



Town of Blacksburg, Virginia COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2019



TOWN OF BLACKSBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
June 30, 2019

DEPARTMENT OF FINANCIAL SERVICES

TOWN OF BLACKSBURG, VIRGINIA

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INTRODUCTORY SECTION

November 25, 2019

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

Section 15.2-2511 of the *Code of Virginia*, requires an annual independent audit and report of financial activity of the Town of Blacksburg, Virginia (the “Town”) presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accounts. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town for the fiscal year ended June 30, 2019.

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, 2019, 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, 2019, are fairly presented in conformity with GAAP. The independent auditor’s report is presented at the front of the financial section of this report.

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

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

Profile of the Government

The Town was founded and organized in 1798 and incorporated in 1871. The Town is located in Montgomery County, Virginia approximately 40 miles southwest of Roanoke, Virginia. The Town has a land area of 19.7 square miles. Blacksburg is one of the largest towns in Virginia with a 2010 census population of 42,620. The Town is empowered to levy a property tax on real properties located within its boundaries. Town residents are also citizens of and are subject to taxation by Montgomery County.

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

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

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

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

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

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

Local Economy

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

The economic condition and outlook for the Town is stable but impacted by the national economy and its impacts on the state budget. Maintaining current services with increasing employee benefit costs in conjunction with slight revenue growth defines the character of the municipal corporation for both fiscal year 2019 and for the near future. The cost of health insurance, retirement benefits, snow removal, and fleet related expenses are four areas where costs continue to grow. Concurrently, Federal and State revenues continue to decline with no relief in sight. Real estate tax is expected to increase in 2020 due to new developments in Town. With the improving economy the Town expects a continued increase in business license tax and meals tax. Some of the growth in this year's projected revenue is being used for one-time expenses with the goal of using that growth in the future to increase fund balance, implement a capital reserve fund, or incentivize economic development. Funding is also included to develop a plan to guide future development related to the growth of Virginia Tech. Student enrollment will continue to increase by several thousand students over the next three years in what is the largest planned growth at Virginia Tech in decades.

The Town's major employer, Virginia Tech, is the largest university in the Commonwealth and is located on over 2,600 acres with more than 213 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 200 research, support, and technology-based companies that collectively employ over 3,300 knowledge-based workers in 36 buildings over 230 acres. The emergence of the university as a major research institution has occurred during the past decade with a research portfolio of more than \$530 million, and it is currently ranked 46th overall and 24th among public research universities 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 university carries a \$1 billion endowment and currently has an operating budget of \$1.6 billion.

The presence of Virginia Tech as a corporate citizen brings many advantages to the economic condition of the Town. The combination of approximately 34,000 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.

Due to Amazon's announcement of their second headquarters in Alexandria, Virginia, Virginia Tech will invest \$1 billion in an Innovation Campus that will be home to three academic buildings as part of the first phase of a new North Potomac Yard mixed-use development in Alexandria. The Virginia Tech Innovation Campus will triple the university's footprint in Northern Virginia and will be a magnet for leading tech talent, research, and education.

Local industry serves as a strong complement to the presence of Virginia Tech. Manufacturers of automobile components and electronic/fiber-optic technology continue to provide an employment base that contributes significantly to the economy of the Town. The opening of the IMAX theatre in the First & Main shopping center has been met with great enthusiasm. Blacksburg is home to only the second IMAX theatre west of Richmond. The Old Blacksburg Middle School (OBMS) site has been rezoned and is under redevelopment. The Town has collaborated with the owners of the OBMS property on an agreement to partner on the redevelopment project. The project is a mixed-use development consisting of hotel, office, retail, restaurant, and housing uses. A combination of public and private funds will fund a public parking garage and public plaza spaces to support the project. Revenue generated from the redevelopment is anticipated to fund the Town's public parking garage. This site has a lot of potential to draw in new business and revenue for the Town. Part of the Town Council's Strategic Goals is to construct a new police station and parking garage on the old school site. The current estimate for the new police station is \$16.5 million. The Town increased the real estate tax rate by one cent in 2018 to fund the debt service related to the police station.

As growth continues throughout the community the Town is proactively planning for and implementing recommendations for land use, transportation, housing, and neighborhood impacts. Recommendations from the Downtown Strategic Plan adopted by Town Council in FY 2018 look at future uses in the area around the traditional core of downtown including connectivity with Virginia Tech's planned Creativity and Innovation District. An additional study is evaluating appropriate zoning standards in the Town's commercial districts. Transportation needs are being addressed with the implementation of the Prices Fork Mobility Study recommendations while Blacksburg Transit is expanding service system-wide including increasing neighborhood services. Other transportation needs are being addressed through several mobility related studies and bicycle and pedestrian improvements.

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

The Virginia Tech/Montgomery Executive Airport is currently in the construction phase of expanding its runway. This \$37 million expansion will build greater capacity for economic development in the region and will fulfill FAA regulations.

Long-term Financial Planning

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

The fiscal year 2020 budget demonstrates a commitment to outstanding service delivery and progressiveness of local government. Revenue projections in fiscal year 2020 reflected the improving economic environment with reliance upon annual revenue to finance operating expenditures and included some increases to user fees. Calendar year 2019 was a reassessment year for Montgomery County. Property values in Blacksburg increased 13.4% as a result of the recently completed reassessment which is done every four years by Montgomery County. Commercial property values increased 9.6%, multi-family increased 24.1%, and single family increased 10.4%. Also the budget demonstrates the Town Council's Vision "*Blacksburg's vision is to be a dynamic, sustainable, livable community balancing environmental stewardship, economic opportunity, technological leadership, and the arts.*"

During the coming year, the Town will be developing a plan to address how to fund the quality of life our citizens' desire including infrastructure needs, Town services and capital project needs. The plan will address the challenge of identifying funding sources for construction and supporting capital projects.

