,912,318	30,536,373
Deferred inflows of resources	2,479,645	22,023	708,901	37,001	3,188,546	59,024
Net position						
Net investment in capital assets	55,065,864	52,856,050	27,565,755	29,013,749	82,631,619	81,869,799
Restricted	1,029,041	1,999,902	132,442	-	1,161,483	1,999,902
Unrestricted	(3,123,873)	8,002,610	4,872,167	6,834,729	1,748,294	14,837,339
Total net position	\$ 52,971,032	\$ 62,858,562	\$ 32,570,364	\$ 35,848,478	\$ 85,541,396	\$ 98,707,040

The balance of *unrestricted net position*, \$1,748,294 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate business-type activities. The governmental activities reported a negative unrestricted net position of \$3,123,873. This was due to the implementation of GASB Statement No. 68.

The Town's net position decreased by \$13,165,644 during the current fiscal year. The reason for this decrease was due to implementing GASB Statement No. 68 whereby \$15,793,540 of net position was restated. Net position actually increased \$2,627,896 in the current year after factoring in the aforementioned restatement.

Governmental activities – Governmental activities increased net position by \$2,612,054 thereby accounting for the increase in the net position of the Town. The key elements for this increase are the construction of the new rescue station, various street and sidewalk projects, and an increase in business license and meals taxes revenue.

Business-type activities – Business-type activities increased the Town's net position by \$15,842.

(Continued)

The Town's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services	\$ 5,021,539	\$ 4,701,334	\$ 15,459,133	\$ 15,192,197	\$ 20,480,672	\$ 19,893,531
Operating grants and contributions	4,150,390	4,072,899	3,640,253	3,194,624	7,790,643	7,267,523
Capital grants and contributions	4,173,342	4,081,847	2,426,973	6,076,151	6,600,315	10,157,998
General revenues						
Property taxes	6,303,580	5,624,078	-	-	6,303,580	5,624,078
Other taxes	12,878,232	12,407,075	-	-	12,878,232	12,407,075
Other	1,146,366	1,265,999	340,200	269,199	1,486,566	1,535,198
Total revenues	<u>33,673,449</u>	<u>32,153,232</u>	<u>21,866,559</u>	<u>24,732,171</u>	<u>55,540,008</u>	<u>56,885,403</u>
Expenses						
Legislative	277,068	270,763	-	-	277,068	270,763
Executive	2,220,361	2,256,772	-	-	2,220,361	2,256,772
Legal	324,788	331,616	-	-	324,788	331,616
Financial services	1,606,641	1,600,576	-	-	1,606,641	1,600,576
Technology	632,548	626,438	-	-	632,548	626,438
Police	7,962,990	7,691,501	-	-	7,962,990	7,691,501
Fire and rescue	1,371,343	1,278,687	-	-	1,371,343	1,278,687
Public works	8,137,865	7,680,338	-	-	8,137,865	7,680,338
Recreation	2,337,016	2,370,603	-	-	2,337,016	2,370,603
Engineering and GIS	1,403,154	1,793,233	-	-	1,403,154	1,793,233
Planning and building	917,969	1,231,734	-	-	917,969	1,231,734
CDBG entitlement	514,028	402,360	-	-	514,028	402,360
HOME consortium	1,462,016	672,216	-	-	1,462,016	672,216
Interest on long-term debt	694,561	552,382	-	-	694,561	552,382
Unallocated depreciation	1,520,348	1,258,229	-	-	1,520,348	1,258,229
Water and sewer	-	-	9,661,045	9,344,964	9,661,045	9,344,964
Transit system	-	-	10,038,822	10,003,945	10,038,822	10,003,945
Solid waste and recycling	-	-	1,629,828	1,671,055	1,629,828	1,671,055
Stormwater	-	-	199,721	-	199,721	-
Total expenses	<u>31,382,696</u>	<u>30,017,448</u>	<u>21,529,416</u>	<u>21,019,964</u>	<u>52,912,112</u>	<u>51,037,412</u>
Excess before transfers	2,290,753	2,135,784	337,143	3,712,207	2,627,896	5,847,991
Transfers	321,301	259,451	(321,301)	(259,451)	-	-
Change in net position	2,612,054	2,395,235	15,842	3,452,756	2,627,896	5,847,991
Net position at July 1, as restated	50,358,978	60,463,327	32,554,522	32,395,722	82,913,500	92,859,049
Net position at June 30	<u>\$ 52,971,032</u>	<u>\$ 62,858,562</u>	<u>\$ 32,570,364</u>	<u>\$ 35,848,478</u>	<u>\$ 85,541,396</u>	<u>\$ 98,707,040</u>

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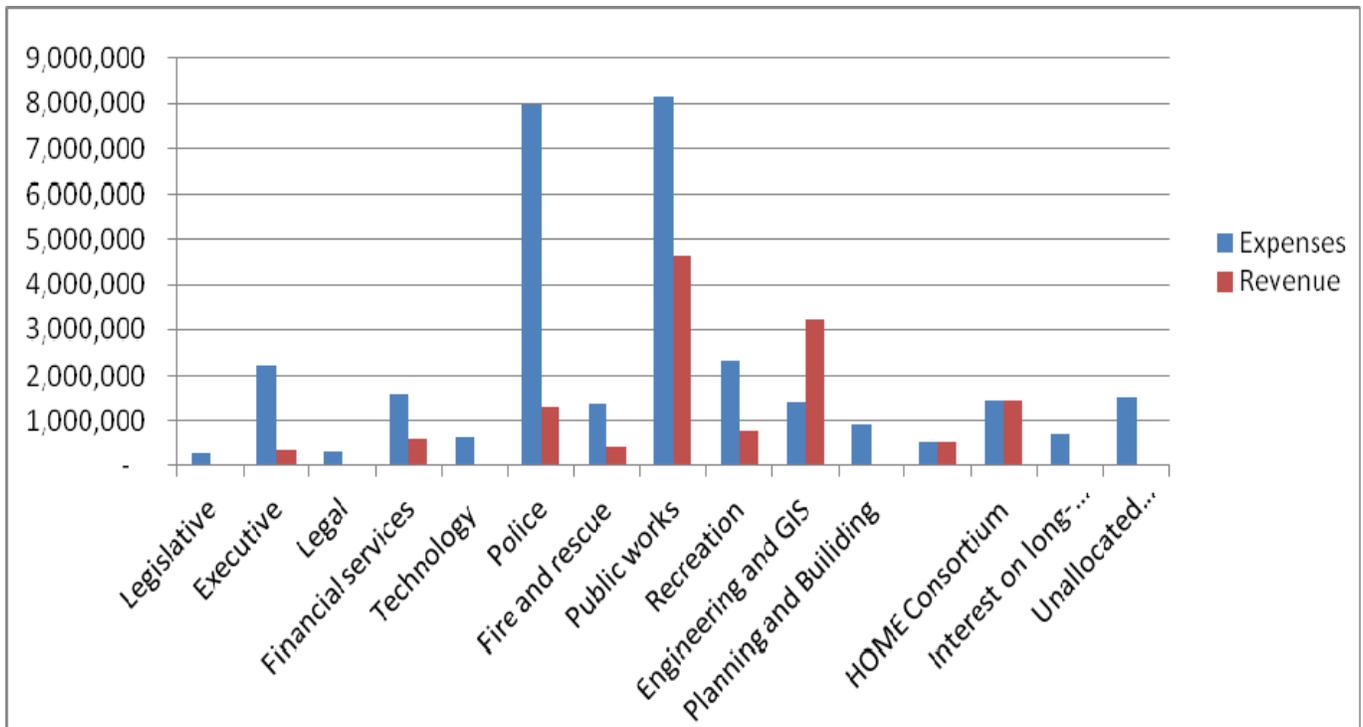
Government-wide Financial Analysis (Continued)

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

- Police expense increased due to increased contributions to the new Regional Emergency Communications Authority.
- Public Works expense increased due to salt prices.
- Engineering and GIS expense decreased due to various maintenance projects in the prior year.
- CDBG and HOME expenses decreased due to timing of various projects and grant funding.
- Unallocated depreciation increased due to infrastructure projects placed in service during the current year.

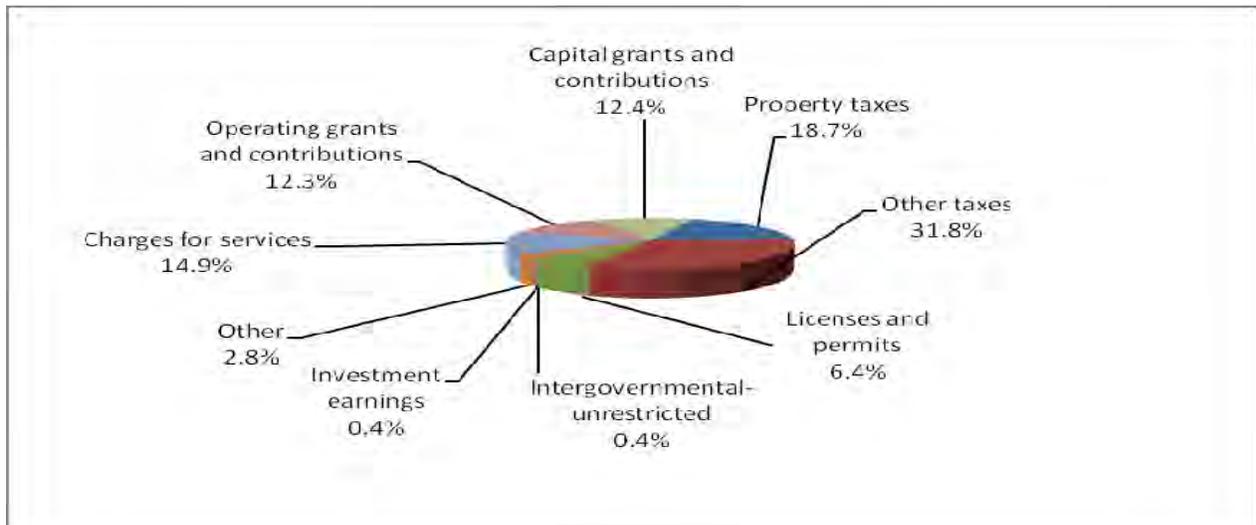
For business-type activities, the operating expenses for the transit fund are higher than the revenues that fund can generate. The operating revenues of the water and sewer fund were slightly less than expenses for the current year. The operating revenue of the stormwater and solid waste and recycling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

Expenses and Program Revenues – Governmental Activities

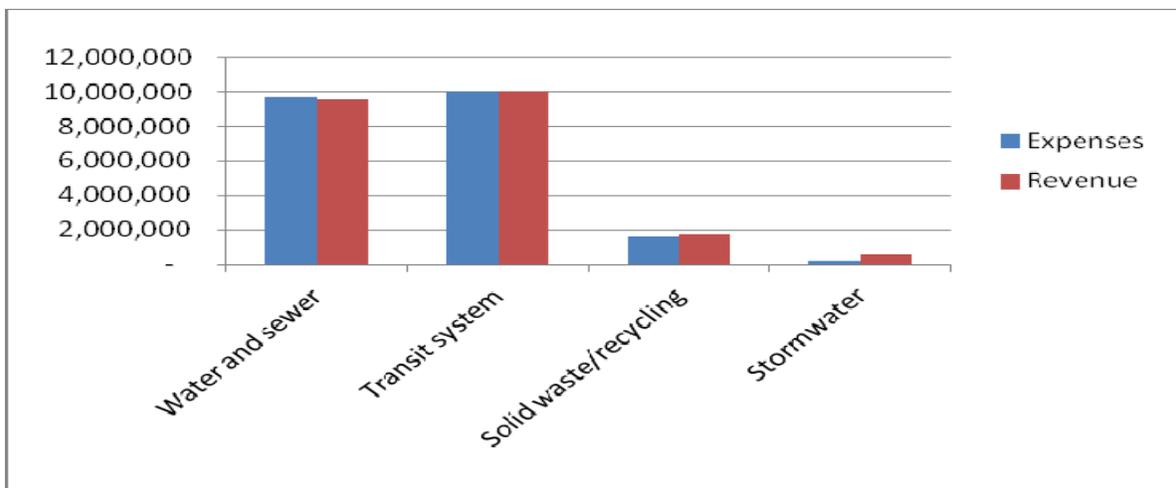


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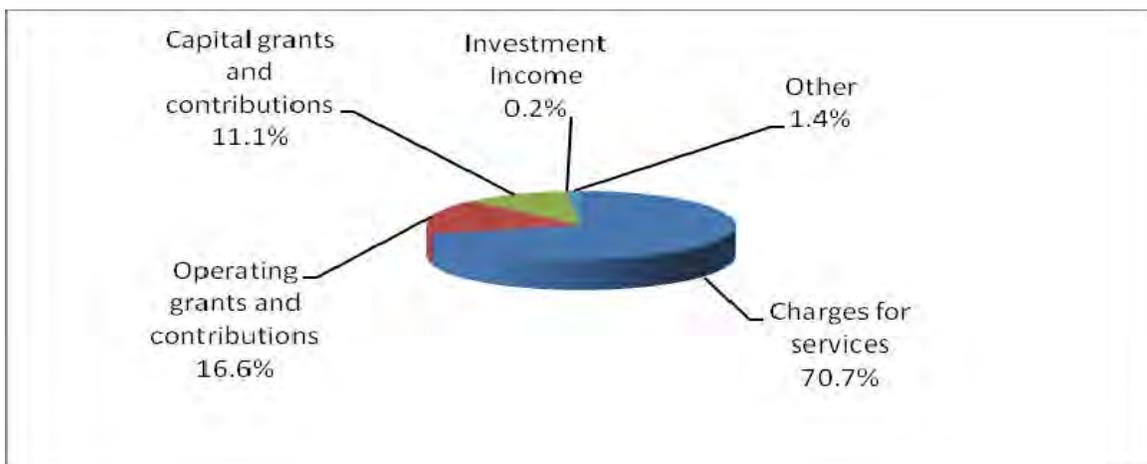
Revenues by Source – Governmental Activities



Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



(Continued)

Financial Analysis of the Government's Funds

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

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

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

As of the end of the current fiscal year, the Town's total governmental funds reported an ending fund balance of \$19,157,678, an increase of \$5,244,909 in comparison with the prior year. Of that amount, \$276,220 was nonspendable, \$1,029,041 was restricted, \$8,904,182 was committed, \$8,199,620 was assigned, and \$748,615 was unassigned.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 8.08% of total general fund expenditures, while total fund balance represents 10.11% of that same amount.

The fund balance of the Town's general fund decreased by \$2,077,520 during the current fiscal year. Key factors in this change were transfers to the general capital projects and debt service funds.

The general capital projects fund increased \$7,832,865 due to the issuance of bonds in the current year to fund various capital projects, most notably the new rescue station.

The urban construction fund decreased \$254,932 which reflects expenditures for various intersection, road, and sidewalk projects with state funds that were received in a prior year.

The equipment replacement capital projects fund decreased by \$255,504 which reflects equipment related expenditures in excess of annual transfers into the fund from user funds.

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

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

(Continued)

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

Unrestricted net position of the water and sewer, transit system, stormwater, and solid waste and recycling funds at the end of the year amounted to \$502,780, \$3,355,349, \$200,252, and \$813,786 respectively. The total increase in net position was \$15,842. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town’s business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget totaled \$1,579,155. Increases in appropriations can be briefly summarized as follows:

- \$1,579,155 in various departments for the reappropriation of prior year encumbrances and the purchase of property after adoption of the original budget.

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

- Police was under budget due to controlled spending in the Police Services Division.
- Financial Services, Recreation, and Engineering and GIS were under budget due to controlled spending.
- Executive expenditures were under budget due to the timing of the rehabilitation of the Cook’s Clean Center.
- General property taxes were over budget due to increased assessments, increased construction, and an increase in the tax rate for the 2015 first half real estate taxes.
- Other local taxes and business license taxes were over budget due to better economic conditions.
- Intergovernmental revenue was over budget due to timing of grant funding.
- Fines and forfeitures were under budget due to decreases in parking violations.
- Investment earnings were under budget due to a decrease in investment balances.

Capital Asset and Debt Administration

Capital assets – The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$104,191,207 (net of accumulated depreciation). This includes land, buildings and system improvements, machinery and equipment, roads, highways, and bridges. The total increase in the Town’s investment in capital assets for the current fiscal year was approximately 2.6 percent.

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

- Construction started on the new rescue station with additions totaling \$1,766,000.
- Engineering and design services for the new Transit Multi-Modal facility totaling \$593,000.
- Infrastructure improvements in the amount of \$826,000 relating to the Turner Street Streetscape.
- Construction activity relating to the new park at South Point and road construction totaling \$369,000.
- The start of construction of a new cemetery maintenance building totaling \$176,000.
- Purchase of the Compton property for future parking totaling \$912,000.

(Continued)

The Town's Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 8,888,161	\$ 8,539,684	\$ 213,314	\$ 213,314	\$ 9,101,475	\$ 8,752,998
Buildings and improvements	13,285,952	11,765,855	3,715,421	3,912,788	17,001,373	15,678,643
Water system – plant	-	-	4,402,809	4,633,373	4,402,809	4,633,373
Sewer system – plant	-	-	7,708,810	7,143,799	7,708,810	7,143,799
Infrastructure	37,863,530	27,662,389	-	-	37,863,530	27,662,389
Machinery and equipment	5,546,024	5,581,037	15,065,250	17,090,026	20,611,274	22,671,063
Construction in progress	5,520,187	13,233,680	1,981,749	1,789,462	7,501,936	15,023,142
Total	\$ 71,103,854	\$ 66,782,645	\$ 33,087,353	\$ 34,782,762	\$ 104,191,207	\$ 101,565,407

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

Long-term debt – At the end of the current fiscal year, the Town had total bonded debt outstanding of \$30,115,454, all of which is backed by the full faith and credit of the government.