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

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

Relevant Financial Policies

In accordance with State code and the Town's Investment Policy, the Town invests in Treasury securities, agency securities, certificates of deposit, the Commonwealth of Virginia's State Treasurer's Local Government Investment Pool (LGIP), and the Virginia State Non-Arbitrage Program (SNAP). To the extent possible, the Policy will match investments with anticipated cash flow requirements. The maturities of the investments range from overnight to eight years with an average maturity of five years. The average yield on investments for fiscal year 2019 was 2.392%.

Major Initiatives

Blacksburg Transit (BT) is an essential part of the Town's transportation network with ridership growing from 3.7 million passengers in FY 2017 to a projected ridership of 4.9 million passengers in FY 2020. Because of the growing demands for service and the challenges of recruiting and retaining employees in a highly competitive job market Blacksburg Transit reevaluated its model of using primarily part-time bus operators several years ago. Having successfully transitioned to a model using more full-time drivers two additional support positions are needed for FY 2020. The positions are a Trainer and a Lead Information Technology Systems Technician. Also, ten new full-time bus operator positions were added in August 2019. As the reliance on BT increases and the system grows more positions may be needed in future years. Future initiatives include discussion of further expansion of the system in the New River Valley including construction of a multi-modal facility. This facility will encourage individuals to use alternative transportation by creating a central hub for transit transfers.

Despite the economic climate, there are various projects underway throughout Town including the airport runway extension project, the transit multi-modal facility, design and construction of a new police station and parking garage, various VDOT revenue sharing and other infrastructure projects, and the continued funding of the equipment replacement fund. All of these projects will contribute to the economic and sustainable future.

The Town's upcoming Capital Improvement Program (CIP) includes many projects over the next five years with estimated costs of \$113 million and a fiscal year 2020 total appropriation of \$30.875 million. While the CIP includes projects that enhance the quality of life in Blacksburg and maintain existing infrastructure, there are significant projects not included that have been identified as potential future projects. These projects require further discussion because of financial or political impacts requiring resolution before inclusion in the CIP. These projects include a new recreation facility and a downtown parking garage. The magnitude of these projects would impact future revenue generation, debt capacity, and operating expenses.

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

In February 2014, Town Council received recommendations from the Stormwater Stakeholders Advisory Group for the adoption of a Stormwater Enterprise Fund to provide a dedicated revenue source to fund stormwater infrastructure maintenance and improvements in compliance with environmental regulations. The Advisory Group recommended implementing a Stormwater Enterprise fee based on the amount of impervious surface controlled by a landowner. A monthly \$6 fee for single residential structures was recommended. The fee for non-residential land uses is based on an equivalency factor of impervious surface of a single residential property to a non-residential property. This fund was established in fiscal year 2015. The Town with the Advisory Group have evaluated the stormwater program and have recommend changes and improvements to be implemented in 2019 and 2020.

Awards and Acknowledgements

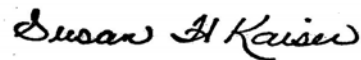
Certificate of Achievement The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Blacksburg for its comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the thirty-ninth 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, 2019. This is the twenty-eighth 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, 2018

Christopher P. Morill

Executive Director/CEO

TOWN OF BLACKSBURG, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2019

MEMBERS OF TOWN COUNCIL

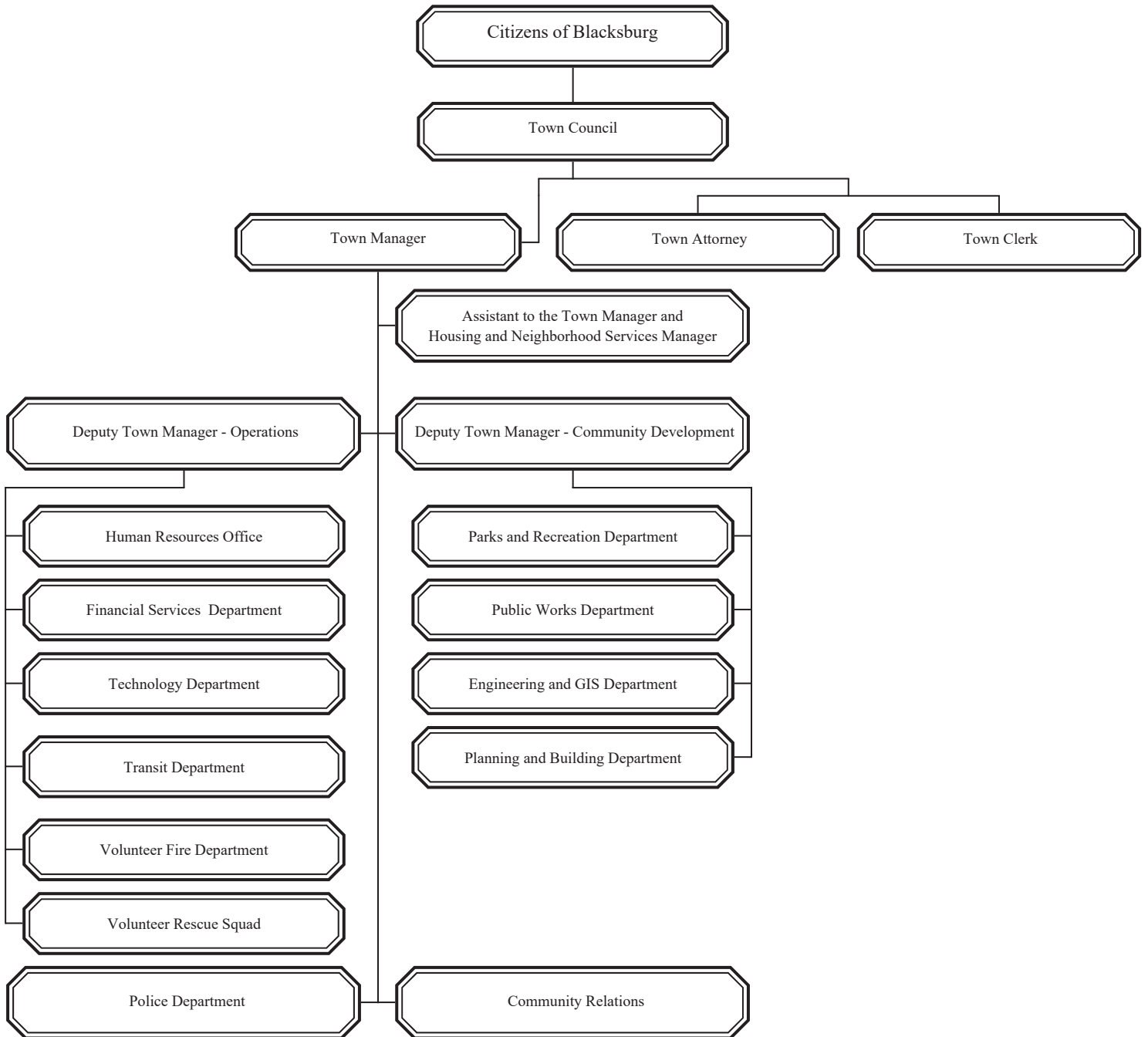
Leslie Hager-SmithMayor
Susan AndersonVice-Mayor
John Bush
Michael Sutphin
Susan Mattingly
Jerry R. Ford, Jr.
Lauren Colliver

GENERAL TOWN GOVERNMENT

Marc A. Verniel..... Town Manager
Steven F. Ross.....Deputy Town Manager for Operations
Christopher S. Lawrence..... Deputy Town Manager for Economic Development
Lawrence S. Spencer..... Town Attorney
Donna Boone-Caldwell, M.M.C..... Town Clerk
Susan H. Kaiser, CPA.....Director of Financial Services
S. Randy Formica, P.E. Director of Engineering and GIS
Anne L. McClung..... Director of Planning and Building
Anthony S. Wilson Chief of Police
S. Kelly Mattingly, P.E. Director of Public Works
Dean B. Crane Director of Parks and Recreation
Tom D. Fox Director of Transit
Steven B. Jones..... Director of Technology

INDEPENDENT AUDITORS

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



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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Blacksburg, Virginia (the "Town"), as of and for the year ended June 30, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison statement for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining nonmajor fund financial statements, the computation of legal debt margin, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 25, 2019

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, 2019. 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 \$92,205,986 (net position). Of this amount, \$321,004 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. In the current year, this balance increased primarily due to better economic conditions and an increase in real estate tax revenue.
- The Town's total net position increased by \$2,604,338. This increase is primarily attributable to an increase in real estate taxes due to an increased rate for a full year and a reassessment. Meals taxes and other local taxes increased due to improved economic conditions and an increase in student population.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$17,784,639 an increase of \$283,662 due to controlled spending and an increase in tax revenues. Of this total amount, \$5,261,950 represents unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,455,668, or 24 percent of total general fund expenditures exclusive of debt service, capital projects, and transfers.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 16 through 18 of this report.

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

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

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

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

The basic fiduciary fund financial statements can be found on pages 24 and 25 of this report.

Overview of the Financial Statements (Continued)

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 through 65 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town’s defined benefit pension plan and the Town’s other post-employment benefits plan. Required supplementary information can be found on pages 67 through 72 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town, assets exceeded liabilities by \$92,205,986 at the close of the most recent fiscal year.

By far the largest portion of the Town’s net position (99 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	The Town’s Net Position					
	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 21,881,023	\$ 22,399,996	\$ 14,693,201	\$ 14,595,939	\$ 36,574,224	\$ 36,995,935
Capital assets	83,029,084	82,084,285	29,865,191	32,057,559	112,894,275	114,141,844
Total assets	<u>104,910,107</u>	<u>104,484,281</u>	<u>44,558,392</u>	<u>46,653,498</u>	<u>149,468,499</u>	<u>151,137,779</u>
Deferred outflows of resources	<u>2,238,372</u>	<u>2,387,542</u>	<u>740,540</u>	<u>782,754</u>	<u>2,978,912</u>	<u>3,170,296</u>
Long-term liabilities outstanding	41,489,853	44,446,196	10,998,883	11,860,614	52,488,736	56,306,810
Other liabilities	<u>2,436,284</u>	<u>3,048,453</u>	<u>2,705,773</u>	<u>2,981,460</u>	<u>5,142,057</u>	<u>6,029,913</u>
Total liabilities	<u>43,926,137</u>	<u>47,494,649</u>	<u>13,704,656</u>	<u>14,842,074</u>	<u>57,630,793</u>	<u>62,336,723</u>
Deferred inflows of resources	<u>1,889,005</u>	<u>1,759,583</u>	<u>721,627</u>	<u>610,171</u>	<u>2,610,632</u>	<u>2,369,754</u>
Net position						
Net investment in capital assets	64,935,509	62,454,999	26,612,008	28,161,024	91,547,517	90,616,023
Restricted	282,461	262,599	55,004	78,527	337,465	341,126
Unrestricted	<u>(3,884,633)</u>	<u>(5,100,007)</u>	<u>4,205,637</u>	<u>3,744,456</u>	<u>321,004</u>	<u>(1,355,551)</u>
Total net position	<u>\$ 61,333,337</u>	<u>\$ 57,617,591</u>	<u>\$ 30,872,649</u>	<u>\$ 31,984,007</u>	<u>\$ 92,205,986</u>	<u>\$ 89,601,598</u>

Unrestricted net position is 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 for business-type activities and the government as a whole. Governmental activities reported negative unrestricted net position of \$3,884,633. This negative balance was a direct result of implementing GASB Statements No 68 and No. 75 in prior years.