The Town's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 24,475,328	\$ 16,471,607	\$ 5,557,670	\$ 6,256,391	\$ 30,032,998	\$ 22,727,998
Capital lease obligations	82,456	138,071	-	-	82,456	138,071
	\$ 24,557,784	\$ 16,609,678	\$ 5,557,670	\$ 6,256,391	\$ 30,115,454	\$ 22,866,069

The Town's total debt increased by \$7,249,385 (31.7 percent) during the current fiscal year due to the issuance of the 2015 Series bonds. This issuance also contained refunding bonds.

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

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County (it is unavailable for the Town) is currently 4.9 percent, which has remained steady from a year ago. This compares to the state's average unemployment rate of 4.8 percent and the national average rate of 5.3 percent.
- Inflationary trends in the region compare favorably to national indices.
- A 2% cost-of-living adjustment was given to employees which also increases most benefit costs.
- Water and Sewer rates are expected to increase to cover operational costs.
- No future increase in tax rates are planned other than the increase of \$.03 in real estate taxes.

All of these factors were considered in preparing the Town's budget for the 2016 fiscal year.

Requests for Information

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

**BASIC FINANCIAL
STATEMENTS**

TOWN OF BLACKSBURG, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents (Note 2)	\$ 8,557,903	\$ 5,884,341	\$ 14,442,244
Investments (Note 2)	1,846,739	1,496,385	3,343,124
Receivables, net (Note 3)	1,606,636	1,479,054	3,085,690
Due from other governmental units (Note 5)	1,357,746	1,154,177	2,511,923
Inventories	427,248	943,901	1,371,149
Building and land held for resale	912,472	-	912,472
Prepays	440	-	440
Restricted assets:			
Cash and cash equivalents (Note 2)	9,599,643	132,442	9,732,085
Capital assets: (Note 6)			
Land and construction in progress	14,408,348	2,195,063	16,603,411
Other capital assets, net	56,695,506	30,892,290	87,587,796
Total assets	<u>\$ 95,412,681</u>	<u>\$ 44,177,653</u>	<u>\$ 139,590,334</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date (Note 9)	1,466,911	386,568	1,853,479
Deferred charge on refunding	125,505	72,942	198,447
Total deferred outflows of resources	<u>1,592,416</u>	<u>459,510</u>	<u>2,051,926</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 2,103,497	\$ 1,859,297	\$ 3,962,794
Accrued payroll and related liabilities	932,629	113,667	1,046,296
Accrued interest payable	247,371	52,831	300,202
Public improvement and other deposits	244,103	173,171	417,274
Long-term liabilities:			
Net pension liability (Note 9)	10,970,905	2,891,110	13,862,015
Due within one year (Note 7)	1,923,378	910,313	2,833,691
Due in more than one year (Note 7)	25,132,537	5,357,509	30,490,046
Total liabilities	<u>41,554,420</u>	<u>11,357,898</u>	<u>52,912,318</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes and grants (Note 3)	23,110	61,542	84,652
Net difference between projected and actual investment earnings on pension plan investments (Note 9)	2,456,535	647,359	3,103,894
Total deferred inflows of resources	<u>2,479,645</u>	<u>708,901</u>	<u>3,188,546</u>
NET POSITION			
Net investment in capital assets	55,065,864	27,565,755	82,631,619
Restricted for:			
Capital outlay	1,029,041	132,442	1,161,483
Unrestricted	<u>(3,123,873)</u>	<u>4,872,167</u>	<u>1,748,294</u>
Total net position	<u>\$ 52,971,032</u>	<u>\$ 32,570,364</u>	<u>\$ 85,541,396</u>

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

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities:							
Legislative	\$ 277,068	\$ -	\$ -	\$ -	\$(277,068)	\$ -	\$(277,068)
Executive	2,220,361	296,185	-	72,000	(1,852,176)	-	(1,852,176)
Legal	324,788	27,194	-	-	(297,594)	-	(297,594)
Financial services	1,606,641	613,453	-	-	(993,188)	-	(993,188)
Technology	632,548	-	-	-	(632,548)	-	(632,548)
Police	7,962,990	285,782	1,018,102	-	(6,659,106)	-	(6,659,106)
Fire and rescue	1,371,343	285,870	-	135,027	(950,446)	-	(950,446)
Public works	8,137,865	1,496,304	3,132,288	-	(3,509,273)	-	(3,509,273)
Recreation	2,337,016	751,731	-	25,275	(1,560,010)	-	(1,560,010)
Engineering and GIS	1,403,154	1,265,020	-	1,964,996	1,826,862	-	1,826,862
Planning and building	917,969	-	-	-	(917,969)	-	(917,969)
CDBG entitlement	514,028	-	-	514,028	-	-	-
HOME consortium	1,462,016	-	-	1,462,016	-	-	-
Interest on long-term debt	694,561	-	-	-	(694,561)	-	(694,561)
Unallocated depreciation	1,520,348	-	-	-	(1,520,348)	-	(1,520,348)
Total governmental activities	31,382,696	5,021,539	4,150,390	4,173,342	(18,037,425)	-	(18,037,425)
Business-type activities:							
Water and sewer	9,661,045	9,349,690	-	120,338	-	(191,017)	(191,017)
Transit system	10,038,822	3,878,193	3,630,376	2,306,635	-	(223,618)	(223,618)
Solid waste and recycling	1,629,828	1,701,665	9,877	-	-	81,714	81,714
Stormwater	199,721	529,585	-	-	-	329,864	329,864
Total business-type activities	21,529,416	15,459,133	3,640,253	2,426,973	-	(3,057)	(3,057)
Total	\$ 52,912,112	\$ 20,480,672	\$ 7,790,643	\$ 6,600,315	\$(18,037,425)	\$(3,057)	\$(18,040,482)
General revenues:							
Property taxes					6,303,580	-	6,303,580
Sales and use taxes					1,307,768	-	1,307,768
Meals taxes					4,990,046	-	4,990,046
Utility taxes					111,464	-	111,464
Franchise taxes					581,980	-	581,980
Other local taxes					3,727,122	-	3,727,122
Business license taxes					2,159,852	-	2,159,852
Intergovernmental revenue-unrestricted					70,146	-	70,146
Gain/(Loss) on sale of assets					(7,933)	183,253	175,320
Unrestricted investment earnings					188,008	56,527	244,535
Unrealized loss on investments					(66,326)	(19,629)	(85,955)
Other					962,471	120,049	1,082,520
Transfers (Note 4)					321,301	(321,301)	-
Total general revenues and transfers					20,649,479	18,899	20,668,378
Change in net position					2,612,054	15,842	2,627,896
Net position at July 1, as restated (Note 17)					50,358,978	32,554,522	82,913,500
Net position at June 30					\$ 52,971,032	\$ 32,570,364	\$ 85,541,396

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

TOWN OF BLACKSBURG, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Urban Construction	Capital Projects		Debt Service	Nonmajor Funds	Total Governmental Funds
			General Capital Projects	Equipment Replacement			
ASSETS							
Cash and cash equivalents	\$ 1,774,302	\$ -	\$ 3,077,087	\$ 3,463,315	\$ -	\$ -	\$ 8,314,704
Cash and cash equivalents, restricted	-	1,029,041	8,570,602	-	-	-	9,599,643
Investments	518,379	-	333,630	994,730	-	-	1,846,739
Receivables, net	1,448,822	-	96,393	61,421	-	-	1,606,636
Due from other funds	191,534	-	-	-	-	-	191,534
Due from other governmental units	730,768	-	298,205	-	-	328,773	1,357,746
Inventories	275,780	-	-	-	-	-	275,780
Prepaid expenditures	440	-	-	-	-	-	440
Total assets	<u>\$ 4,940,025</u>	<u>\$ 1,029,041</u>	<u>\$ 12,375,917</u>	<u>\$ 4,519,466</u>	<u>\$ -</u>	<u>\$ 328,773</u>	<u>\$ 23,193,222</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 630,489	\$ -	\$ 1,233,247	\$ 60,061	\$ -	\$ 134,114	\$ 2,057,911
Accrued payroll and related liabilities	922,378	-	-	-	-	3,125	925,503
Public improvement and other deposits	244,103	-	-	-	-	-	244,103
Due to other funds	-	-	-	-	-	191,534	191,534
Compensated absences	144,191	-	-	-	-	-	144,191
Total liabilities	<u>1,941,161</u>	<u>-</u>	<u>1,233,247</u>	<u>60,061</u>	<u>-</u>	<u>328,773</u>	<u>3,563,242</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable/unearned revenue	472,302	-	-	-	-	-	472,302
Total deferred inflows of resources	<u>472,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>472,302</u>
FUND BALANCES							
Nonspendable	276,220	-	-	-	-	-	276,220
Restricted	-	1,029,041	-	-	-	-	1,029,041
Committed	232,077	407,033	7,378,889	23,566	-	862,617	8,904,182
Assigned	-	-	3,763,781	4,435,839	-	-	8,199,620
Unassigned	2,018,265	(407,033)	-	-	-	(862,617)	748,615
Total fund balances	<u>2,526,562</u>	<u>1,029,041</u>	<u>11,142,670</u>	<u>4,459,405</u>	<u>-</u>	<u>-</u>	<u>19,157,678</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,940,025</u>	<u>\$ 1,029,041</u>	<u>\$ 12,375,917</u>	<u>\$ 4,519,466</u>	<u>\$ -</u>	<u>\$ 328,773</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	70,984,038
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	449,192
Building and land purchased that is being held for future resale and is not reported in the funds.	912,472
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and capital lease payable	(24,557,784)
Accrued interest payable	(247,371)
Compensated absences	(1,654,967)
OPEB liability	(462,989)
Deferred amounts	(50,808)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources for 2015 employer contributions:	1,434,009
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments:	(2,401,436)
Net pension liability	(10,724,834)
The internal service fund is used by management to charge the costs of the central garage. Its assets and liabilities are included in the governmental activities' statements of net position.	133,832
Net position of governmental activities	<u>\$ 52,971,032</u>

TOWN OF BLACKSBURG, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General	Urban Construction	Capital Projects		Debt Service	Nonmajor Funds	Total Governmental Funds
			General Capital Projects	Equipment Replacement			
REVENUES							
General property taxes	\$ 6,301,948	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,301,948
Other local taxes	10,755,777	-	-	-	-	-	10,755,777
Business license taxes	2,170,173	-	-	-	-	-	2,170,173
Permits and fees	347,527	-	-	-	-	-	347,527
Intergovernmental	4,355,564	-	1,813,160	-	-	1,976,044	8,144,768
Charges for services	3,111,037	-	-	-	-	-	3,111,037
Fines and forfeitures	240,394	-	-	-	-	-	240,394
Unrealized loss on investments	(42,994)	-	-	(23,332)	-	-	(66,326)
Investment earnings	143,674	1,575	-	42,759	-	-	188,008
Other	819,082	-	378,878	-	-	-	1,197,960
Total revenues	28,202,182	1,575	2,192,038	19,427	-	1,976,044	32,391,266
EXPENDITURES							
Current:							
Legislative	278,374	-	-	-	-	-	278,374
Executive	3,086,873	-	-	-	-	-	3,086,873
Legal	333,877	-	-	-	-	-	333,877
Financial services	1,625,381	-	-	-	-	-	1,625,381
Technology	511,958	-	-	-	-	-	511,958
Police	7,698,863	-	-	-	-	-	7,698,863
Fire and rescue	974,416	-	-	-	-	-	974,416
Public works	5,904,498	-	-	-	-	-	5,904,498
Recreation	2,301,245	-	-	-	-	-	2,301,245
Engineering and GIS	1,322,935	-	-	-	-	-	1,322,935
Planning and building	943,137	-	-	-	-	-	943,137
CDBG Entitlement	-	-	-	-	-	514,028	514,028
HOME Consortium	-	-	-	-	-	1,462,016	1,462,016
Capital outlays	-	106,507	6,279,493	1,663,302	-	-	8,049,302
Debt service:							
Principal retirement	-	-	-	-	1,506,403	-	1,506,403
Interest and fiscal charges	-	-	-	-	582,601	-	582,601
Total expenditures	24,981,557	106,507	6,279,493	1,663,302	2,089,004	1,976,044	37,095,907
Excess (deficiency) of revenues over expenditures	3,220,625	(104,932)	(4,087,455)	(1,643,875)	(2,089,004)	-	(4,704,641)
OTHER FINANCING SOURCES (USES)							
Issuance of debt	-	-	9,495,000	-	-	-	9,495,000
Premium on debt proceeds	256,138	-	12,000	-	-	-	268,138
Issuance of refunding debt	3,813,690	-	-	-	-	-	3,813,690
Payment to escrow agent	(128,175)	-	-	-	(3,854,181)	-	(3,982,356)
Sale of general capital assets	21,093	-	-	-	-	-	21,093
Transfers in	-	-	2,436,424	1,543,766	5,943,185	-	9,923,375
Transfers out	(9,260,891)	(150,000)	(23,104)	(155,395)	-	-	(9,589,390)
Total other financing sources (uses)	(5,298,145)	(150,000)	11,920,320	1,388,371	2,089,004	-	9,949,550
Net change in fund balance	(2,077,520)	(254,932)	7,832,865	(255,504)	-	-	5,244,909
FUND BALANCES AT JULY 1	4,604,082	1,283,973	3,309,805	4,714,909	-	-	13,912,769
FUND BALANCES AT JUNE 30	\$ 2,526,562	\$ 1,029,041	\$ 11,142,670	\$ 4,459,405	\$ -	\$ -	\$ 19,157,678

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
Year Ended June 30, 2015**

Net changes in fund balances	5,244,909
Adjustments for the statement of activities:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation exceeded new capital assets in the current period.	
Capital outlay	7,801,401
Depreciation expense	(3,433,505)
Disposal of assets	(29,026)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(46,086)
The purchase of building and land held for resale is shown as an expenditure in the governmental funds but shown as an asset in the statement of net position	912,472
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatments of long-term debt and related items.	
Principal repayment	5,360,584
Amortization of deferred costs	(48,064)
Issuance of debt	(13,308,690)
Deferred amount on refunding	128,175
Net Premium on new debt	(268,138)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest payable	(63,896)
Change in compensated absences	(37,690)
Change in OPEB liability	(50,925)
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.	526,964
The internal service fund is used by management to change the costs of the central garage. The change in net position of internal service funds is reported with governmental activities.	(76,431)
Change in net position of governmental activities	\$ 2,612,054

TOWN OF BLACKSBURG, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND (Non-GAAP Budgetary Basis)
Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
General property taxes	\$ 6,027,300	\$ 6,027,300	\$ 6,301,948	\$ 274,648
Other local taxes	10,514,000	10,514,000	10,755,777	241,777
Business license taxes	1,988,400	1,988,400	2,170,173	181,773
Permits and fees	409,800	409,800	347,527	(62,273)
Intergovernmental	4,136,500	4,206,500	4,355,564	149,064
Charges for services	3,156,400	3,156,400	3,111,037	(45,363)
Fines and forfeitures	348,000	348,000	240,394	(107,606)
Unrealized losses on investments	-	-	(42,994)	(42,994)
Investment earnings	215,400	215,400	143,674	(71,726)
Other	635,200	777,200	819,082	41,882
Total revenues	27,431,000	27,643,000	28,202,182	559,182
EXPENDITURES				
Current:				
Legislative	283,122	292,948	278,374	14,574
Executive	2,067,055	3,510,354	3,126,026	384,328
Legal	347,456	381,985	354,867	27,118
Financial services	1,692,501	1,706,496	1,648,491	58,005
Technology	536,315	550,657	519,708	30,949
Police	8,122,883	7,822,053	7,733,173	88,880
Fire and rescue	979,869	1,053,392	1,039,270	14,122
Public works	5,813,130	5,954,330	5,918,255	36,075
Recreation	2,211,999	2,423,999	2,321,112	102,887
Engineering and GIS	1,494,434	1,497,583	1,331,221	166,362
Planning and building	1,011,701	1,018,776	943,137	75,639
Contingency	125,582	52,629	-	52,629
Total expenditures	24,686,047	26,265,202	25,213,634	1,051,568
Excess of revenues over expenditures	2,744,953	1,377,798	2,988,548	1,610,750
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,951,453)	(6,230,483)	(9,260,891)	(3,030,408)
Bond proceeds	125,000	125,000	256,138	131,138
Payment to escrow agent	-	-	(128,175)	(128,175)
Refunding Proceeds	-	-	3,813,690	3,813,690
Sale of general capital assets	100,000	100,000	21,093	(78,907)
Prior year re-appropriations	1,981,500	4,264,735	-	(4,264,735)
Total other financing sources (uses)	(2,744,953)	(1,740,748)	(5,298,145)	(3,557,397)
Net change in fund balance	\$ -	\$ (362,950)	\$ (2,309,597)	\$ (1,946,647)