Government-wide Financial Analysis (Continued)

Governmental activities – Governmental activities increased net position by \$3,715,746 thereby accounting for a majority of the increase in the net position of the Town. The key element for this increase is the increase in real estate, meals taxes, and other local taxes revenue.

Business-type activities – Business-type activities decreased the Town’s net position by \$1,111,358. This decrease is mainly attributable to the decrease in net position to the water and sewer and transit funds.

	The Town’s Changes in Net Position					
	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Charges for services	\$ 5,970,853	\$ 5,737,882	\$ 19,831,519	\$ 18,727,786	\$ 25,802,372	\$ 24,465,668
Operating grants and contributions	4,399,936	4,341,240	4,311,843	3,786,504	8,711,779	8,127,744
Capital grants and contributions	1,065,040	1,421,680	1,842,880	4,514,324	2,907,920	5,936,004
General revenues						
Property taxes	8,389,571	7,664,056	-	-	8,389,571	7,664,056
Other taxes	14,958,559	14,373,850	-	-	14,958,559	14,373,850
Other	1,755,726	1,358,089	331,075	178,801	2,086,801	1,536,890
Total revenues	<u>36,539,685</u>	<u>34,896,797</u>	<u>26,317,317</u>	<u>27,142,342</u>	<u>62,857,002</u>	<u>62,104,212</u>
Expenses						
Legislative	261,595	277,701	-	-	261,595	277,701
Executive	2,844,304	2,966,322	-	-	2,844,304	2,966,322
Legal	347,236	409,074	-	-	347,236	409,074
Financial services	1,694,909	1,738,665	-	-	1,694,909	1,738,665
Technology	758,309	701,968	-	-	758,309	701,968
Police	8,186,787	8,260,990	-	-	8,186,787	8,260,990
Fire and rescue	1,847,379	1,806,268	-	-	1,847,379	1,806,268
Public works	8,773,687	8,834,761	-	-	8,773,687	8,834,761
Recreation	2,730,339	2,543,602	-	-	2,730,339	2,543,602
Engineering and GIS	1,105,228	1,082,524	-	-	1,105,228	1,082,524
Planning and building	1,413,021	1,238,064	-	-	1,413,021	1,238,064
CDBG entitlement	477,087	592,902	-	-	477,087	592,902
HOME consortium	212,996	235,603	-	-	212,996	235,603
Interest on long-term debt	689,431	835,422	-	-	689,431	835,422
Unallocated depreciation	1,727,582	1,885,354	-	-	1,727,582	1,885,354
Water and sewer	-	-	12,009,402	10,960,655	12,009,402	10,960,655
Transit system	-	-	12,448,556	11,977,354	12,448,556	11,912,281
Solid waste and recycling	-	-	1,926,007	1,931,437	1,926,007	1,931,437
Stormwater	-	-	798,759	710,292	798,759	710,292
Total expenses	<u>33,069,890</u>	<u>33,409,220</u>	<u>27,182,724</u>	<u>25,579,738</u>	<u>60,252,614</u>	<u>58,988,958</u>
Excess before transfers	3,469,795	1,487,577	(865,407)	1,627,677	2,604,388	3,115,254
Transfers	245,951	355,941	(245,951)	(355,941)	-	-
Change in net position	3,715,746	1,843,518	(1,111,358)	1,271,736	2,604,388	3,115,254
Net position at July 1	<u>57,617,591</u>	<u>55,774,073</u>	<u>31,984,007</u>	<u>30,712,271</u>	<u>89,601,598</u>	<u>86,486,344</u>
Net position at June 30	<u>\$ 61,333,337</u>	<u>\$ 57,617,591</u>	<u>\$ 30,872,649</u>	<u>\$ 31,984,007</u>	<u>\$ 92,205,986</u>	<u>\$ 89,601,598</u>

Government-wide Financial Analysis (Continued)

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services or remained relatively level. However, there were three noteworthy exceptions:

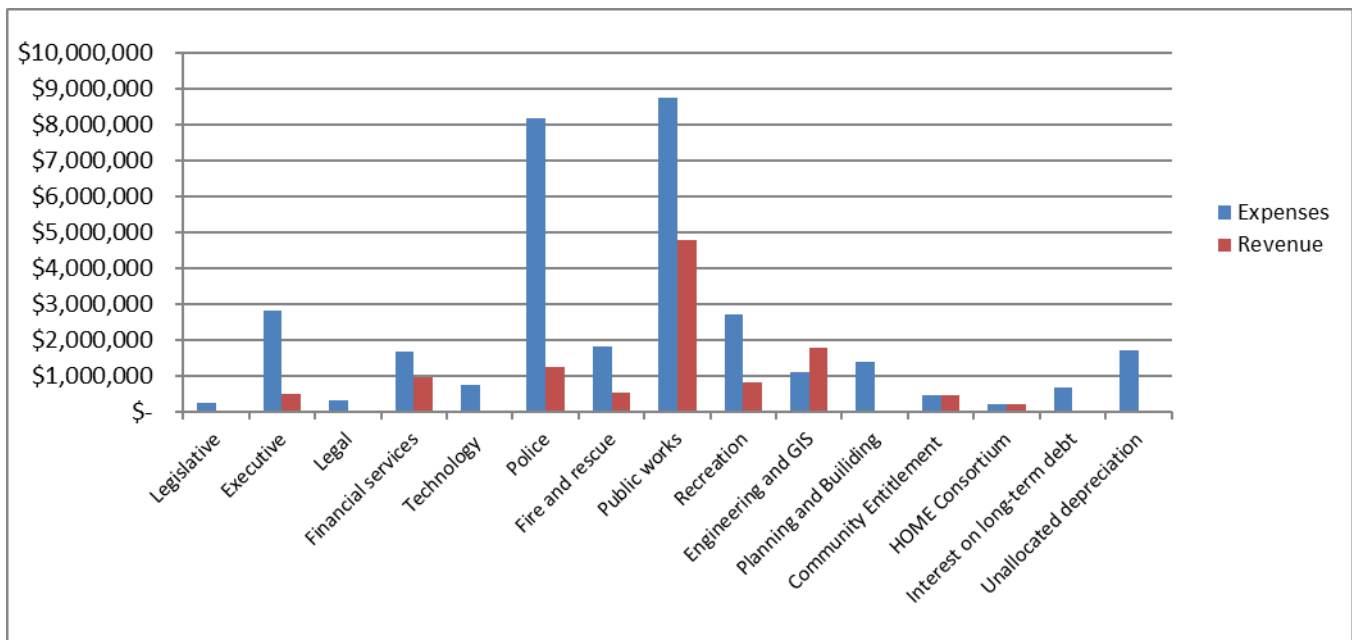
- Recreation increased due to an increase in depreciation expense relating to the golf course and south pointe park renovations.
- Planning and building increased due to the purchase of computer equipment and due to the retirement of a long-time employee.
- Interest decreased due the issuance of new bonds in the prior year which included issuance costs.

Revenues saw some large fluctuations during the current year which were a result of following;

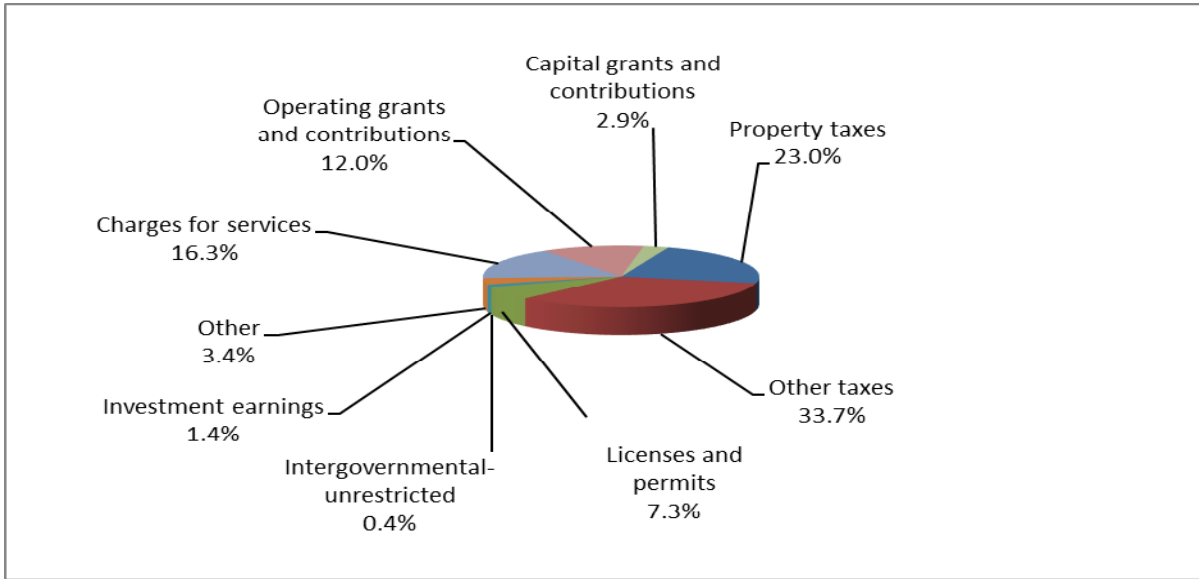
- Real estate taxes increased due to a full year of an increased rate in addition to an increase in assessed values while other local taxes increased due to a strengthening economy that saw large increases in meals taxes, sales taxes, and business license taxes.
- Other revenues increased due to investment unrealized gains in the current year compared to unrealized losses in the prior year.
- Capital grants decreased due to a nonrecurring grant for repaving received in the prior year.

For business-type activities, the operating expenses for the transit fund are higher than the revenues that fund can generate. The operating expenses of the water and sewer fund were more than revenues for the current year mainly due to increased rates and consumption billed by the water and wastewater authorities. The operating revenue of the stormwater fund was higher than the expenses. The stormwater fund, in its infancy, is currently building net position to assist in future stormwater projects while the solid waste and recycling fund showed only a slight surplus of revenues over expenses.