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

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2015

	Business-type Activities – Enterprise Funds					Governmental Activities – Internal Service Fund
	Water and Sewer	Transit System	Solid Waste and Recycling	Stormwater	Total	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,971,221	\$ 2,968,577	\$ 806,935	\$ 137,608	\$ 5,884,341	\$ 243,199
Cash and investments, restricted	-	132,442	-	-	132,442	-
Investments	566,359	890,632	-	39,394	1,496,385	-
Receivables, net	966,308	237,151	213,478	62,117	1,479,054	-
Due from other governmental units	-	1,154,177	-	-	1,154,177	-
Inventories	-	943,901	-	-	943,901	151,468
Total current assets	3,503,888	6,326,880	1,020,413	239,119	11,090,300	394,667
Noncurrent assets:						
Land and construction in progress	1,047,500	1,147,563	-	-	2,195,063	13,620
Other capital assets, net	13,041,145	17,694,017	157,128	-	30,892,290	106,196
Total noncurrent assets	14,088,645	18,841,580	157,128	-	33,087,353	119,816
Total assets	17,592,533	25,168,460	1,177,541	239,119	44,177,653	514,483
DEFERRED OUTFLOWS OF RESOURCES						
Pension contributions subsequent						
to measuring date	135,339	236,804	10,124	4,301	386,568	32,902
Deferred charge on refunding	72,942	-	-	-	72,942	-
Total deferred outflows of resources	208,281	236,804	10,124	4,301	459,510	32,902
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 1,271,403	\$ 479,580	\$ 106,452	\$ 1,862	\$ 1,859,297	\$ 45,586
Accrued payroll and related liabilities	29,680	80,087	2,112	1,788	113,667	7,126
Accrued interest payable	52,831	-	-	-	52,831	-
Customer deposits	173,171	-	-	-	173,171	-
Compensated absences	202,046	101,577	4,355	-	307,978	13,066
Bonds payable	602,335	-	-	-	602,335	-
Total current liabilities	2,331,466	661,244	112,919	3,650	3,109,279	65,778
Noncurrent liabilities:						
Compensated absences	124,458	119,900	5,246	-	249,604	34,918
Other post-employment benefits	44,026	67,153	4,373	148	115,700	11,687
Net pension liability	1,012,189	1,771,037	75,717	32,167	2,891,110	246,071
Bonds and leases payable	4,992,205	-	-	-	4,992,205	-
Total noncurrent liabilities	6,172,878	1,958,090	85,336	32,315	8,248,619	292,676
Total liabilities	8,504,344	2,619,334	198,255	35,965	11,357,898	358,454
DEFERRED INFLOWS OF RESOURCES						
Unearned grants	-	60,000	1,542	-	61,542	-
Net difference between projected and actual						
investment earnings on pension plan investments	226,643	396,559	16,954	7,203	647,359	55,099
Total deferred inflows of resources	226,643	456,559	18,496	7,203	708,901	55,099
NET POSITION						
Net investment in capital assets	8,567,047	18,841,580	157,128	-	27,565,755	119,816
Restricted	-	132,442	-	-	132,442	-
Unrestricted	502,780	3,355,349	813,786	200,252	4,872,167	14,016
Total net position	\$ 9,069,827	\$ 22,329,371	\$ 970,914	\$ 200,252	\$ 32,570,364	\$ 133,832

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

TOWN OF BLACKSBURG, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2015**

	Business-type Activities – Enterprise Funds					Governmental Activities – Internal Service Fund
	Water and Sewer	Transit System	Solid Waste and Recycling	Stormwater	Total	
OPERATING REVENUES						
Charges for services	\$ 9,027,449	\$ 3,878,193	\$ 1,701,665	\$ 529,585	\$ 15,136,892	\$ 1,184,367
Availability and transfer fees	197,798	-	-	-	197,798	-
Meter installation	68,924	-	-	-	68,924	-
Connection fees	55,519	-	-	-	55,519	-
Other	118,370	945	734	-	120,049	-
Total operating revenues	<u>9,468,060</u>	<u>3,879,138</u>	<u>1,702,399</u>	<u>529,585</u>	<u>15,579,182</u>	<u>1,184,367</u>
OPERATING EXPENSES						
Personal services	1,527,626	4,169,318	101,605	46,443	5,844,992	349,409
Contractual services	5,238,730	916,501	1,263,582	1,988	7,420,801	125,007
Administration	1,328,574	408,100	201,289	141,625	2,079,588	13,571
Depreciation	948,684	2,640,278	25,153	-	3,614,115	31,281
Other	405,223	1,904,625	38,199	9,665	2,357,712	728,846
Total operating expenses	<u>9,448,837</u>	<u>10,038,822</u>	<u>1,629,828</u>	<u>199,721</u>	<u>21,317,208</u>	<u>1,248,114</u>
Operating income (loss)	<u>19,223</u>	<u>(6,159,684)</u>	<u>72,571</u>	<u>329,864</u>	<u>(5,738,026)</u>	<u>(63,747)</u>
NONOPERATING REVENUES (EXPENSES)						
Gain on disposal of capital assets	329	175,223	7,701	-	183,253	-
Intergovernmental revenue	-	3,630,376	9,877	-	3,640,253	-
Unrealized loss on investments	(8,237)	(11,392)	-	-	(19,629)	-
Interest income	5,446	49,844	-	1,237	56,527	-
Interest expense	(212,208)	-	-	-	(212,208)	-
Net nonoperating revenues (expenses)	<u>(214,670)</u>	<u>3,844,051</u>	<u>17,578</u>	<u>1,237</u>	<u>3,648,196</u>	<u>-</u>
Income (loss) before contributions and transfers	<u>(195,447)</u>	<u>(2,315,633)</u>	<u>90,149</u>	<u>331,101</u>	<u>(2,089,830)</u>	<u>(63,747)</u>
CAPITAL CONTRIBUTIONS	120,338	2,306,635	-	-	2,426,973	-
TRANSFERS IN	170,183	-	30,500	-	200,683	8,316
TRANSFERS OUT	<u>(263,034)</u>	<u>-</u>	<u>(164,750)</u>	<u>(94,200)</u>	<u>(521,984)</u>	<u>(21,000)</u>
Change in net position	<u>(167,960)</u>	<u>(8,998)</u>	<u>(44,101)</u>	<u>236,901</u>	<u>15,842</u>	<u>(76,431)</u>
NET POSITION AT JULY 1, as restated	<u>9,237,787</u>	<u>22,338,369</u>	<u>1,015,015</u>	<u>(36,649)</u>	<u>32,554,522</u>	<u>210,263</u>
NET POSITION AT JUNE 30	<u>\$ 9,069,827</u>	<u>\$ 22,329,371</u>	<u>\$ 970,914</u>	<u>\$ 200,252</u>	<u>\$ 32,570,364</u>	<u>\$ 133,832</u>

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

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-type Activities – Enterprise Funds				Total	Governmental Activities – Internal Service Fund
	Water and Sewer	Transit System	Solid Waste and Recycling	Stormwater		
OPERATING ACTIVITIES						
Receipts from customers	\$ 9,289,043	\$ 3,926,588	\$ 1,694,764	\$ 467,468	\$ 15,377,863	\$ 1,184,367
Payments to suppliers	(7,010,816)	(3,096,270)	(1,506,722)	(151,416)	(11,765,224)	(847,255)
Payments to employees	(1,475,669)	(4,214,593)	(104,422)	(46,087)	(5,840,771)	(347,278)
Other receipts	118,370	945	734	-	120,049	-
Net cash provided by (used in) operating activities	920,928	(3,383,330)	84,354	269,965	(2,108,083)	(10,166)
NONCAPITAL FINANCING ACTIVITIES						
Transfers to other funds	(263,034)	-	(164,750)	(94,200)	(521,984)	(21,000)
Operating assistance grants received	-	3,183,877	4,418	-	3,188,295	-
Interfund borrowing (repayments)	170,183	-	30,500	-	200,683	-
Net cash provided by (used in) noncapital financing activities	(92,851)	3,183,877	(129,832)	(94,200)	2,866,994	(21,000)
CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of capital assets	(575,281)	(1,229,159)	(30,501)	-	(1,834,941)	-
Proceeds from sale of capital assets	329	175,223	7,701	-	183,253	-
Contribution of capital by other governments	-	2,657,190	-	-	2,657,190	-
Proceeds from debt refunding	1,861,310	-	-	-	1,861,310	-
Principal paid on capital debt	(664,211)	-	-	-	(664,211)	-
Payment to escrow agent	(1,769,132)	-	-	-	(1,769,132)	-
Interest paid on capital debt	(252,917)	-	-	-	(252,917)	-
Net cash provided by (used in) capital and related financing activities	(1,399,902)	1,603,254	(22,800)	-	180,552	-
INVESTING ACTIVITIES						
Net sale (purchases) of investments	662,067	241,856	-	(39,394)	864,529	-
Interest received	5,446	49,844	-	1,237	56,527	-
Net cash provided by (used in) investing activities	667,513	291,700	-	(38,157)	921,056	-
Net (decrease) increase in cash and cash equivalents	95,688	1,695,501	(68,278)	137,608	1,860,519	(31,166)
CASH AND CASH EQUIVALENTS						
Beginning at July 1	1,875,533	1,405,518	875,213	-	4,156,264	274,365
Ending at June 30	\$ 1,971,221	\$ 3,101,019	\$ 806,935	\$ 137,608	\$ 6,016,783	\$ 243,199
RECONCILIATION TO STATEMENT OF NET POSITION:						
Cash and cash equivalents	\$ 1,971,221	\$ 2,968,577	\$ 806,935	\$ 137,608	\$ 5,884,341	\$ 243,199
Cash and cash equivalents, restricted	-	132,442	-	-	132,442	-
	\$ 1,971,221	\$ 3,101,019	\$ 806,935	\$ 137,608	\$ 6,016,783	\$ 243,199

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

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-type Activities – Enterprise Funds					Governmental Activities – Internal Service Fund
	Water and Sewer	Transit System	Solid Waste and Recycling	Stormwater	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN)						
OPERATING ACTIVITIES						
Operating income (loss)	\$ 19,223	\$ (6,159,684)	\$ 72,571	\$ 329,864	\$ (5,738,026)	\$ (63,747)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	948,684	2,640,278	25,153	-	3,614,115	31,281
Pension expense net of employer contributions	(49,734)	(87,021)	(3,720)	(1,580)	(142,055)	(12,091)
Change in assets and liabilities						
(Increase) decrease in:						
Receivable, net	(18,625)	18,395	(6,901)	(62,117)	(69,248)	-
Inventories	-	(5,643)	-	-	(5,643)	19,807
(Decrease) increase in:						
Accounts payable and accrued liabilities	(38,289)	138,599	(3,652)	1,862	98,520	362
Accrued payroll and related liabilities	101,691	41,746	903	1,936	146,276	14,222
Unearned revenue	-	30,000	-	-	30,000	-
Customer deposits	(42,022)	-	-	-	(42,022)	-
Net cash provided by (used in) operating activities	<u>\$ 920,928</u>	<u>\$ (3,383,330)</u>	<u>\$ 84,354</u>	<u>\$ 269,965</u>	<u>\$ (2,108,083)</u>	<u>\$ (10,166)</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital asset purchases financed by accounts payable	<u>\$ 40,635</u>	<u>\$ 131,703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,338</u>	<u>\$ 5,304</u>
Capital contributions received	<u>\$ 120,338</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,338</u>	<u>\$ -</u>
Increase in due from other governmental units for capital and operating grants	<u>\$ -</u>	<u>\$ 95,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,945</u>	<u>\$ -</u>

(Continued)

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

TOWN OF BLACKSBURG, VIRGINIA

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS**

June 30, 2015

	Agency Funds
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 493,952
	<u> </u>
Total assets	<u><u>\$ 493,952</u></u>
 LIABILITIES	
Liability to agency	\$ 493,952
	<u> </u>
Total liabilities	<u><u>\$ 493,952</u></u>

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

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

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

The following entities are excluded from the accompanying financial statements:

Jointly Governed Organizations:

New River Valley Regional Water Authority

The New River Valley Regional Water Authority was created by a concurrent resolution of the Town and other participating governing bodies. The Authority operates and maintains a water supply system for the Town, Virginia Tech, Montgomery County, and the Town of Christiansburg. Each governing body appoints one member of the five-member board of directors. Two at-large members are appointed by joint resolution of each of the member localities. All indebtedness is payable solely from the revenues of the water system. Although the Town is one of the Authority’s customers, the Town has no obligation for any of its indebtedness. During fiscal year 2015, the Town paid \$1,871,577 to the Authority for purchases of water.

Montgomery Regional Solid Waste Authority

The Town is a member of the Montgomery Regional Solid Waste Authority, which was created by a joint resolution on December 14, 1994 by the Towns of Blacksburg and Christiansburg, Montgomery County, and Virginia Tech. The Authority is governed by a five-member board whereby the governing body of each member jurisdiction appoints one board member, and all jurisdictions jointly appoint a fifth member. The Authority, which began operation in August 1995, operates a sanitary landfill and recycling facility. Each jurisdiction provides collection of solid waste and recyclables from within its jurisdiction and delivers the collected materials to the Authority for disposal of waste in the landfill, and processing and marketing of the recyclables. All Authority operations are financed by tipping fees and the individual jurisdictions are not liable for the debt of the Authority. The Town paid \$264,115 in tipping fees during fiscal year 2015.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Jointly Governed Organizations: (Continued)

Blacksburg-VPI Sanitation Authority

The Blacksburg-VPI Sanitation Authority was created by a concurrent resolution of the Town and Virginia Tech. The Authority operates and maintains a wastewater treatment system for the Town and Virginia Tech. The five-member board of directors consists of one member appointed by each governing body. Three at-large members are appointed by joint resolution. All indebtedness of the Authority is payable solely from its revenues and is not an obligation of the Town. During fiscal year 2015, the Town paid \$2,498,847 to the Authority for purchase of wastewater treatment services.

Virginia Tech-Montgomery Regional Airport Authority

The Virginia Tech-Montgomery Regional Airport Authority (the “Airport Authority”) was created by concurrent resolutions of the governing bodies of the Towns of Blacksburg and Christiansburg, Montgomery County, and Virginia Tech. The Authority is governed by a five-member board whereby the governing body of each member jurisdiction appoints one board member, and all jurisdictions jointly appoint a fifth member. The Airport Authority utilizes revenues generated by the airport and contributions by the members to fund all airport activities. The Airport Authority has bonded indebtedness. All indebtedness of the Airport Authority is payable solely from its revenues and is not an obligation of the Town. During fiscal year 2015, the Town paid \$50,000 toward the operations of the airport.

Blacksburg/Christiansburg/Montgomery Area Metropolitan Planning Organization

The Town is a member of the Blacksburg/Christiansburg/Montgomery Area Metropolitan Planning Organization (the “MPO”). The MPO is a transportation policy-making organization serving the Blacksburg, Christiansburg, and Montgomery County area. The MPO provides the information, tools, and public input necessary to improve the performance of the transportation system of the region. Future transportation needs are addressed, giving consideration to all possible strategies and the community’s vision. The Town has three members within this organization, two of which are voting members that are appointed by Town Council. During fiscal year 2015, the Town paid \$5,700 toward operations of the MPO.

Montgomery Regional Tourism Board

The Town is a member of the Montgomery Regional Tourism Board (the “MRTB”). The MRTB functions as a joint tourism agency that serves the County of Montgomery and the Towns of Blacksburg and Christiansburg to promote tourism in the region. Per the operating agreement, the board consists of the County Administrator and both Town Managers. Funding for tourism expenditures are based on the amount of funding received from hotel occupancy taxes. The Town pays 1% of the 7% transient lodging tax collections to the MRTB less 15% of this amount for the Town’s own tourism efforts. During fiscal year 2015, the Town paid \$353,783 to the MRTB.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Jointly Governed Organizations: (Continued)

New River Valley Emergency Communications Regional Authority

The Town is a member of the New River Valley Emergency Communications Regional Authority (the “Communications Authority”). The Communications Authority is a regional partnership, serving the County of Montgomery, the Towns of Blacksburg and Christiansburg, and Virginia Tech. The Communications Authority provides 911 dispatch and emergency communication services to the community and agencies in these localities. The Communications Authority is governed by a five-member board whereby the governing body of each member jurisdiction appoints one board member, and all jurisdictions jointly appoint a fifth member. During fiscal year 2015, the Town paid \$261,112 toward operations of the Communications Authority.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

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

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

The Town reports the following major proprietary funds:

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

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

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

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

Additionally, the Town reports the following fund types:

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

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

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

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

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

D. Budgets and Budgetary Accounting

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

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

	<u>General Fund</u>
Net change in fund balance (non-GAAP budgetary basis)	\$ (2,309,597)
Encumbrances at June 30, 2015	<u>232,077</u>
Net change in fund balance (GAAP basis)	<u>\$ (2,077,520)</u>

E. Cash and Cash Equivalents

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

F. Investments

Investments are stated at fair value.

G. Allowance for Uncollectible Accounts

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

H. Inventories

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

I. Building and Land Held for Resale

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

J. Capital Assets

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

I. Capital Assets (Continued)

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

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

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

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

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two items that qualify for reporting in this category. The first consists of contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year. The second is deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

K. Compensated Absences

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

L. Other Post-employment Benefit Trust Fund

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

M. Long-Term Obligations

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

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

N. Pensions

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

O. Fund Balances/Net Position

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

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

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

Restricted Amounts

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

Minimum Fund Balance Policy

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

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

O. Fund Balances (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances outstanding as of June 30 total \$232,077 in the general fund, \$407,033 in the urban construction fund, \$7,402,455 in the capital projects fund, and \$862,617 in nonmajor governmental funds. Encumbrances outstanding at the end of the year are reappropriated as part of subsequent year's budget.

Restricted Net Position

Restricted net position for governmental activities consists of unspent grant fund proceeds for the Urban Construction Fund while restricted net position for business-type activities consist of proceeds received on the sale of Transit buses that were originally purchased with federal funds.