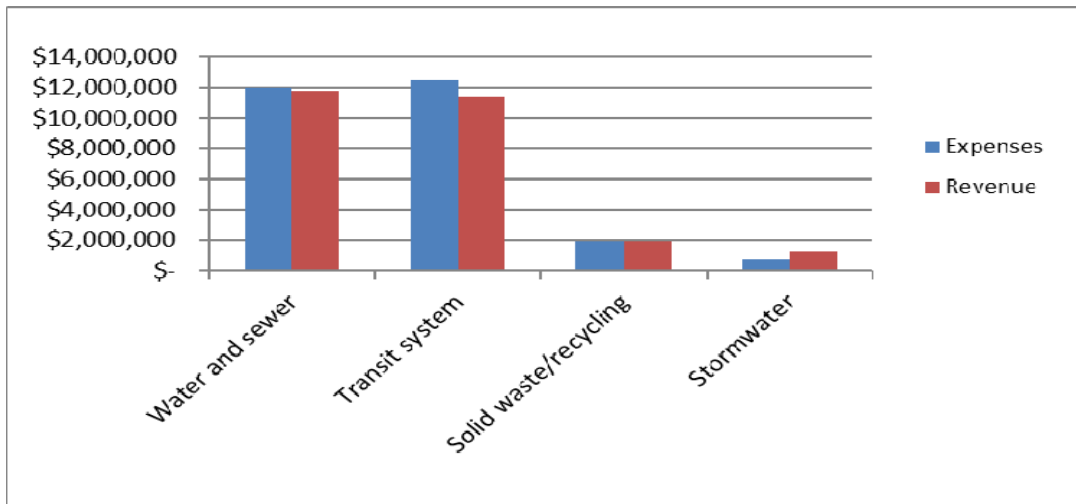
Expenses and Program Revenues – Governmental Activities



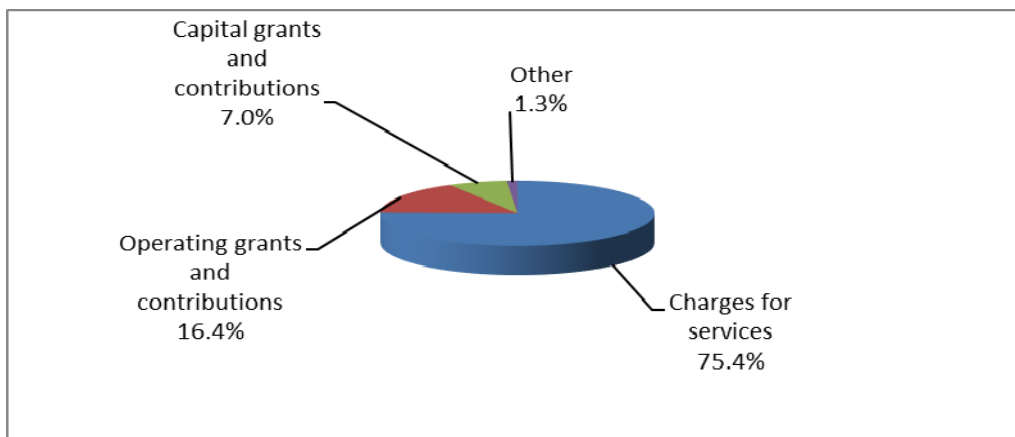
Revenues by Source – Governmental Activities



Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds – The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. Fund balances are the differences between assets, deferred outflows of resources and liabilities, deferred inflows of resources 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 \$17,784,639, an increase of \$283,662 in comparison with the prior year. Of that amount, \$337,932 was nonspendable, \$282,461 was restricted, \$3,207,029 was committed, \$8,695,267 was assigned, and \$5,261,950 was unassigned.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. As part of the Town's financial management practices, general fund unassigned fund balance is targeted at no less than 10% of operating expenditures exclusive of capital improvements and will strive to increase the level to a target of 15%. Unassigned fund balance represents 24.34% of total general fund expenditures exclusive of debt service, capital projects, and transfers, while total fund balance represents 27.66% of that same amount.

The fund balance of the Town's general fund increased by \$1,280,532 during the current fiscal year. Key factors in this change were due to increases in real estate, meals tax, and other local tax revenues.

The general capital projects fund decreased \$532,064 due to the spending of bond funds in the current year for various capital projects.

The urban construction fund increased \$19,862 due to receipt of investment earnings coupled with the lack of construction projects in the current year.

The equipment replacement capital projects fund decreased by \$485,355 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 debt service expenditures.

The nonmajor governmental funds which track CDBG and HOME grant activity changed slightly by \$687.

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

Unrestricted net position of the water and sewer, transit system, solid waste and recycling, and stormwater funds at the end of the year amounted to \$926,339, \$1,715,977, \$273,105, and \$1,290,216 respectively. The total decrease in net position was \$1,111,358. 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 \$693,096. Increases in appropriations can be briefly summarized as follows:

- \$693,096 in various departments for the reappropriation of prior year encumbrances.

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

- Police was under budget due to controlled spending and to the rollover of prior year encumbrances.
- Executive and Planning and Building were under budget due to the rollover of prior year encumbrances.
- Transfers out was under budget due to the timing of the current year debt issuance and related debt payments.
- General property taxes was over budget due to a higher reassessment.
- Other local taxes, most notably meals taxes and sales taxes, along with business license taxes were over budget due to better economic conditions.
- Investment earnings were over budget due to larger cash balances maintained during the year.

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, 2019, amounts to \$112,894,275 (net of accumulated depreciation). This includes land, buildings and system improvements, machinery and equipment, roads, highways, and bridges. The total decrease in the Town’s investment in capital assets for the current fiscal year was approximately 1.0 percent.

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

- The reconstruction of the Hubbard Street sidewalk amounting to \$247,000 and \$797,000 for the Huckleberry Trail extension and waterline work.
- The start of construction for Research Center Drive totaling \$385,000.
- Engineering and design services for the new Transit Multi-Modal facility totaling \$442,000.
- The purchase of six dump trucks totaling \$338,000. The bodies for these trucks will be purchased at a later date.
- The purchase of a new ladder truck totaling \$1,300,000.

The Town's Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 10,935,077	\$ 10,773,477	\$ 219,247	\$ 219,247	\$ 11,154,324	\$ 10,992,724
Buildings and improvements	22,854,822	22,688,539	3,346,741	3,182,588	26,201,563	25,871,127
Water system – plant	-	-	3,717,887	3,708,914	3,717,887	3,708,914
Sewer system – plant	-	-	8,099,509	8,527,250	8,099,509	8,527,250
Infrastructure	37,773,461	38,064,009	-	-	37,773,461	38,064,009
Machinery and equipment	8,997,103	8,200,890	10,786,935	12,961,404	19,784,038	21,162,294
Construction in progress	2,468,621	2,357,370	3,694,872	3,458,156	6,163,493	5,815,526
Total	\$ 83,029,084	\$ 82,084,285	\$ 29,865,191	\$ 32,057,559	\$ 112,894,275	\$ 114,141,844

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

Long-term debt – At the end of the current fiscal year, the Town had total bonded debt outstanding of \$25,463,571, 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	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 20,849,983	\$ 22,580,893	\$ 4,530,016	\$ 5,174,106	\$ 25,379,999	\$ 27,754,999
Capital lease obligations	83,572	147,754	-	-	83,572	147,754
	\$ 20,933,555	\$ 22,728,647	\$ 4,530,016	\$ 5,174,106	\$ 25,463,571	\$ 27,902,753

The Town's total debt decreased by \$2,439,182 (8.74 percent) during the current fiscal year due to the scheduled payments of principal.

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 3.2 percent, which has increased slightly from a year ago. This compares to the state's average unemployment rate of 2.9 percent and the national average rate of 3.7 percent.
- Inflationary trends in the region compare favorably to national indices.
- A 3% cost-of-living adjustment was given to employees along with a pay for performance bonus which also increases most benefit costs.
- Water and Sewer rates are expected to increase to cover operational and capital costs.
- Real estate tax rates will remain steady at .26/\$100.

All of these factors were considered in preparing the Town's budget for the 2020 fiscal year.

Requests for Information

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

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**BASIC FINANCIAL
STATEMENTS**

TOWN OF BLACKSBURG, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents (Note 2)	\$ 8,593,798	\$ 4,775,200	\$ 13,368,998
Investments (Note 2)	6,119,774	3,993,946	10,113,720
Receivables, net (Note 3)	1,212,443	1,648,641	2,861,084
Due from other governmental units (Note 5)	1,187,493	1,335,861	2,523,354
Inventories	456,270	1,589,965	2,046,235
Building and land held for resale	912,472	-	912,472
Prepays	30,801	-	30,801
Restricted assets:			
Cash and cash equivalents (Note 2)	3,367,972	1,349,588	4,717,560
Capital assets: (Note 6)			
Land and construction in progress	13,403,698	3,914,119	17,317,817
Other capital assets, net	69,625,386	25,951,072	95,576,458
Total assets	<u>104,910,107</u>	<u>44,558,392</u>	<u>149,468,499</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions (Note 9)	1,762,013	559,797	2,321,810
Deferred outflows related to other post-employment benefits (Note 11)	382,898	126,424	509,322
Deferred charge on refunding	93,461	54,319	147,780
Total deferred outflows of resources	<u>2,238,372</u>	<u>740,540</u>	<u>2,978,912</u>
LIABILITIES			
Accounts payable and accrued liabilities	712,413	2,266,547	2,978,960
Accrued payroll and related liabilities	1,277,831	207,877	1,485,708
Accrued interest payable	208,007	50,917	258,924
Public improvement and other deposits	238,033	180,432	418,465
Noncurrent liabilities due within one year:			
Other noncurrent liabilities (Note 7)	1,806,596	822,900	2,629,496
Noncurrent liabilities due in more than one year:			
Net pension liability (Note 9)	11,375,880	3,614,161	14,990,041
Other post-employment benefit liability (Note 11)	6,800,350	2,247,233	9,047,583
Other noncurrent liabilities (Note 7)	21,507,027	4,314,589	25,821,616
Total liabilities	<u>43,926,137</u>	<u>13,704,656</u>	<u>57,630,793</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes and grants (Note 3)	88,565	139,266	227,831
Deferred inflows related to pensions (Note 9)	989,817	314,468	1,304,285
Deferred inflows related to other post-employment benefits (Note 11)	810,623	267,893	1,078,516
Total deferred inflows of resources	<u>1,889,005</u>	<u>721,627</u>	<u>2,610,632</u>
NET POSITION			
Net investment in capital assets	64,935,509	26,612,008	91,547,517
Restricted for:			
Capital outlay	282,461	55,004	337,465
Unrestricted	(3,884,633)	4,205,637	321,004
Total net position	<u>\$ 61,333,337</u>	<u>\$ 30,872,649</u>	<u>\$ 92,205,986</u>