P. Estimates

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

Note 2. Deposits and Investments

Deposits

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

Investments

Investment Policy:

In accordance with the *Code* and other applicable law, including regulations, the Town's Investment Policy (Policy) permits investments in Treasury Securities, agency securities, prime quality commercial paper, certificates of deposit maturing within one year and issued by domestic banks, banker's acceptances, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements, open-end investments, the Virginia State Non-Arbitrage Program (SNAP) or

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 2. Deposits and Investments (Continued)

Investments (Continued)

other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool). Pursuant to Sec. 2.1-234.7 of the *Code*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the fair value of the position in LGIP and SNAP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share). SNAP is designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. These programs provide comprehensive investment management, accounting, and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia local governments. The SNAP has been assigned an "AAAm" rating by Standard & Poor's. The maturity of the SNAP is less than one year.

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

Credit Risk:

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

The Town's investments in LGIP and SNAP are rated AAAM by Standard and Poor's and represent 65% of the Town's investment. Most of the Town's certificates of deposit are under \$250,000 and are secured by FDIC.

Concentration of Credit Risk:

The intent of the Policy is for the Town to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity; accordingly, the Policy places certain limits on the amount the Town may invest in any one issuer. The portions of the Town's portfolio that exceed 5% of the total portfolio at June 30, 2015 are shown in the table below under Interest Rate Risk.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Custodial Credit Risk:

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

Interest Rate Risk:

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity*</u>	<u>Percentage of Portfolio</u>
SNAP	\$ 8,450,375	1	55.48%
LGIP	1,428,274	1	9.38%
Certificates of deposit	<u>5,353,211</u>	3,116	<u>35.14%</u>
Total investments	<u>\$ 15,231,860</u>		<u>100.00%</u>
Portfolio weighted average maturity			
*Weighted average maturity in days			

Investments	\$ 15,231,860
Deposits	<u>12,285,593</u>
Total deposits and investments	<u>\$ 27,517,453</u>
Reconciliation of deposits and investments to Exhibit 1:	
Cash and cash equivalents	\$ 14,442,244
Cash and cash equivalents, restricted	9,732,085
Investments	<u>3,343,124</u>
Total deposits and investments	<u>\$ 27,517,453</u>

Restricted cash and cash equivalents consists of unexpended debt proceeds, grant funds received in advance from the Commonwealth of Virginia for capital projects, and proceeds received from the sale of land used to construct infrastructure on the site.

The Town does not have a formal policy relating to interest rate risk but does follow the *Code of Virginia* regarding the types of securities to invest in.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 3. Receivables, Net

Receivables are as follows:

	Governmental Activities			Business-Type Activities			
	General		Equipment Replacement	Water and Sewer	Transit System	Solid	
	General	Capital Projects				Waste and Recycling	Stormwater
Receivables							
Interest	\$ 105,511	\$ -	\$ 61,421	\$ 13,211	\$ 44,541	\$ -	\$ 382
Taxes	804,496	-	-	-	-	-	-
Developer fee (Note 15)	140,000	-	-	-	-	-	-
Accounts	426,916	96,393	-	955,693	192,610	214,469	61,735
	1,476,923	96,393	61,421	968,904	237,151	214,469	62,117
Less: allowance for uncollectibles	(28,101)	-	-	(2,596)	-	(991)	-
Receivables, net	<u>\$ 1,448,822</u>	<u>\$ 96,393</u>	<u>\$ 61,421</u>	<u>\$ 966,308</u>	<u>\$ 237,151</u>	<u>\$ 213,478</u>	<u>\$ 62,117</u>

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Included in receivables:			
Delinquent property taxes	\$ 93,597	\$ -	\$ 93,597
Sales tax	108,235	-	108,235
Telecommunication tax	98,397	-	98,397
Meals tax and BPOL	101,027	-	101,027
Other	47,936	-	47,936
	<u>449,192</u>	<u>-</u>	<u>449,192</u>
Included in cash:			
Other	-	4,948	4,948
Subsequent years' tax collections	-	18,162	18,162
	<u>-</u>	<u>23,110</u>	<u>23,110</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 449,192</u>	<u>\$ 23,110</u>	<u>\$ 472,302</u>

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 4. Interfund Receivables, Payables, and Transfers

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

Receivable Fund	Payable Fund	Amount
General	CDBG	\$ 98,148
General	HOME	93,386
		\$ 191,534

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

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

Interfund transfers are as follows:

	Transfers In:						Total
	General Capital	Equipment Replacement	Equipment Operations	Water and Sewer	Solid Waste and Recycling	Debt Service	
Transfers out:							
General	\$ 2,053,224	\$ 1,233,982	\$ -	\$ -	\$ 30,500	\$ 5,943,185	\$ 9,260,891
Urban construction	150,000	-	-	-	-	-	150,000
General capital	-	-	8,316	14,788	-	-	23,104
Equipment replacement	-	-	-	155,395	-	-	155,395
Solid waste and recycling	118,000	46,750	-	-	-	-	164,750
Stormwater	94,200	-	-	-	-	-	94,200
Equipment operations	21,000	-	-	-	-	-	21,000
Water and sewer	-	263,034	-	-	-	-	263,034
Total	\$ 2,436,424	\$ 1,543,766	\$ 8,316	\$ 170,183	\$ 30,500	\$ 5,943,185	\$ 10,132,374

The primary purposes of the transfers are as follows:

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Due from Other Governmental Units

Amounts due from other governmental units are as follows:

	Governmental Activities	Business-Type Activities
Federal:		
Transit capital assistance grant	\$ -	\$ 451,005
Transit operational assistance grant		407,750
Transit TIGGER grant	-	72,061
Community Development Planning Entitlement Grant	137,795	-
HOME funding	190,978	-
Other Federal:		
Transit Grants	-	108,091
Commonwealth of Virginia:		
Transit Grants	-	115,270
Telecommunications tax	202,186	-
VDOT Revenue Sharing	164,288	-
VDOT Capital Projects	133,916	-
Other:		
Sales tax	220,199	-
Other – includes airport and VASAP	308,384	-
	\$ 1,357,746	\$ 1,154,177

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 6. Capital Assets

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not depreciated				
Land	\$ 8,539,684	\$ 348,477	\$ -	\$ 8,888,161
Construction in progress	13,233,680	6,031,164	(13,744,657)	5,520,187
Total capital assets, not depreciated	21,773,364	6,379,641	(13,744,657)	14,408,348
Capital assets, depreciated				
Buildings and improvements	21,024,525	2,188,750	-	23,213,275
Infrastructure	39,942,999	11,721,489	-	51,664,488
Machinery and equipment	16,826,370	1,269,798	(506,879)	17,589,289
Total capital assets depreciated	77,793,894	15,180,037	(506,879)	92,467,052
Less accumulated depreciation for:				
Buildings and improvements	9,258,670	668,653	-	9,927,323
Infrastructure	12,280,610	1,520,348	-	13,800,958
Machinery and equipment	11,245,333	1,275,785	(477,853)	12,043,265
Total accumulated depreciation	32,784,613	3,464,786	(477,853)	35,771,546
Total capital assets, depreciated, net	45,009,281	11,715,251	(29,026)	56,695,506
Governmental activities, capital assets, net	<u>\$ 66,782,645</u>	<u>\$ 18,094,892</u>	<u>\$ (13,773,683)</u>	<u>\$ 71,103,854</u>
Business-Type Activities				
Capital assets, not depreciated				
Land	\$ 213,314	\$ -	\$ -	\$ 213,314
Construction in progress	1,789,462	1,165,392	(973,105)	1,981,749
Total capital assets, not depreciated	2,002,776	1,165,392	(973,105)	2,195,063
Capital assets, depreciated				
Buildings and improvements	7,567,259	56,411	-	7,623,670
Water system-plant	11,380,172	29,903	-	11,410,075
Sewer system-plant	12,665,119	973,105	-	13,638,224
Machinery and equipment	32,945,964	667,000	(2,474,169)	31,138,795
Total capital assets depreciated	64,558,514	1,726,419	(2,474,169)	63,810,764
Less accumulated depreciation for:				
Buildings and improvements	3,654,471	253,778	-	3,908,249
Water system-plant	6,746,799	260,467	-	7,007,266
Sewer system-plant	5,521,320	408,094	-	5,929,414
Machinery and equipment	15,855,938	2,691,776	(2,474,169)	16,073,545
Total accumulated depreciation	31,778,528	3,614,115	(2,474,169)	32,918,474
Total capital assets, depreciated, net	32,779,986	(1,887,696)	-	30,892,290
Business-Type activities, capital assets, net	<u>\$ 34,782,762</u>	<u>\$ (722,304)</u>	<u>\$ (973,105)</u>	<u>\$ 33,087,353</u>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Capital Assets (Continued)

The Virginia Department of Transportation (VDOT) and the Federal Transit Administration (FTA) have provided grants for certain Transit System capital assets which have a total net book value of \$18,781,234 as of June 30. The Town cannot dispose of these assets without prior approval from the grantors.

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Executive	\$ 23,914
Financial services	6,185
Technology	19,849
Police	478,012
Fire and rescue	377,865
Public works	706,391
Recreation	273,549
Planning and engineering	27,392
Unallocated depreciation	1,520,348
Internal service fund	31,281
	<u>\$ 3,464,786</u>
Business-type activities:	
Water and sewer	\$ 948,684
Transit system	2,640,278
Solid Waste and Recycling	25,153
	<u>\$ 3,614,115</u>

Construction Commitments

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

Project	Spent to Date	Remaining Commitment
Tom's Creek/Patrick Henry/UCB Traffic Signal	\$ -	\$ 400,497
Multi-Modal Facility Design	486,587	366,113
New Rescue Station	1,652,772	4,499,185
Cemetery Maintenance Building	107,762	193,772
UCB Water Main Replacement	-	213,075
UCB Rebuild	-	1,779,794
Price's Fork/Hethwood Traffic Signal	-	350,037
	<u>\$ 2,247,121</u>	<u>\$ 7,802,473</u>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Long-Term Liabilities

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
General obligation bonds	\$ 16,471,607	\$ 13,308,690	\$ 5,304,969	\$ 24,475,328	\$ 1,683,665
Net discounts/premiums	(137,219)	268,138	(45,394)	176,313	-
	<u>16,334,388</u>	<u>13,576,828</u>	<u>5,259,575</u>	<u>24,651,641</u>	<u>1,683,665</u>
Capital lease	138,071	-	55,615	82,456	82,456
Compensated absences	1,841,595	1,222,513	1,216,966	1,847,142	157,257
Other post-employment benefits	422,577	372,305	320,206	474,676	-
	<u>\$ 18,736,631</u>	<u>\$ 15,171,646</u>	<u>\$ 6,852,362</u>	<u>\$ 27,055,915</u>	<u>\$ 1,923,378</u>
<u>Business-Type Activities:</u>					
General obligation bonds	\$ 6,256,391	\$ 1,861,310	\$ 2,560,031	\$ 5,557,670	\$ 602,335
Net discounts/premiums	(137,757)	130,877	(43,750)	36,870	-
	<u>6,118,634</u>	<u>1,992,187</u>	<u>2,516,281</u>	<u>5,594,540</u>	<u>602,335</u>
Compensated absences	445,807	437,383	325,608	557,582	307,978
Other post-employment benefits	102,340	95,474	82,114	115,700	-
	<u>\$ 6,666,781</u>	<u>\$ 2,525,044</u>	<u>\$ 2,924,003</u>	<u>\$ 6,267,822</u>	<u>\$ 910,313</u>

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

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

Subsequent to year end, the Town entered into a new capital lease agreement in the amount of \$312,701 to purchase new parking meters and pay stations. The interest rate on the lease is 3.646% with quarterly payments totaling \$17,174 and maturing on August 12, 2020.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 7. Long-Term Liabilities (Continued)

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

Year Ended June 30	Governmental Activities				Business-Type Activities	
	General Obligation Bonds		Capital Lease		General Obligations Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,683,665	\$ 661,988	\$ 82,456	\$ 2,412	\$ 602,335	\$ 128,756
2017	1,700,265	627,392	-	-	616,735	113,927
2018	1,585,505	591,478	-	-	574,495	100,147
2019	1,615,910	553,256	-	-	589,090	86,260
2020	1,498,700	522,088	-	-	566,300	74,743
2021-2025	6,400,033	2,123,074	-	-	2,364,965	206,136
2026-2030	4,661,250	1,270,771	-	-	243,750	14,700
2031-2035	2,655,000	681,662	-	-	-	-
2036-2040	1,225,000	378,688	-	-	-	-
2041-2045	1,450,000	155,750	-	-	-	-
	<u>\$ 24,475,328</u>	<u>\$ 7,566,147</u>	<u>\$ 82,456</u>	<u>\$ 2,412</u>	<u>\$ 5,557,670</u>	<u>\$ 724,669</u>

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Date	Amount of Original Issue	Governmental Activities	Business-type Activities
General Obligation Bonds:						
General Obligation Bonds	3.34	02-05	09-16	\$ 1,618,000	\$ 321,000	\$ 107,000
General Obligation Bonds	3.70-5.00	01-07	03-27	4,875,000	287,500	172,500
General Obligation Bonds	2.13	10-09	09-18	1,625,000	628,828	136,170
General Obligation Bonds	5.21	10-09	03-30	3,180,000	2,540,000	-
General Obligation Bonds	1.92	11-11	10-25	9,545,000	4,009,310	3,280,690
General Obligation Bonds	1.94	11-12	03-32	3,855,000	3,380,000	-
General Obligation Bonds	2.00-5.00	03-15	06-45	15,170,000	13,308,690	1,861,310
					24,475,328	5,557,670
				Net discounts/premiums	176,313	36,870
					<u>\$ 24,651,641</u>	<u>\$ 5,594,540</u>
Capital Lease:						
SunTrust – Energy performance contract equipment	3.55	05-03	03-16	\$ 556,731	\$ 82,456	\$ -

Current Year's Refunding of Debt

During fiscal year 2015, the Town issued \$15,170,000 in series 2015 general obligation bonds with an average interest rate of 2.97% to advance refund \$2,925,000 of outstanding 2007 series general obligations bonds with an average interest rate of 4.35% and to refund \$2,825,000 in 2011 series general obligation bonds with an average interest rate of 3.28%. The additional \$9,420,000 in bonds issued is considered new money to fund current capital projects. The net proceeds of the advance refunding of \$3,115,124 were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 2007 series general obligation bonds. As a result, \$2,925,000 of the 2002 and 2006 series general obligations bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 7. Long-Term Liabilities (Continued)

Current Year's Refunding of Debt (Continued)

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$202,699. This difference, reported in the accompanying financial statements as an addition to bonds payable, is being amortized over the remaining life of the old bonds as a component of interest expense through the year 2031. The Town completed the refunding to reduce its total debt service payments by \$282,954 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$262,858.

Note 8. Net Position/Fund Equity

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

	General Fund	Other Governmental Funds
Nonspendable:		
Inventories	\$ 275,780	\$ -
Prepays	440	-
Total nonspendable	276,220	-
Restricted for:		
Urban construction – capital outlays	-	1,029,041
Committed to:		
Executive	39,153	-
Legal	20,990	-
Financial services	23,110	-
Technology	7,750	-
Police	34,310	-
Fire and rescue	64,854	-
Public works	13,757	-
Recreation	19,867	-
Engineering and GIS	8,286	-
Urban construction – capital projects	-	407,033
General capital projects	-	7,378,889
Equipment replacement	-	23,566
CDBG capital projects	-	25,091
HOME capital projects	-	837,526
Total committed	232,077	8,672,105
Assigned to:		
General capital projects	-	3,763,781
Equipment replacement	-	4,435,839
Total assigned	-	8,199,620
Unassigned		
	2,018,265	(1,269,650)
Total fund balance	\$ 2,526,562	\$ 16,631,116

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the Town of Blacksburg, Virginia, (the “Political Subdivision”) are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria a 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.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1</p> <p>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.</p>	<p>About Plan 2</p> <p>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.</p>	<p>About the Hybrid Retirement Plan</p> <p>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. (see “Eligible Members”)</p> <ul style="list-style-type: none"> • 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.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Eligible Members	Eligible Members	Eligible Members
<p>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>Employees are in 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.</p>	<p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p>
Hybrid Opt-In Election	Hybrid Opt-In Election	<ul style="list-style-type: none"> • 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.
<p>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.</p>	<p>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.</p>	*Non-Eligible Members
<p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p>	<p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p>	<p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p>
<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees
<p>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.</p>	<p>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.</p>	<p>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.</p>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Retirement Contributions	Retirement Contributions	Retirement Contributions
<p>Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.</p>	<p>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.</p>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Creditable Service	Creditable Service	Creditable Service
<p>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.</p>	<p>Same as Plan 1.</p>	<p><u>Defined Benefit Component:</u></p> <p>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.</p> <p><u>Defined Contributions Component:</u></p> <p>Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

<p>Vesting</p> <p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting</p> <p>Same as Plan 1.</p>	<p>Vesting</p> <p><u>Defined Benefit Component:</u></p> <p>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.</p> <p><u>Defined Contributions Component:</u></p> <p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p>
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(Continued)

TOWN OF BLACKSBURG, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

		<p>Vesting (Continued)</p> <p><u>Defined Contributions Component:</u> (Continued)</p> <ul style="list-style-type: none"> • 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. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit</p> <p>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.</p> <p>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.</p>	<p>Calculating the Benefit</p> <p>See definition under Plan 1.</p>	<p>Calculating the Benefit</p> <p><u>Defined Benefit Component:</u></p> <p>See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u></p> <p>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.</p>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Average Final Compensation	Average Final Compensation	Average Final Compensation
<p>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
Service Retirement Multiplier	Service Retirement Multiplier	Service Retirement Multiplier
<p>VRS: 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%.</p>	<p>VRS: 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.</p>	<p><u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p>
<p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p>	<p>Sheriffs and regional jail superintendents: Same as Plan 1.</p>	<p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p>
<p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Political subdivision hazardous duty employees: Not applicable.</p>
		<p><u>Defined Contribution Component:</u> Not applicable.</p>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

<p>Normal Retirement Age</p> <p>VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age</p> <p>VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age</p> <p><u>Defined Benefit Component:</u></p> <p>VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility</p> <p>VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility</p> <p>VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility</p> <p><u>Defined Benefit Component:</u></p> <p>VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

<p>Earliest Reduced Retirement Eligibility</p> <p>VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility</p> <p>VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility</p> <p><u>Defined Benefit Component:</u></p> <p>VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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%.</p> <p><u>Eligibility:</u></p> <p>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.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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%.</p> <p><u>Eligibility:</u></p> <p>Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p><u>Defined Benefit Component:</u></p> <p>Same as Plan 2.</p> <p><u>Defined Contribution Component:</u></p> <p>Not applicable.</p> <p><u>Eligibility:</u></p> <p>Same as Plan 1 and Plan 2.</p>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Cost-of-Living Adjustment (COLA) in Retirement (Continued)	Cost-of-Living Adjustment (COLA) in Retirement (Continued)	Cost-of-Living Adjustment (COLA) in Retirement (Continued)
<p><u>Eligibility:</u> (Continued)</p> <p>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.</p>		
<p><u>Exceptions to COLA Effective Dates:</u></p> <p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • 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. 	<p><u>Exceptions to COLA Effective Dates:</u></p> <p>Same as Plan 1.</p>	<p><u>Exceptions to COLA Effective Dates:</u></p> <p>Same as Plan 1 and Plan 2.</p>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

<p>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</p> <p><u>Exceptions to COLA Effective Dates:</u> (Continued)</p> <ul style="list-style-type: none"> • 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. 		
<p>Disability Coverage</p> <p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage</p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage</p> <p>Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>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.</p>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Purchase of Prior Service	Purchase of Prior Service	Purchase of Prior Service
<p>Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Same as Plan 1.</p>	<p><u>Defined Benefit Component:</u></p> <p>Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4.00% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.
		<p><u>Defined Contribution Component:</u></p> <p>Not applicable.</p>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2013 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>134</u>
Inactive members:	
Vested inactive members	39
Non-vested inactive members	69
Inactive members active elsewhere in VRS	<u>96</u>
Total inactive members	204
Active members	<u>266</u>
Total covered employees	<u><u>604</u></u>

Contributions

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Contributions (Continued)

The Town's contractually required contribution rate for the year ended June 30, 2015 was 13.95% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$1,853,479 and \$1,695,545 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 5.35%
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 return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% 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 7.00% to simplify preparation of pension liabilities.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees (Continued)

Mortality rates: 14% of deaths are assumed to be service related.

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Note 9. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees (Continued)

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.50%
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 return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% 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 7.00% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related.

Largest 10 – LEOS:

Pre-Retirement:

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Note 9. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

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

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2013	\$ 61,458,279	\$ 43,964,118	\$ 17,494,161
Changes for the year:			
Service cost	1,433,656	-	1,433,656
Interest	4,217,177	-	4,217,177
Differences between expected and actual experience	-	-	-
Contributions – employer	-	1,700,621	(1,700,621)
Contributions – employee	-	664,512	(664,512)
Net investment income	-	6,954,659	(6,954,659)
Benefit payments, including refunds of employee contributions	(2,425,779)	(2,425,779)	-
Administrative expenses	-	(37,179)	37,179
Other changes	-	366	(366)
Net changes	<u>3,225,054</u>	<u>6,857,200</u>	<u>(3,632,146)</u>
Balances at June 30, 2014	<u>\$ 64,683,333</u>	<u>\$ 50,821,318</u>	<u>\$ 13,862,015</u>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Town's net pension liability	\$ 23,234,025	\$ 13,862,015	\$ 6,139,674

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

For the year ended June 30, 2015, the Town recognized pension expense \$1,172,369. At June 30, 2015, 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	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,103,894
Employer contributions subsequent to the measurement date	1,853,479	-
Total	\$ 1,853,479	\$ 3,103,894

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

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

The \$1,853,479 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Reduction to Pension Expense</u>
2016	\$ 775,973
2017	775,973
2018	775,974
2019	775,974

Payables to the Pension Plan

At June 30, 2015, approximately \$157,569 was payable to the Virginia Retirement System for the legally required contributions related to June 2015 payroll.

Note 10. Property Taxes

Property is assessed at its current market value on January 1 by Montgomery County, Virginia. Real estate taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on June 5 and December 5. Town Council approves the tax rate for both installments in April of each year. The Town bills and collects the real estate taxes. A penalty of 10% of the tax or \$10, whichever is greater, but not to exceed the tax, is assessed after June 5 and December 5. Taxes were levied at a rate of \$.25 per \$100 and \$.22 per \$100 of assessed valuation for the 2015 and 2014 calendar years, respectively. The Town places liens on property as necessary to supplement collection efforts. The Commonwealth of Virginia has no limitation on tax rates.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Post-employment Health Insurance Benefits

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

Plan Description

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

Benefits Provided

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

Membership

The number of participants at June 30, 2015 was as follows:

Retirees currently receiving benefits	69
Active employees	<u>283</u>
Total	<u><u>352</u></u>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

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

Funding Policy

The contributions to the Trust Fund are established and may be amended by the Town Council. GASB Statement No. 45 requires recognition of the current expense of OPEB based on the Town's annual required contribution, but does not require funding of the related liability. The Town contributed \$219,133 to the VACo/VML Pooled OPEB Trust Fund. This contribution reflects the current year Five Year Phase-in funding approach for the Town.

Annual Other Post-employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2015, the Town's annual OPEB cost (expense) was \$467,779. The payment of current health insurance premiums and contributions to the Trust, which totaled \$402,320 for retirees, resulted in an increase to the Net OPEB obligation of \$65,459 for the year ended June 30, 2015.

Annual required contribution	\$	458,448
Interest on net OPEB obligation		38,272
Adjustment to annual required contribution		(28,941)
Annual OPEB cost		467,779
Contributions made		(402,320)
Increase in net OPEB obligation		65,459
Net OPEB obligation-beginning of year		524,917
Net OPEB obligation-end of year	\$	590,376

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 are as follows.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2015	\$467,779	86%	\$590,376
06/30/2014	\$419,902	96%	\$524,917
06/30/2013	\$416,450	126%	\$507,419

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015 was as follows:

Actuarial Accrued Liability (AAL)	\$7,151,844
Actuarial Value of Plan Assets	\$2,303,776
Unfunded Actuarial Accrued Liability (UAAL)	\$4,848,068
Funded Ratio (Actuarial Value of Plan Assets/AAL)	32.21%
Covered Payroll (Active Plan Members)	\$13,469,522
UAAL as a Percentage of Covered Payroll	35.99%

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, the post-retirement health costs are assumed to be earned ratably from date of hire to the participant's full eligibility age (age 50 or older with 15 or more years of service). The actuarial assumptions used a 7.25% discount rate and an initial annual healthcare cost trend rate of 7.25% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 4.25%. No general inflation rate was used. The unfunded actuarial accrued liability is being amortized over an open period of 30 years. The remaining amortization period at June 30, 2015 is 23 years.

Note 12. Risk Management

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 13. Commitments and Contingencies

Special Purpose Grants

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

Landfill

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

VDOT Land Contribution

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

Litigation

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

Note 14. Cemetery Trust Disclosure

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

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 15. Contribution Agreement

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

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

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

In addition, the LP will lease the facility to BMC Tenant, LP ("Tenant LP"). Tenant LP will lease the facility to the Town. Both leases are for a term of 35 years, starting when a certificate of occupancy for the rehabilitated structure is obtained. The lease payment terms provide for a monthly rent payment of approximately \$16,000. In May 2009, Blacksburg Motor Partners, L.P., entered into a limited partnership agreement with the Sherwin-Williams Company. During 2015, the monthly rent payments stopped as the agreement is coming to a close.

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

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 16. New Accounting Standards

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

GASB Statement No. 72, *Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ending June 30, 2016.

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

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

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* identifies—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ending June 30, 2016 and should be applied retroactively. Earlier application is permitted.

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

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TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 17. Adoption of New Standard and Prior Period Restatement

In the current year the Town adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. This standard replaces the requirements of GASB Statements No. 27 and No. 50 as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The new Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. 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, as applicable, resulting from the adoption of GASB Statement No. 68:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Water and Sewer Fund</u>	<u>Transit System</u>
Net Position, July 1, 2014, as previously stated	\$ 62,858,562	\$ 35,848,478	\$ 10,391,014	\$ 24,356,182
Recognition of pension related liabilities and deferred outflows in accordance with GASB No. 68	<u>(12,499,584)</u>	<u>(3,293,956)</u>	<u>(1,153,227)</u>	<u>(2,017,813)</u>
Net Position, July 1, 2014, as restated	<u>\$ 50,358,978</u>	<u>\$ 32,554,522</u>	<u>\$ 9,237,787</u>	<u>\$ 22,338,369</u>
		<u>Solid Waste and Recycling</u>	<u>Stormwater</u>	<u>Internal Service</u>
Net Position, July 1, 2014, as previously stated		\$ 1,101,282	\$ -	\$ 490,622
Recognition of pension related liabilities and deferred outflows in accordance with GASB No. 68		<u>(86,267)</u>	<u>(36,649)</u>	<u>(280,359)</u>
Net Position, July 1, 2014, as restated		<u>\$ 1,015,015</u>	<u>\$ (36,649)</u>	<u>\$ 210,263</u>

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BLACKSBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2015

	Primary Government
Total Pension Liability	
Service cost	\$ 1,485,346
Interest on total pension liability	4,369,226
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(2,513,240)
Net change in total pension liability	3,341,332
Total pension liability - beginning	63,674,139
Total pension liability - ending	67,015,471
 Plan Fiduciary Net Position	
Contributions - employer	1,761,278
Contributions - employee	689,129
Net investment income	7,204,828
Benefit payments, including refunds of employee contributions	(2,513,240)
Administrative expenses	(38,519)
Other	379
Net change in plan fiduciary net position	7,103,855
Plan fiduciary net position - beginning	45,549,231
Plan fiduciary net position - ending	52,653,086
 Net pension liability - ending	\$ 14,362,385
 Plan fiduciary net position as a percentage of total pension liability	79%
 Covered employee payroll	\$ 13,766,189
 Net pension liability as a percentage of covered employee payroll	104%

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

TOWN OF BLACKSBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2015

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 1,920,383	\$ 1,920,383	\$ -	\$ 13,766,189	13.95%

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

TOWN OF BLACKSBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT BENEFITS
June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
June 30, 2015	\$ 2,303,776	\$ 7,151,844	\$ 4,848,068	32%	\$ 13,469,522	35.99%
June 30, 2013	\$ 1,203,902	\$ 5,625,378	\$ 4,421,476	21%	\$ 13,030,418	33.93%
June 30, 2011	\$ 702,076	\$ 5,538,505	\$ 4,836,429	13%	\$ 12,584,838	38.43%

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

Note 1. Changes of Benefit Terms

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

Note 2. Changes of Assumptions

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

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

OTHER SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

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

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

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

TOWN OF BLACKSBURG, VIRGINIA

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2015

	<u>CDBG</u>	<u>HOME</u>	<u>Total</u>
ASSETS			
Due from other governmental units	\$ 137,795	\$ 190,978	\$ 328,773
Total assets	<u>\$ 137,795</u>	<u>\$ 190,978</u>	<u>\$ 328,773</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 37,848	\$ 96,266	\$ 134,114
Accrued payroll and related liabilities	1,799	1,326	3,125
Due to other funds	98,148	93,386	191,534
Total liabilities	<u>137,795</u>	<u>190,978</u>	<u>328,773</u>
FUND BALANCES			
Committed	25,091	837,526	862,617
Unassigned	<u>(25,091)</u>	<u>(837,526)</u>	<u>(862,617)</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 137,795</u>	<u>\$ 190,978</u>	<u>\$ 328,773</u>

TOWN OF BLACKSBURG, VIRGINIA

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

Year Ended June 30, 2015

	<u>CDBG</u>	<u>HOME</u>	<u>Total</u>
REVENUES			
Intergovernmental	\$ 514,028	\$ 1,462,016	\$ 1,976,044
Total revenues	<u>514,028</u>	<u>1,462,016</u>	<u>1,976,044</u>
EXPENDITURES			
CDBG Entitlement	514,028	-	514,028
HOME Consortium	-	1,462,016	1,462,016
Total expenditures	<u>514,028</u>	<u>1,462,016</u>	<u>1,976,044</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES AT JULY 1	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES AT JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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FIDUCIARY FUNDS

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

New River Valley Alcohol Safety Action Program

Virginia Tech/Montgomery Regional Airport Authority

TOWN OF BLACKSBURG, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	<u>New River Valley Alcohol Safety Action Program</u>	<u>Virginia Tech/ Montgomery Regional Airport Authority</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 184,141	\$ 309,811	\$ 493,952
Total assets	<u>\$ 184,141</u>	<u>\$ 309,811</u>	<u>\$ 493,952</u>
LIABILITIES			
Liability to agency	\$ 184,141	\$ 309,811	\$ 493,952
Total liabilities	<u>\$ 184,141</u>	<u>\$ 309,811</u>	<u>\$ 493,952</u>

TOWN OF BLACKSBURG, VIRGINIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
New River Valley Alcohol Safety Action Program				
ASSETS				
Cash and cash equivalents	\$ 229,672	\$ -	\$ 45,531	\$ 184,141
Total assets	<u>\$ 229,672</u>	<u>\$ -</u>	<u>\$ 45,531</u>	<u>\$ 184,141</u>
LIABILITIES				
Liability to agency	\$ 229,672	\$ -	\$ 45,531	\$ 184,141
Total liabilities	<u>\$ 229,672</u>	<u>\$ -</u>	<u>\$ 45,531</u>	<u>\$ 184,141</u>
Virginia Tech/Montgomery Regional Airport Authority				
ASSETS				
Cash and cash equivalents	\$ 222,064	\$ 87,747	\$ -	\$ 309,811
Total assets	<u>\$ 222,064</u>	<u>\$ 87,747</u>	<u>\$ -</u>	<u>\$ 309,811</u>
LIABILITIES				
Liability to agency	\$ 222,064	\$ 87,747	\$ -	\$ 309,811
Total liabilities	<u>\$ 222,064</u>	<u>\$ 87,747</u>	<u>\$ -</u>	<u>\$ 309,811</u>
Total All Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 451,736	\$ 87,747	\$ 45,531	\$ 493,952
Total assets	<u>\$ 451,736</u>	<u>\$ 87,747</u>	<u>\$ 45,531</u>	<u>\$ 493,952</u>
LIABILITIES				
Liability to agency	\$ 451,736	\$ 87,747	\$ 45,531	\$ 493,952
Total liabilities	<u>\$ 451,736</u>	<u>\$ 87,747</u>	<u>\$ 45,531</u>	<u>\$ 493,952</u>

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SUPPORTING SCHEDULES

TOWN OF BLACKSBURG, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Community Development Block Grants	14.218	\$ 514,028
HOME Investment Partnership Program	14.239	1,462,016
<u>DEPARTMENT OF TRANSPORTATION</u>		
<u>Transit Cluster:</u>		
Federal Transit - Capital Investment Grant	20.500	1,358,933
Federal Transit - Formula Grant	20.507	1,856,675
Job Access Reverse Commute	20.516	217,632
VA-90-4402		
VA-90-4418, VA-90-0422		
73112-21		
73013-70/74/75/80/81		
73114-13/14/15/16/17/20/21/22/23/24/25/26/27		
73115-34/35/36/38/39/40/45		
VA-88-0001		
MPO Grant	20.500	130,376
46013-12, 46014-11, 46015-11		
TIGGER Grant	20.523	738,112
VA-88-0001		
<u>Department of Motor Vehicles</u>		
Alcohol Impaired Driving Countermeasurer Incentive Grant	20.601	17,450
<u>Department of Transportation</u>		
Highway Safety Improvement Projects	20.205	234,849
Safe Route to Schools	20.205	108,816
<u>Department of Conservation and Recreation</u>		
Recreational Trails Program	20.219	43,852
Total Expenditures of Federal Awards		<u>\$ 6,682,739</u>

Notes to Schedule of Expenditures of Federal Awards

Basis of Accounting

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

Subrecipients

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

TOWN OF BLACKSBURG, VIRGINIA

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2015

Total assessed value of real estate (including public service corporations)	<u>\$ 2,770,114,940</u>
Debt limit: 10% of total assessed value of real estate (1)	<u>\$ 277,011,494</u>
Less: Amount of debt applicable to debt limit:	
General bonded debt	24,475,328
Enterprise debt	5,557,670
Capital lease obligations	<u>82,456</u>
	<u>30,115,454</u>
Legal debt margin	<u><u>\$ 246,896,040</u></u>

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

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STATISTICAL SECTION

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

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

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

TABLE 1

Town of Blacksburg, Virginia

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

	2015**	2014	2013	2012	2011	2010	2009	2008	2007	2006*
Governmental activities										
Net investment in capital assets	\$ 55,065,864	\$52,856,050	\$ 46,489,358	\$ 38,424,336	\$ 26,949,080	\$ 25,764,585	\$ 19,969,681	\$ 15,808,625	\$ 14,318,948	\$ 10,936,577
Restricted	1,029,041	1,999,902	4,232,468	4,977,107	8,177,561	8,930,797	9,742,165	16,546	16,546	226,186
Unrestricted	(3,123,873)	8,002,610	9,741,501	10,740,636	12,577,701	7,386,710	8,044,842	7,397,007	10,806,579	11,591,560
Total governmental activities net position	\$ 52,971,032	\$62,858,562	\$ 60,463,327	\$ 54,142,079	\$ 47,704,342	\$ 42,082,092	\$ 37,756,688	\$ 23,222,178	\$ 25,142,073	\$22,754,323
Business-type activities										
Net investment in capital assets	\$ 27,565,755	\$29,013,749	\$ 25,779,737	\$ 23,184,487	\$ 22,697,086	\$ 23,031,456	\$ 15,723,568	\$ 14,920,879	\$ 15,270,171	\$ 10,151,736
Restricted	132,442	-	49,080	49,080	191,159	101,920	49,702	49,702	51,696	49,702
Unrestricted	4,872,167	6,834,729	6,566,905	7,655,159	7,993,716	7,826,479	7,181,687	7,307,516	6,901,487	9,774,920
Total business-type activities net position	\$ 32,570,364	\$35,848,478	\$ 32,395,722	\$ 30,888,726	\$ 30,881,961	\$ 30,959,855	\$ 22,954,957	\$ 22,278,097	\$ 22,223,354	\$ 19,976,358
Primary government										
Net investment in capital assets	\$ 82,631,619	\$81,869,799	\$ 72,269,095	\$ 61,608,823	\$ 49,646,166	\$ 48,796,041	\$ 35,693,249	\$ 30,729,504	\$ 29,589,119	\$ 21,088,313
Restricted	1,161,483	1,999,902	4,281,548	5,026,187	8,368,720	9,032,717	9,791,867	66,248	68,242	275,888
Unrestricted	1,748,294	14,837,339	16,308,406	18,395,795	20,571,417	15,213,189	15,266,529	14,704,523	17,708,066	21,366,480
Total primary government net position	\$ 85,541,396	\$98,707,040	\$ 92,859,049	\$ 85,030,805	\$ 78,586,303	\$ 73,041,947	\$ 60,751,645	\$ 45,500,275	\$ 47,365,427	\$42,730,681

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

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

TABLE 2

Town of Blacksburg, Virginia

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses										
Governmental activities										
Legislative	\$ 277,068	\$ 270,763	\$ 251,958	\$ 241,530	\$ 231,703	\$ 245,076	\$ 232,377	\$ 222,711	\$ 206,647	\$ 219,920
Executive	2,220,361	2,256,772	1,921,674	1,701,070	1,403,791	1,170,592	1,406,801	5,314,570	1,904,368	1,634,919
Legal	324,788	331,616	294,699	273,191	264,370	249,725	294,780	349,234	271,281	207,112
Judicial	-	-	-	6,100	8,467	8,856	7,738	12,877	9,161	10,568
Financial services	1,606,641	1,600,576	1,560,128	1,440,990	1,550,048	1,479,279	1,484,055	1,432,163	1,388,921	1,277,070
Technology	632,548	626,438	601,503	551,139	527,641	534,597	549,092	558,463	549,248	380,362
Police	7,962,990	7,691,501	7,943,511	7,307,087	6,444,171	6,836,813	6,528,290	6,198,149	5,810,010	5,159,911
Fire and rescue	1,371,343	1,278,687	1,220,682	1,219,788	1,019,455	562,261	859,936	1,075,907	939,221	831,650
Public works	8,137,865	7,680,338	7,736,614	6,919,603	8,112,983	8,389,547	7,349,912	7,409,206	12,368,201	8,821,776
Recreation	2,337,016	2,370,603	2,291,017	2,334,189	2,242,560	1,705,504	1,847,169	1,820,605	1,552,018	1,530,633
Engineering and GIS	1,403,154	1,793,233	1,615,665	1,417,586	1,382,101	1,343,738	1,103,459	-	-	-
Planning and building	917,969	1,231,734	953,747	901,087	857,945	865,270	927,270	-	-	-
Planning and engineering	-	-	-	-	-	-	-	2,818,511	2,432,722	1,549,105
CDBG entitlement	514,028	402,360	623,505	379,983	437,066	1,111,071	416,456	-	-	376,513
HOME consortium	1,462,016	672,216	726,653	647,794	473,848	1,163,994	203,055	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	9,726
Interest on long-term debt	694,561	552,382	684,779	622,997	719,046	735,300	615,742	673,520	673,210	659,830
Unallocated depreciation	1,520,348	1,258,229	945,610	755,705	470,750	428,824	264,006	251,360	232,057	216,062
Total governmental activities	31,382,696	30,017,448	29,371,745	26,719,839	26,145,945	26,830,447	24,090,158	28,137,276	28,337,065	23,500,983
Business-type activities										
Water and sewer	9,661,045	9,344,964	8,862,137	8,588,121	8,688,140	8,452,170	8,255,456	8,127,715	7,843,289	7,449,221
Transit system	10,038,822	10,003,945	8,609,385	8,382,557	8,102,931	6,883,924	6,236,561	5,994,087	5,141,724	4,573,832
Solid waste and recycling	1,629,828	1,671,055	1,584,094	1,484,319	1,445,065	1,420,779	1,402,489	1,332,143	1,282,488	1,194,148
Stormwater	199,721	-	-	-	-	-	-	-	-	-
Golf course	-	-	-	-	-	-	-	-	-	-
Total business-type activities expense	21,529,416	21,019,964	19,055,616	18,454,997	18,236,136	17,168,752	16,311,641	15,890,263	14,666,519	13,604,629
Total primary government expenses	\$ 52,912,112	\$ 51,037,412	\$ 48,427,361	\$ 45,174,836	\$ 44,382,081	\$ 43,999,199	\$ 40,401,799	\$ 44,027,539	\$ 43,003,584	\$ 37,105,612
Program Revenues										
Governmental activities										
Charges for services										
Public Safety	\$ 571,652	\$ 510,587	\$ 597,170	\$ 705,233	\$ 579,807	\$ 565,693	\$ 516,416	\$ 508,605	\$ 519,136	\$ 468,842
Public Works	1,496,304	1,633,230	1,459,679	1,419,076	1,366,649	1,284,492	1,286,722	1,364,557	1,323,361	1,100,227
Other Activities	2,953,583	2,577,517	2,194,673	2,816,666	2,294,680	2,986,244	2,490,258	2,497,429	1,808,624	1,701,975
Operating grants and contributions	4,150,390	4,072,899	3,982,480	3,919,134	3,908,463	3,892,484	3,855,423	3,764,061	3,659,234	3,539,210
Capital grants and contributions	4,173,342	4,081,847	7,846,314	5,407,444	5,303,881	6,110,555	13,868,890	2,175,882	8,561,884	4,505,909
Total governmental activities program revenues	13,345,271	12,856,080	16,080,316	14,267,553	13,453,480	14,839,468	22,017,709	10,310,534	15,872,239	11,316,163

(Continued)

TABLE 2

Town of Blacksburg, Virginia

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Business-type activities										
Charges for services	\$ 9,349,690	\$ 9,558,396	\$ 8,730,119	\$ 8,406,428	\$ 8,138,579	\$ 8,099,125	\$ 8,051,821	\$ 8,286,109	\$ 7,233,150	\$ 7,057,540
Water and sewer	3,878,193	3,898,564	3,587,399	3,161,117	3,230,281	2,872,835	2,842,638	2,384,551	2,384,148	2,050,288
Transit system	1,701,665	1,735,237	1,666,645	1,607,847	1,539,940	1,585,386	1,496,231	1,461,694	1,389,165	1,331,008
Solid waste and recycling	529,585	-	-	-	-	-	-	-	-	-
Stormwater	-	-	-	-	-	-	-	-	-	-
Golf course	3,640,253	3,194,624	3,023,237	2,706,887	2,682,891	2,197,223	2,244,815	2,181,423	2,225,219	1,913,700
Operating grants and contributions	2,426,973	6,076,151	3,559,305	2,273,015	2,531,592	8,640,465	1,487,346	725,552	2,559,206	3,015,749
Capital grants and contributions	21,526,359	24,462,972	20,566,705	18,155,294	18,123,283	23,610,759	16,360,269	15,316,946	16,030,027	15,587,626
Total business-type activities program revenues	\$ 34,871,630	\$ 37,319,052	\$ 36,647,021	\$ 32,422,847	\$ 31,576,763	\$ 38,540,227	\$ 38,377,978	\$ 25,627,480	\$ 31,902,266	\$ 26,903,789
Net (expense) revenue	\$ (18,037,425)	\$ (17,161,368)	\$ (13,291,429)	\$ (12,452,286)	\$ (12,692,465)	\$ (11,990,979)	\$ (2,072,449)	\$ (17,826,742)	\$ (12,464,826)	\$ (12,184,820)
Governmental activities	(3,057)	3,443,008	1,511,089	(299,703)	(112,853)	6,442,007	48,628	(573,317)	1,363,508	1,982,997
Business-type activities	(18,040,482)	(13,718,360)	(11,780,340)	(12,751,989)	(12,805,318)	(5,548,972)	(2,023,821)	(18,400,059)	(11,101,318)	(10,201,823)
Total primary government net expense										
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 6,303,580	\$ 5,624,078	\$ 5,544,687	\$ 5,554,193	\$ 5,454,459	\$ 5,338,784	\$ 5,181,131	\$ 5,080,523	\$ 4,367,238	\$ 3,739,179
Other local taxes	10,718,380	10,327,472	10,352,187	9,865,455	9,059,494	8,626,597	8,063,424	7,409,423	6,966,237	6,453,655
Business license taxes	2,159,852	2,079,603	1,907,716	1,465,896	1,658,592	1,605,017	1,690,356	1,620,488	1,493,065	1,369,774
Other general fees	70,146	19,911	125,615	-	-	-	-	-	588,563	879,541
Intergovernmental revenue unrestricted	188,008	178,730	301,616	298,900	262,730	356,410	499,393	128,601	308,497	221,348
Investment earnings	(66,326)	49,404	45,290	86,708	(230,085)	-	-	502,546	430,446	143,577
Unrealized gain/(loss) on investments	954,538	1,017,954	1,126,961	1,288,300	1,270,394	1,375,506	912,687	1,049,392	829,774	780,270
Other	321,301	259,451	208,605	241,566	197,166	(1,187,081)	111,541	115,874	(131,244)	78,062
Transfers	20,649,479	19,556,603	19,612,677	18,890,023	18,314,715	16,316,383	16,006,959	15,906,847	14,852,576	13,665,406
Total governmental activities	56,527	57,799	44,049	91,241	115,643	171,771	397,264	421,832	395,487	134,073
Investment earnings	(19,629)	20,796	9,662	44,437	(123,550)	-	-	-	-	-
Unrealized gain/(loss) on investments	303,302	190,604	150,801	151,689	240,032	204,039	342,509	322,102	262,454	275,321
Other	(321,301)	(259,451)	(208,605)	(241,566)	(197,166)	1,187,081	(111,541)	(115,874)	131,244	(78,062)
Transfers	18,899	9,748	(4,093)	45,801	34,959	1,562,891	628,232	628,060	789,185	331,332
Total business-type activities	20,668,378	19,566,351	19,608,584	18,935,824	18,349,674	17,879,274	17,233,191	16,534,907	15,641,761	13,996,738
Total primary government										
Changes in Net Position										
Governmental activities	\$ 2,612,054	\$ 2,395,235	\$ 6,321,248	\$ 6,437,737	\$ 5,622,250	\$ 4,325,404	\$ 14,534,510	\$ (1,919,895)	\$ 2,387,750	\$ 1,480,586
Business-type activities	15,842	3,452,756	1,506,996	(253,902)	(77,894)	8,004,898	676,860	54,743	2,152,693	2,314,329
Total primary government	\$ 2,627,896	\$ 5,847,991	\$ 7,828,244	\$ 6,183,835	\$ 5,544,356	\$ 12,330,302	\$ 15,211,370	\$ (1,865,152)	\$ 4,540,443	\$ 3,794,915

Town of Blacksburg, Virginia

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

	2010	2009	2008	2007	2006
Pre-GASB 54 Implementation:					
General Fund					
Reserved	\$ 821,151	\$ 746,527	\$ 376,448	\$ 465,107	\$ 1,253,145
Unreserved	2,391,309	2,375,247	3,179,782	6,403,500	5,568,193
Total general fund	\$ 3,212,460	\$ 3,121,774	\$ 3,556,230	\$ 6,868,607	\$ 6,821,338
All Other Governmental Funds					
Reserved	\$ 7,875,695	\$ 2,409,125	\$ 1,585,151	\$ 1,563,977	\$ 7,321,442
Unreserved, reported in:					
Special Revenue funds	1,708,900	7,874,938	-	-	-
Capital projects funds	7,574,327	5,730,126	4,805,665	4,973,017	(1,184,570)
Total all other governmental funds	\$ 17,158,922	\$ 16,014,189	\$ 6,390,816	\$ 6,536,994	\$ 6,136,872
Post-GASB 54 Implementation:					
General Fund					
Nonspendable	\$ 276,220	\$ 254,012	\$ 244,566	\$ 437,906	\$ 395,245
Restricted	-	-	19,161	18,969	18,614
Committed	232,077	362,950	248,061	295,076	392,826
Unassigned	2,018,265	3,987,120	4,334,512	4,498,310	3,985,734
Total general fund	\$ 2,526,562	\$ 4,604,082	\$ 4,846,300	\$ 5,250,261	\$ 4,792,419
All Other Governmental Funds					
Restricted	\$ 1,029,041	\$ 1,999,902	\$ 4,213,307	\$ 4,958,138	\$ 8,158,947
Committed	8,672,105	3,305,731	7,219,912	9,280,961	4,375,945
Assigned	8,199,620	6,396,132	6,194,653	6,737,264	6,857,823
Unassigned	(1,269,650)	(2,393,078)	(4,025,738)	(6,872,010)	(2,463,749)
Total all other governmental funds	\$ 16,631,116	\$ 9,308,687	\$ 13,602,134	\$ 14,104,353	\$ 16,928,966

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

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Taxes	\$ 17,057,725	\$ 15,979,783	\$ 15,904,094	\$ 15,354,299	\$ 14,731,137	\$ 13,714,423	\$ 13,137,175	\$ 12,498,249	\$ 11,233,510	\$ 10,504,529
Permits, privilege fees, and licenses	2,517,700	2,587,860	2,211,583	2,484,167	2,321,328	2,319,880	2,582,295	2,585,021	2,439,479	2,249,315
Fines and forfeitures	240,394	236,673	344,153	450,017	347,444	345,875	274,391	286,725	309,227	264,698
Revenue from use of money	121,682	228,134	346,906	385,608	84,894	356,410	499,393	502,546	430,446	143,577
Charges for services	3,111,037	2,994,939	2,813,066	2,969,731	2,738,117	3,245,746	2,177,797	2,312,046	2,019,273	1,943,551
Other	1,197,960	1,059,617	654,999	607,268	619,939	850,887	838,495	696,708	711,019	671,076
Intergovernmental	8,144,768	7,617,779	11,929,785	9,195,584	9,802,060	10,204,189	17,872,740	6,068,544	10,804,616	8,266,467
Total revenues	32,391,266	30,704,785	34,204,586	31,446,674	30,644,919	31,037,410	37,382,286	24,949,839	27,947,570	24,043,213
Expenditures										
General government	5,836,463	4,820,475	4,433,781	3,980,022	4,157,031	4,011,434	4,093,075	7,642,094	4,100,184	3,633,798
Judicial	-	-	-	5,720	7,705	8,094	6,996	12,115	8,399	9,806
Public safety	8,673,279	8,099,953	8,471,349	7,897,882	7,321,785	7,438,072	7,124,781	6,839,827	6,806,920	5,657,631
Public works	5,904,498	5,438,879	5,676,805	5,654,285	5,364,738	5,138,371	4,557,804	4,692,086	4,530,464	4,240,230
Recreation	2,301,245	2,065,887	2,036,250	1,972,667	1,938,326	1,539,526	1,641,839	1,587,494	1,357,801	1,376,737
Planning and engineering	2,266,072	2,247,140	2,225,383	2,062,767	1,995,305	1,969,816	1,787,791	1,774,597	1,771,483	1,582,477
Other	1,976,044	1,074,576	1,350,158	1,027,777	910,914	2,775,065	914,393	814,775	785,708	386,239
Capital outlays	8,049,302	10,423,543	12,937,636	9,557,271	7,107,725	6,755,768	6,484,576	3,393,977	9,521,188	4,993,876
Debt service										
Principal retirement	1,506,403	1,535,192	1,522,291	1,339,083	1,216,743	1,064,287	1,072,009	1,027,118	911,853	898,992
Interest and fiscal charges	582,601	539,668	651,726	791,066	759,790	735,455	621,646	676,907	621,810	615,304
Total expenditures	37,095,907	36,245,313	39,305,379	34,288,540	30,780,062	31,435,888	28,304,910	28,460,990	30,415,810	23,395,090
Excess of revenues over (under) expenditures	(4,704,641)	(5,540,528)	(5,100,793)	(2,841,866)	(135,143)	(398,478)	9,077,376	(3,511,151)	(2,468,240)	648,123
Other Financing Sources (Uses)										
Proceeds from issuance of debt	9,495,000	-	3,855,000	-	1,270,000	4,515,750	-	-	3,046,875	-
Premium on debt proceeds	268,138	-	60,661	-	-	-	-	-	-	-
Proceeds from issuance of refunding debt	3,813,690	-	-	5,387,540	1,994,645	-	-	-	-	-
Sale of general capital assets	21,093	844,711	70,347	-	-	-	-	-	-	-
Payments to bond escrow agents	(3,982,356)	-	-	(5,154,011)	(1,976,665)	(1,307,861)	-	-	-	-
Transfers in	9,923,375	4,862,515	4,475,827	10,094,828	6,230,527	5,943,752	4,584,280	7,051,980	5,897,146	7,955,436
Transfers out	(9,589,390)	(4,702,363)	(4,267,222)	(9,853,262)	(6,033,361)	(7,517,774)	(4,472,739)	(6,999,384)	(6,028,390)	(7,877,374)
Total other financing sources (uses)	9,949,550	1,004,863	4,194,613	475,095	1,485,146	1,633,867	111,541	52,596	2,915,631	78,062
Net change in fund balances	\$ 5,244,909	\$ (4,535,665)	\$ (906,180)	\$ (2,366,771)	\$ 1,350,003	\$ 1,235,389	\$ 9,188,917	\$ (3,458,555)	\$ 447,391	\$ 726,185
Debt service as a percentage of noncapital expenditures	7.13%	7.79%	8.08%	8.76%	8.25%	7.31%	7.62%	6.57%	7.34%	8.23%

TABLE 5

Town of Blacksburg, Virginia

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

Fiscal Year	Real Estate	Public Service Corporation	Total Assessed Value	Total Direct Tax Rate(1)
2015	\$ 2,718,917,780	\$ 51,197,160	2,770,114,940	\$ 0.25
2014	2,499,516,720	48,791,818	2,548,308,538	0.22
2013	2,476,699,300	47,898,182	2,524,597,482	0.22
2012	2,472,590,460	49,735,455	2,522,325,915	0.22
2011	2,467,477,960	46,881,818	2,514,359,778	0.22
2010	2,380,745,200	49,227,727	2,429,972,927	0.22
2009	2,336,135,300	42,748,182	2,378,883,482	0.22
2008	2,261,835,200	45,062,727	2,306,897,927	0.22
2007	2,222,213,820	36,465,455	2,258,679,275	0.22
2006	1,669,904,900	39,074,545	1,708,979,445	0.22

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

(1) Per \$100 of assessed value.

TABLE 6

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

Taxpayer	Fiscal Year 2015			Fiscal Year 2006		
	Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Foxridge Association	\$ 104,500,000	1	24.51%	\$ 58,333,900	1	28.34%
MCS Virginia Tech, LLC	76,000,000	2	17.83%	-	-	-
SHP - The Village at BLBG LLC	47,000,000	3	11.03%	27,682,700	2	13.45%
Related Properties, LLC	39,500,025	4	9.27%	-	-	-
BSE AH Blacksburg Apts LLC	34,602,800	5	8.12%			
Maple Ridge Land LLC	34,085,700	6	8.00%	11,925,100	9	5.79%
Blacksburg APF Partners LLC	23,827,900	7	5.59%	-	-	-
University Mall LLC	22,760,200	8	5.34%	-	-	-
Windsor Hills LP	22,000,000	9	5.16%	15,381,400	6	7.47%
CSB LLC II	22,000,000	10	5.16%	16,738,200	5	8.13%
HCA Montgomery Regional Hospital	-	-	-	18,141,300	3	8.81%
Kroger Limited Partnership	-	-	-	11,443,800	10	5.56%
Terrace View Association	-	-	-	14,244,300	8	6.92%
Verizon Virginia Inc.	-	-	-	14,626,372	7	7.11%
Diversified Interest	-	-	-	17,313,500	4	8.41%
	<u>\$ 426,276,625</u>		<u>100.00%</u>	<u>\$205,830,572</u>		<u>100.00%</u>

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

TABLE 7

Town of Blacksburg, Virginia

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2015	\$ 6,273,943	\$ 6,109,693	97.38%	\$ -	6,109,693	97.38%
2014	5,585,423	5,407,901	96.82%	159,575	5,567,476	99.68%
2013	5,542,953	5,293,072	95.49%	241,448	5,534,520	99.85%
2012	5,539,488	5,319,413	96.03%	215,188	5,534,601	99.91%
2011	5,417,877	5,236,517	96.65%	178,964	5,415,481	99.96%
2010	5,302,922	5,052,796	95.28%	248,626	5,301,422	99.97%
2009	5,161,566	4,987,516	96.63%	173,066	5,160,582	99.98%
2008	5,038,150	4,847,447	96.21%	189,880	5,037,327	99.98%
2007	4,362,564	4,284,135	98.20%	76,908	4,361,043	99.97%
2006	3,705,691	3,646,865	98.41%	58,112	3,704,977	99.98%

Source: Director of Financial Services, Town of Blacksburg

TABLE 8

Town of Blacksburg, Virginia

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Water Revenues										
Residential	\$ 2,520,194	\$ 2,424,371	\$ 2,254,407	\$ 2,199,971	\$ 2,031,664	\$ 1,958,341	\$ 1,934,448	\$ 1,881,208	\$ 1,682,289	\$ 3,131,521
Commercial	2,077,680	1,896,259	1,890,082	1,719,976	1,707,310	1,677,257	1,598,453	1,560,955	1,498,678	*
Other	317,531	434,628	311,287	313,704	317,962	316,771	588,799	668,552	455,788	447,133
Total Water Revenues	4,915,405	4,755,258	4,455,776	4,233,651	4,056,936	3,952,369	4,121,700	4,110,715	3,636,755	3,578,654
Sewer Revenues										
Residential	2,281,379	2,214,446	2,147,557	2,147,604	2,194,556	2,185,772	2,082,715	1,924,259	1,745,208	3,150,265
Commercial	2,060,846	1,925,000	1,932,524	1,888,145	1,914,708	1,926,293	1,768,908	1,633,521	1,586,975	*
Other	12,632	11,441	7,677	9,624	5,594	7,222	3,406	4,302	7,359	13,387
Total Sewer Revenues	4,354,857	4,150,887	4,087,758	4,045,373	4,114,858	4,119,287	3,855,029	3,562,082	3,339,542	3,163,652
Availability Fees										
	197,798	765,235	305,962	261,151	107,103	172,396	381,541	919,673	483,559	566,397
Total revenues	\$ 9,468,060	\$ 9,671,380	\$ 8,849,496	\$ 8,540,175	\$ 8,278,897	\$ 8,244,052	\$ 8,358,270	\$ 8,592,470	\$ 7,459,856	\$ 7,308,703

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

TABLE 9

Town of Blacksburg, Virginia

Water and Sewer Rates
Last Ten Fiscal Years

Fiscal Year	Basic in Town Rate				Outside Town Limits Rate			
	Volume Charge Per 1,000 Gallons		Fixed Charge Per Bill		Volume Charge Per 1,000 Gallons		Fixed Charge Per Bill	
	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer
2015	\$ 4.88	\$ 5.17	\$ 3.05	\$ 3.08	\$ 8.52	\$ 9.04	\$ 5.33	\$ 5.39
2014	\$ 4.55	\$ 4.85	\$ 3.03	\$ 3.06	\$ 7.95	\$ 8.49	\$ 5.30	\$ 5.36
2013	\$ 4.22	\$ 4.70	\$ 2.94	\$ 2.97	\$ 7.38	\$ 8.23	\$ 5.15	\$ 5.20
2012	\$ 3.92	\$ 4.64	\$ 2.62	\$ 2.65	\$ 6.85	\$ 8.14	\$ 4.59	\$ 4.65
2011	\$ 3.76	\$ 4.77	\$ 2.58	\$ 2.61	\$ 6.57	\$ 8.35	\$ 4.52	\$ 4.57
2010	\$ 3.58	\$ 4.77	\$ 2.55	\$ 2.58	\$ 6.26	\$ 8.35	\$ 4.46	\$ 4.52
2009	\$ 3.51	\$ 4.47	\$ 2.47	\$ 2.50	\$ 6.14	\$ 7.82	\$ 4.32	\$ 4.38
2008	\$ 3.30	\$ 4.00	\$ 2.40	\$ 2.43	\$ 5.78	\$ 7.00	\$ 4.20	\$ 4.25
2007	\$ 3.16	\$ 3.80	\$ 2.26	\$ 2.29	\$ 5.53	\$ 6.65	\$ 3.96	\$ 4.01
2006	\$ 3.06	\$ 3.48	\$ 2.10	\$ 2.13	\$ 5.36	\$ 6.09	\$ 3.68	\$ 3.73

TABLE 10

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

Customer	Fiscal Year 2015			Fiscal Year 2006		
	Revenue	Rank	Percentage of Total Town Revenue	Revenue	Rank	Percentage of Total Town Revenue
HH Hunt	\$ 856,940	1	9.05%	\$ 555,490	1	5.70%
MCS Virginia Tech, LLC	244,489	2	2.58%	-	-	-
Federal Mogul Division	216,803	3	2.29%	111,793	2	1.15%
Chasewood Apartments	141,678	4	1.50%	81,301	3	0.83%
Moog Components Group	121,621	5	1.28%	76,714	4	0.79%
Windsor Hills Apartments	103,721	6	1.10%	66,890	7	0.69%
Chase Management Group	100,180	7	1.06%	-	-	-
Montgomery Regional Hospital	93,683	8	0.99%	76,455	5	0.78%
Dutch Village, LLC	84,225	9	0.89%	-	-	-
BSE AH Blacksburg Apts LLC	82,742	10	0.87%	-	-	-
Sturbridge Square Apartments	-	-	-	55,933	8	0.57%
University Terrace	-	-	-	73,513	6	0.75%
Piedmont of Blacksburg	-	-	-	50,213	9	0.52%
Baker, Vernon	-	-	-	49,628	10	0.51%
	<u>\$ 2,046,082</u>		<u>21.61%</u>	<u>\$ 1,197,930</u>		<u>12.29%</u>

TABLE 11

Town of Blacksburg, Virginia
Legal Debt Margin Information
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Debt limit	\$ 277,011,494	\$ 254,830,854	\$ 252,459,748	\$ 252,232,592	\$ 251,435,978	\$ 242,997,293	\$ 237,888,348	\$ 230,689,793	\$ 225,867,928	\$ 167,377,300
Total net debt applicable to limit	30,115,454	22,866,069	25,047,773	23,390,669	24,927,552	25,361,515	23,749,761	25,350,867	26,880,559	23,480,387
Legal debt margin	\$ 246,896,040	\$ 231,964,785	\$ 227,411,975	\$ 228,841,923	\$ 226,508,426	\$ 217,635,778	\$ 214,138,587	\$ 205,338,926	\$ 198,987,369	\$ 143,896,913
Total net debt applicable to the limit as a percentage of debt limit	10.87%	8.97%	9.92%	9.27%	9.91%	10.44%	9.98%	10.99%	11.90%	14.03%

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	\$ 2,770,114,940
Debt limit (10% of assessed value)	\$ 277,011,494
Less debt applicable to limit:	
General obligation bonds	30,032,998
Other long-term obligations	82,456
Legal debt margin	\$ 246,896,040

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

Town of Blacksburg, Virginia
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt			Percentage of Actual Value of Taxable Property	Per Capita
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total General Bonded Debt		
2015	\$ 24,651,641	\$ -	\$ 24,651,641	0.890%	\$ 560.46
2014	16,471,607	-	16,471,607	0.646%	377.71
2013	17,953,095	-	17,953,095	0.711%	421.17
2012	15,568,488	-	15,568,488	0.617%	365.29
2011	16,623,947	-	16,623,947	0.661%	390.05
2010	16,506,446	-	16,506,446	0.679%	363.43
2009	14,011,262	-	14,011,262	0.589%	310.83
2008	15,044,001	-	15,044,001	0.652%	342.49
2007	16,034,305	-	16,034,305	0.710%	367.59
2006	13,864,781	-	13,864,781	0.811%	318.61

Fiscal Year	Business-type Activities		Total Primary Government	Percentage of Actual Value of Taxable Property	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases				
2015	\$ 5,594,540	\$ -	\$ 30,246,181	1.092%	0.10%	\$ 687.65
2014	6,256,391	-	22,727,998	0.892%	0.13%	521.18
2013	6,902,903	-	24,855,998	0.985%	0.12%	583.10
2012	7,578,509	-	23,146,997	0.918%	0.12%	543.10
2011	8,009,837	-	24,633,784	0.661%	0.11%	577.99
2010	8,515,037	-	25,361,515	0.679%	0.11%	558.39
2009	9,355,808	-	23,749,761	0.589%	0.11%	526.87
2008	9,884,905	-	25,350,867	0.652%	0.10%	577.13
2007	10,387,519	-	26,880,599	0.710%	0.12%	616.24
2006	9,013,082	109,247	23,480,387	0.811%	1.06%	539.58

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

Town of Blacksburg, Virginia

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2015	\$ 9,468,060	\$ 8,500,153	\$ 967,907	\$ 664,211	\$ 194,525	1.13
2014	9,671,380	8,236,126	1,435,254	646,512	190,382	1.71
2013	8,849,496	7,779,527	1,069,969	675,606	205,213	1.21
2012	8,540,175	7,469,812	1,070,363	601,205	263,889	1.24
2011	8,278,897	7,546,113	732,784	555,546	326,962	0.83
2010	8,244,052	7,342,883	901,169	798,457	347,884	0.79
2009	8,358,270	7,121,807	1,236,463	529,097	390,962	1.34
2008	8,592,470	6,982,179	1,610,291	480,275	408,442	1.81
2007	7,459,856	6,846,820	613,036	426,995	359,371	0.78
2006	7,308,703	6,617,697	691,006	324,862	267,378	1.17

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

Town of Blacksburg, Virginia

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ended (1)	Population (2)	Total Personal Income (3) Thousands of Dollars	Per Capita Personal Income (3)	Unemployment Rate
2015	43,985	*	*	5.10%
2014	43,609	*	*	6.30
2013	42,627	\$ 3,534,206	\$ 31,168	6.30
2012	42,620	3,404,296	30,428	6.40
2011	42,620	3,175,190	28,668	6.50
2010	45,419	3,089,516	27,844	8.90
2009	45,077	2,927,637	27,308	9.40
2008	43,926	2,880,134	27,102	4.80
2007	43,620	2,686,200	25,545	3.40
2006	43,516	2,495,995	23,973	3.10

* Information not yet available.

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

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

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

Town of Blacksburg, Virginia

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2015			Fiscal Year 2006*		
	Rank	Number of Employees	Percent of Total Employment	Rank	Number of Employees	Percent of Total Employment
Virginia Tech	1	> 1,000		1	-	
Virginia Tech Corporate Research Center	2	> 1,000		-	-	
Moog	3	> 1,000		3	-	
HCA Montgomery Regional Hospital	4	500 to 999		4	-	
NRV Community Services	5	250 to 499		-	-	
Town of Blacksburg	6	250 to 499		5	-	
United Pet Group (Tetra)	7	100 to 249		-	-	
Federal-Mogul Corporation	8	100 to 249				
Eaglepicher Wolverine LLC	9	100 to 249		8	-	
Virginia Tech Services, Inc.	10	100 to 249		10	-	
Poly-Scientific Division of Litton Industries	-	-		-	-	
Electro-Tec Corporation	-	-		-	-	
Montgomery County School Board	-	-		2	-	
Kroger	-	-		6	-	
H.H. Hunt	-	-		9	-	

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

* - Employment numbers not available.

TABLE 16

Town of Blacksburg, Virginia

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

Function/Program	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government										
Management	18.84	19.87	21.37	20.37	20.37	19.87	21.71	22.07	21.21	19.73
Finance	15.00	14.50	14.50	13.50	13.50	13.50	15.00	14.50	13.50	13.63
Technology	3.00	3.00	3.00	3.00	3.00	3.00	3.50	3.63	3.60	3.60
Police										
Officers	63.00	63.00	63.00	63.00	62.00	62.00	62.00	58.00	58.00	58.00
Civilians	17.78	17.78	18.18	18.78	18.78	18.78	19.08	18.08	18.08	18.08
Fire and Rescue										
Firefighters	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	-	-
Civilians (all volunteer professionals)	1.00	1.63	1.00	2.00	2.00	2.00	2.63	2.63	4.63	4.63
Public works	63.29	61.92	64.52	56.90	58.77	58.77	65.25	62.25	59.91	59.91
Parks and recreation	41.39	41.12	47.12	46.37	46.37	40.83	23.54	39.12	39.12	39.12
Planning and Engineering	24.00	24.60	22.00	21.98	21.50	21.50	40.41	23.54	19.00	19.00
Water and Sewer	23.73	24.23	24.23	24.25	24.25	24.25	24.37	24.37	24.24	24.24
Golf Course	*	*	*	*	*	6.00	6.00	6.00	6.00	6.00
Solid Waste	2.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.75
Transit	105.94	105.07	104.07	97.14	95.14	89.21	93.18	90.27	84.60	82.76
Total	380.97	380.72	387.99	372.29	370.68	364.71	381.67	369.46	354.89	351.45

Source: Town's Adopted Operating Budget

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

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

TABLE 17

Town of Blacksburg, Virginia

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government										
Fleet										
Pieces of equipment maintained	406	391	377	376	371	378	379	358	328	356
Building permits issued	1,717	1,864	1,730	596	1,291	1,323	783	138	126	139
Public safety										
Police										
Physical arrests	793	915	1,097	1,195	1,688	1,598	1,077	930	1,239	799
Parking violations	3,240	3,727	5,689	7,252	7,051	5,486	5,717	6,153	1,444	5,065
Traffic violations	3,219	3,443	4,206	5,213	3,735	3,580	6,223	5,343	3,078	3,008
Fire										
Emergency responses	916	982	973	889	973	1,018	1,035	1,048	1,050	992
Public works										
Refuse collection										
Refuse collected (tons per day)	20	20	20	20	20	20	19	21	22	25
Recyclables collected (tons per day)	5	5	5	5	5	4	4	3	3	4
Other public works										
Street resurfacing (miles)	5.80	4.80	4.80	3.63	3.57	4.00	2.25	2.99	4.73	4.67
Parks, recreation, and cultural										
Parks and recreation										
Park acreage owned by the Town	544	544	544	544	544	544	428	428	428	427
Library										
Volumes in collection	83,165	83,165	86,137	86,280	86,280	84,886	83,575	78,312	78,757	70,000
Water										
Number of customer accounts	9,203	9,159	8,917	8,927	8,832	8,791	8,724	8,591	8,413	8,344
Miles of distribution lines	177	177	169	168	168	168	168	168	165.3	155.9
Volume pumped (million gallons per day average)	2.3	2.3	2.2	2.5	2.5	2.6	2.6	3.3	3.6	3.2
Sewer										
Number of customer accounts	8,509	8,260	8,213	8,174	8,124	8,080	8,016	7,897	7,741	7,714
Miles of sanitary sewers	156	156	156	155	155	154	154	154	148.0	139.2

Source: Town individual departments and Budget Document.

TABLE 18

Town of Blacksburg, Virginia

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

<u>Function/Program</u>	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public safety										
Law enforcement vehicles	74	70	69	72	62	56	56	54	49	52
Fire stations	3	3	3	3	3	3	3	2	2	2
Public works										
Miles of streets	354	354	350	344	344	343	306	263	229	202
Streetlights	1,804	1,804	1,804	1,613	1,613	1,585	1,565	1,536	1,565	1,460
Parks, recreation, and cultural										
Community centers	1	1	1	1	1	1	1	1	1	1
Parks/athletic fields	35	35	35	30	30	30	30	29	20	20
Water and sewage										
Water mains (miles)	177	177	169	168	168	168	168	168	165	156
Storm sewers (miles)	35	35	46	37	37	37	37	37	36	53
Sanitary sewers (miles)	156	156	156	155	155	154	154	154	148	139

Source: Town individual departments and Budget Document.

TABLE 19

TOWN OF BLACKSBURG, VIRGINIA

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
REVENUES										
Taxes	\$ 17,057,725	\$ 15,979,783	\$ 15,904,094	\$ 15,354,299	\$ 14,731,137	\$ 13,714,423	\$ 13,137,175	\$ 12,498,249	\$ 11,233,510	\$ 10,504,529
Licenses and permits	4,355,564	4,386,406	4,375,613	4,348,396	4,046,573	4,088,926	3,978,598	5,040,567	4,915,791	8,223,472
Intergovernmental	3,111,037	2,994,939	2,813,066	2,969,731	2,738,117	3,245,746	2,171,797	2,080,056	2,019,273	1,943,551
Charges for services	240,394	236,673	344,153	450,017	347,444	345,875	274,391	286,725	309,227	264,698
Fines and forfeitures	143,674	112,883	215,624	195,149	155,437	230,070	253,226	369,300	295,746	88,265
Investment earnings	(42,994)	32,203	31,281	63,339	(167,835)	-	-	686,555	-	-
Unrealized gain/(loss)	819,082	607,722	649,599	601,113	611,757	656,452	708,743	686,555	689,435	573,872
Other	3,962,746	94,711	186,008	5,399,273	3,363,573	2,520,095	-	83,957	97,589	607,000
Other financing sources										
Total revenues	32,164,928	27,033,180	26,731,021	31,865,484	28,149,531	27,121,467	23,112,225	23,630,430	22,000,050	24,454,702
EXPENDITURES										
Current:										
Legislative	278,374	269,326	253,817	240,263	231,586	243,323	226,409	221,809	205,155	217,503
Executive	3,086,873	2,150,690	1,850,440	1,609,640	1,611,610	1,547,838	1,657,238	2,003,955	1,900,931	1,618,901
Legal	333,877	330,220	298,964	270,487	257,808	247,270	282,623	344,093	267,249	201,811
Judicial	-	-	-	5,720	7,705	8,094	6,996	12,115	8,399	9,806
Financial services	1,625,381	1,566,972	1,555,497	1,419,112	1,611,673	1,528,293	1,497,448	1,421,990	1,320,930	1,216,993
Technology	511,958	503,267	475,063	440,520	444,354	444,710	429,357	433,278	405,919	378,590
Police	7,698,863	7,142,942	7,512,440	7,023,927	6,446,560	6,623,523	6,349,597	5,927,303	5,517,896	4,954,906
Fire and rescue	974,416	957,011	958,909	873,955	875,225	814,549	775,184	912,524	1,289,024	702,725
Public works	5,904,498	5,438,879	5,676,805	5,654,285	5,364,738	5,138,371	4,557,804	4,692,086	4,530,464	4,240,230
Recreation	2,301,245	2,065,887	2,036,250	1,972,667	1,938,326	1,539,526	1,641,839	1,587,494	1,357,801	1,376,737
Planning and engineering	2,266,072	2,247,140	2,225,383	2,062,767	1,995,305	1,969,816	1,787,791	1,774,597	1,771,483	1,582,477
Nondepartmental and transfers	7,171,887	2,528,204	2,141,589	2,550,139	1,831,484	5,125,726	2,640,740	5,907,538	1,843,867	5,403,910
Debt service	2,089,004	2,074,860	2,149,825	7,284,160	3,953,198	1,799,742	1,693,655	1,704,025	1,533,663	1,514,296
Total expenditures	34,242,448	27,275,398	27,134,982	31,407,642	26,569,572	27,030,781	23,546,681	26,942,807	21,952,781	23,418,885
Excess (deficiency) of revenues over expenditures	(2,077,520)	(242,218)	(403,961)	457,842	1,579,959	90,686	(434,456)	(3,312,377)	47,269	1,035,817
FUND BALANCES AT JULY 1	4,604,082	4,846,300	5,250,261	4,792,419	3,212,460	3,121,774	3,556,230	6,868,607	6,821,338	5,785,521
FUND BALANCES AT JUNE 30	2,526,562	4,604,082	4,846,300	5,250,261	4,792,419	3,121,460	3,121,774	3,556,230	6,868,607	6,821,338
Reserved:										
Reserved/Committed* for encumbrances	\$ 232,077	\$ 362,950	\$ 248,061	\$ 295,076	\$ 392,826	\$ 454,443	\$ 366,398	\$ 230,839	\$ 309,185	\$ 882,635
Reserved/Nonspendable* for inventories	276,220	254,012	244,566	215,145	183,615	158,005	127,676	128,819	129,441	144,324
Reserved/Restricted for museum lifetime memberships	-	-	19,161	18,969	18,614	18,158	17,737	16,546	16,546	15,856
Reserved for Toms Creek Interchange	-	-	-	-	-	-	-	-	-	-
Reserved/Nonspendable* for prepaid expenditures	-	-	-	222,761	211,630	190,545	234,716	244	-	210,330
Total	508,297	616,962	511,788	751,951	806,685	821,151	746,527	376,448	465,107	1,253,145
Total unreserved/unassigned* fund balance	2,018,265	3,987,120	4,334,512	4,498,310	3,985,734	2,391,309	2,375,247	3,179,782	6,403,500	5,568,193
Ending fund balance	\$ 2,526,562	\$ 4,604,082	\$ 4,846,300	\$ 5,250,261	\$ 4,792,419	\$ 3,121,460	\$ 3,121,774	\$ 3,556,230	\$ 6,868,607	\$ 6,821,338

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

(Continued)

TABLE 19

TOWN OF BLACKSBURG, VIRGINIA

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
OPERATING REVENUES										
Charges for services	\$ 9,027,449	\$ 8,573,721	\$ 8,304,725	\$ 8,041,176	\$ 7,861,176	\$ 7,751,109	\$ 7,389,028	\$ 7,029,604	\$ 6,519,956	\$ 6,291,145
Availability and transfer fees	197,798	765,235	305,962	261,151	159,153	222,256	432,081	969,933	529,779	608,466
Meter installation	68,924	145,874	84,857	63,363	48,488	71,210	142,700	189,560	108,288	89,502
Connection fees	55,519	73,566	34,575	40,738	69,762	54,550	80,102	97,012	75,127	68,427
Other	118,370	112,984	119,377	133,747	140,318	144,927	314,359	306,361	226,706	251,163
Total operating revenues	9,468,060	9,671,380	8,849,496	8,540,175	8,278,897	8,244,052	8,358,270	8,592,470	7,459,856	7,308,703
OPERATING EXPENSES										
Personal services	1,527,626	1,512,028	1,531,539	1,406,099	1,402,094	1,429,945	1,362,647	1,371,601	1,250,949	1,128,274
Contractual services	5,238,730	5,003,294	4,617,489	4,613,068	4,758,024	4,545,424	4,372,996	4,176,133	4,243,537	4,235,929
Administration	1,328,574	1,266,064	1,194,376	1,101,954	887,100	867,200	850,000	810,000	798,200	746,000
Depreciation	948,684	918,456	877,397	854,420	894,398	761,403	758,919	737,094	622,785	537,867
Other	405,223	454,740	436,123	348,691	498,895	500,314	536,164	624,445	554,134	507,494
Total operating expenses	9,448,837	9,154,582	8,656,924	8,324,232	8,440,511	8,104,286	7,880,726	7,719,273	7,469,605	7,155,564
Operating income (loss)	19,223	516,798	192,572	215,943	(161,614)	139,766	477,544	873,197	(9,749)	153,139
NONOPERATING EXPENSES										
Intergovernmental revenue	-	-	-	15,000	-	-	-	-	-	-
Interest income	5,446	7,868	44,049	46,158	74,796	143,402	320,949	376,316	310,059	109,463
Interest expense	(212,208)	(190,382)	(205,213)	(263,889)	(326,962)	(347,884)	(374,730)	(408,442)	(373,684)	(293,658)
Unrealized gain/(loss) on investments	(8,237)	4,914	9,662	29,800	(90,690)	-	-	-	-	-
Gain (loss) on disposition of asset	329	4,610	19,123	-	-	-	7,910	-	23,059	3,456
Net nonoperating expenses	(214,670)	(172,990)	(132,379)	(172,931)	(342,856)	(204,482)	(45,871)	(32,126)	(40,566)	(180,739)
Income (loss) before contributions and transfers	(195,447)	343,808	60,193	43,012	(504,470)	(64,716)	431,673	841,071	(50,315)	(27,600)
CAPITAL CONTRIBUTIONS	120,338	259,502	-	340,000	340,000	-	-	-	540,366	-
TRANSFERS IN	170,183	-	-	-	-	214,675	64,169	55,361	269,355	52,254
TRANSFERS OUT	(263,034)	(214,784)	(168,383)	(211,010)	(164,110)	(184,045)	(164,323)	(136,545)	(128,332)	(129,605)
Change in net position	(167,960)	388,526	(108,190)	172,002	(328,580)	(34,086)	331,519	759,887	631,074	(104,951)
NET POSITION AT JULY 1	9,237,787	10,002,488	10,110,678	9,938,676	10,267,256	10,301,342	9,969,823	9,209,936	8,508,659	8,613,610
NET POSITION AT JUNE 30	\$ 9,069,827	\$ 10,391,014	\$ 10,002,488	\$ 10,110,678	\$ 9,938,676	\$ 10,267,256	\$ 10,301,342	\$ 9,969,823	\$ 9,139,733	\$ 8,508,659

(Continued)

TABLE 19

TOWN OF BLACKSBURG, VIRGINIA

CONTINUING BOND DISCLOSURES

TAXABLE RETAIL SALES AND

TAXABLE RETAIL SALES PER CAPITA

MONTGOMERY COUNTY (INCLUDING BLACKSBURG)

Last Ten Calendar Years

Calendar Year	Population	Taxable Retail Sales	Taxable Retail Sales Per Capita
2014	97,244	\$ 988,622,704	\$ 10,166
2013	96,207	975,623,640	10,141
2012	95,626	967,667,151	10,119
2011	94,392	911,189,094	9,653
2010	94,392	892,050,066	9,450
2009	91,395	897,455,302	9,820
2008	90,517	925,283,130	10,222
2007	88,834	925,898,590	10,423
2006	88,454	865,232,779	9,782
2005	85,614	748,781,031	8,746

(Continued)

TABLE 19

TOWN OF BLACKSBURG, VIRGINIA
CONTINUING BOND DISCLOSURES
SUMMARY OF CAPITAL IMPROVEMENT PROGRAM

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
<u>General Fund</u>					
Finance	\$ -	\$ -	\$ 50,000	\$ 75,000	\$ 116,500
Fire	847,000	262,000	262,000	262,000	262,000
Rescue	6,439,353	296,353	726,683	152,353	152,353
Parks and Recreation	235,000	175,000	1,433,500	250,625	18,035,000
Planning and Building	35,000	-	-	-	-
Engineering and GIS	99,200	405,500	417,515	499,890	442,637
Police	616,775	641,775	5,536,775	486,775	486,775
Public Works	1,274,045	1,098,345	868,345	753,345	878,345
Technology	376,000	289,000	213,000	63,000	139,000
Town Manager's Office	30,000	-	118,000	75,000	-
Housing and Neighborhood Services	40,000	50,000	83,000	54,000	55,000
Museum	-	-	364,000	-	-
WTOB	55,000	-	-	65,000	-
General Fund Total	<u>10,047,373</u>	<u>3,217,973</u>	<u>10,072,818</u>	<u>2,736,988</u>	<u>20,567,610</u>
<u>Water/Sewer</u>					
Finance Department	50,000	50,000	50,000	50,000	85,000
Engineering and GIS	689,900	389,329	634,750	-	-
Public Works	728,604	665,884	686,884	664,474	646,354
Water/Sewer Total	<u>1,468,504</u>	<u>1,105,213</u>	<u>1,371,634</u>	<u>714,474</u>	<u>731,354</u>
<u>VDOT Revenue Sharing</u>					
Public Works	245,000	157,000	157,000	157,000	157,000
Engineering and GIS	2,950,000	850,000	850,000	510,000	1,450,000
Parks and Recreation	164,000	-	-	-	-
VDOT Revenue Sharing Total	<u>3,359,000</u>	<u>1,007,000</u>	<u>1,007,000</u>	<u>667,000</u>	<u>1,607,000</u>
CDBG Entitlement Fund	160,000	-	-	-	-
Transit Fund	35,266,910	6,812,721	4,580,060	6,096,348	9,277,398
Equipment Replacement Fund	2,313,000	1,578,000	2,048,000	1,815,000	2,942,000
Major Building Systems Replacement	129,530	60,950	39,550	445,450	41,850
Solid Waste/Recycling	164,750	46,750	46,750	46,750	46,750
Grand Total	<u>\$ 52,909,067</u>	<u>\$ 13,828,607</u>	<u>\$ 19,165,812</u>	<u>\$ 12,522,010</u>	<u>\$ 35,213,962</u>

Source: Adopted Capital Improvement Program Fiscal Years Ending 2014/2015-2018/2019

(Continued)

TABLE 19

TOWN OF BLACKSBURG, VIRGINIA

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

Last Ten Fiscal Years

Fiscal Year	Population	Total Assessed Valuation	Total Bonded Debt	Ratio of Total Bonded Debt to Assessed Valuation	Total Bonded Debt Per Capita
2015	43,985	\$ 2,770,114,940	\$ 30,032,998	1.0842%	\$ 682.80
2014	43,609	2,548,308,538	22,727,998	0.8919	521.18
2013	42,627	2,524,597,482	24,855,998	0.9846	583.10
2012	42,620	2,522,325,915	23,146,997	0.9180	543.36
2011	42,620	2,514,359,778	24,633,787	0.9800	578.26
2010	45,419	2,429,972,927	25,361,515	1.0440	595.06
2009	45,077	2,378,883,342	23,367,071	0.9820	558.39
2008	43,926	2,306,897,927	24,928,906	1.0810	567.52
2007	43,620	2,258,679,275	26,421,824	1.1700	605.73
2006	43,516	1,708,949,445	22,877,863	1.3390	525.73

(Continued)

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

Fiscal Year	Vehicle License Receipts¹	Business License Receipts	Meals Tax Receipts²
2015	\$ 237,129	\$ 2,170,173	\$ 5,051,799
2014	235,411	2,066,822	4,579,931
2013	246,334	1,908,934	4,459,804
2012	234,208	1,860,603	4,237,159
2011	253,230	1,658,993	4,177,991
2010	239,507	1,605,817	3,558,541
2009	190,041	1,690,776	3,318,092
2008	189,318	1,620,888	2,696,373
2007	253,655	1,493,465	2,448,102
2006	283,734	1,369,774	2,374,584

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

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

COMPLIANCE SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Blacksburg, Virginia (the "Town"), as of and for the year ended June 30, 2015 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 30, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. **We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2006-001, that we consider to be a significant deficiency.**

Compliance and Other Matters

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

Town of Blacksburg's Response to Findings

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 30, 2015

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

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Blacksburg, Virginia's (the "Town") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2015. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 30, 2015

TOWN OF BLACKSBURG, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2015

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

State Agency Requirements

Highway Maintenance Funds

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

TOWN OF BLACKSBURG, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **One significant deficiency** relating to the audit of the financial statements was reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. **Item 2006-001 was deemed to be a significant deficiency.**
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings related to major programs**.
7. The programs tested as major are:

<u>Name of Program:</u>	<u>CFDA #</u>
HOME Investment Partnership Program	14.239
Transit Grant Cluster	20.500 and 20.507

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2006-001: Segregation of Duties (Significant Deficiency)

Condition:

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

Recommendation:

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

Management's Response:

The auditee concurs with this recommendation.

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

None noted.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

2015-001: Commonwealth of Virginia – Unclaimed Property

Condition:

Noted three checks outstanding over one year as of July 1, 2014, in the amount of \$221.69.

Recommendation:

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

Management's Response: (Unaudited)

The auditee concurs with this recommendation.

(Continued)



TOWN OF
Blacksburg
a special place