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

TOWN OF BLACKSBURG, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	Total
Governmental activities:							
Legislative	\$ 261,595	\$ -	\$ -	\$ -	\$ (261,595)	\$ -	\$ (261,595)
Executive	2,844,304	520,843	-	-	(2,323,461)	-	(2,323,461)
Legal	347,236	42,599	-	-	(304,637)	-	(304,637)
Financial services	1,694,909	990,197	-	-	(704,712)	-	(704,712)
Technology	758,309	-	-	-	(758,309)	-	(758,309)
Police	8,186,787	228,310	1,024,488	-	(6,933,989)	-	(6,933,989)
Fire and rescue	1,847,379	405,393	-	147,520	(1,294,466)	-	(1,294,466)
Public works	8,773,687	1,414,696	3,375,448	-	(3,983,543)	-	(3,983,543)
Recreation	2,730,339	651,145	-	161,600	(1,917,594)	-	(1,917,594)
Engineering and GIS	1,105,228	1,404,126	-	378,694	677,592	-	677,592
Planning and building	1,413,021	-	-	-	(1,413,021)	-	(1,413,021)
CDBG entitlement	477,087	313,544	-	163,543	-	-	-
HOME consortium	212,996	-	-	213,683	687	-	687
Interest on long-term debt	689,431	-	-	-	(689,431)	-	(689,431)
Unallocated depreciation	1,727,582	-	-	-	(1,727,582)	-	(1,727,582)
Total governmental activities	33,069,890	5,970,853	4,399,936	1,065,040	(21,634,061)	-	(21,634,061)
Business-type activities:							
Water and sewer	12,009,402	11,557,349	-	-	-	(452,053)	(452,053)
Transit system	12,448,556	5,286,471	4,302,398	1,736,938	-	(1,122,749)	(1,122,749)
Solid waste and recycling	1,926,007	1,906,534	9,445	-	-	(10,028)	(10,028)
Stormwater	798,759	1,081,165	-	105,942	-	388,348	388,348
Total business-type activities	27,182,724	19,831,519	4,311,843	1,842,880	-	(1,196,482)	(1,196,482)
Total	\$ 60,252,614	\$ 25,802,372	\$ 8,711,779	\$ 2,907,920	(21,634,061)	(1,196,482)	(22,830,543)
General revenues:							
Property taxes					8,389,571	-	8,389,571
Sales and use taxes					1,540,085	-	1,540,085
Meals taxes					5,879,487	-	5,879,487
Utility taxes					87,687	-	87,687
Franchise taxes					717,686	-	717,686
Other local taxes					4,073,917	-	4,073,917
Business license taxes					2,659,697	-	2,659,697
Intergovernmental revenue-unrestricted					216	-	216
Gain on sale of assets					53,544	322	53,866
Unrestricted investment earnings					359,683	108,781	468,464
Unrealized gain on investments					137,397	76,156	213,553
Other					1,204,886	145,816	1,350,702
Transfers (Note 4)					245,951	(245,951)	-
Total general revenues and transfers					25,349,807	85,124	25,434,931
Change in net position					3,715,746	(1,111,358)	2,604,388
Net position at July 1					57,617,591	31,984,007	89,601,598
Net position at June 30					\$ 61,333,337	\$ 30,872,649	\$ 92,205,986

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

TOWN OF BLACKSBURG, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General	Urban Construction	Capital Projects		Debt Service	Nonmajor Funds	Total Governmental Funds
			General Capital Projects	Equipment Replacement			
ASSETS							
Cash and cash equivalents	\$ 3,652,530	\$ -	\$ 2,478,829	\$ 2,225,345	\$ -	\$ -	\$ 8,356,704
Cash and cash equivalents, restricted	-	282,461	3,085,511	-	-	-	3,367,972
Investments	3,569,976	-	375,080	2,174,718	-	-	6,119,774
Receivables, net	1,055,611	-	26,692	8,440	-	121,700	1,212,443
Due from other funds	415,248	-	-	-	-	-	415,248
Due from other governmental units	778,715	-	55,356	-	-	353,422	1,187,493
Inventories	307,131	-	-	-	-	-	307,131
Prepaid expenditures	9,767	-	21,034	-	-	-	30,801
Total assets	<u>\$ 9,788,978</u>	<u>\$ 282,461</u>	<u>\$ 6,042,502</u>	<u>\$ 4,408,503</u>	<u>\$ -</u>	<u>\$ 475,122</u>	<u>\$ 20,997,566</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 382,391	\$ -	\$ 282,495	\$ 2,754	\$ -	\$ 14,075	\$ 681,715
Accrued payroll and related liabilities	1,263,758	-	-	-	-	4,336	1,268,094
Public improvement and other deposits	238,033	-	-	-	-	-	238,033
Due to other funds	-	-	-	-	-	415,248	415,248
Compensated absences	107,902	-	-	-	-	-	107,902
Total liabilities	<u>1,992,084</u>	<u>-</u>	<u>282,495</u>	<u>2,754</u>	<u>-</u>	<u>433,659</u>	<u>2,710,992</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable/deferred revenue	460,472	-	-	-	-	41,463	501,935
Total deferred inflows of resources	<u>460,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,463</u>	<u>501,935</u>
FUND BALANCES							
Nonspendable	316,898	-	21,034	-	-	-	337,932
Restricted	-	282,461	-	-	-	-	282,461
Committed	563,856	-	148,844	1,300,611	-	1,193,718	3,207,029
Assigned	-	-	5,590,129	3,105,138	-	-	8,695,267
Unassigned	6,455,668	-	-	-	-	(1,193,718)	5,261,950
Total fund balances	<u>7,336,422</u>	<u>282,461</u>	<u>5,760,007</u>	<u>4,405,749</u>	<u>-</u>	<u>-</u>	<u>17,784,639</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,788,978</u>	<u>\$ 282,461</u>	<u>\$ 6,042,502</u>	<u>\$ 4,408,503</u>	<u>\$ -</u>	<u>\$ 475,122</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.	82,739,822
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	413,370
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	(20,933,555)
Accrued interest payable	(208,007)
Compensated absences	(1,898,684)
Deferred amounts	(245,531)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows related to pensions:	1,721,006
Deferred inflows related to pensions:	(966,781)
Net pension liability:	<u>(11,111,132)</u>
Deferred outflows and inflows of resources related to other post employment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows related to other post-employment benefits:	374,225
Deferred inflows related to other post-employment benefits:	(792,208)
Net other post-employment benefits liability:	<u>(6,645,894)</u>
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.	189,595
Net position of governmental activities	<u>\$ 61,333,337</u>

TOWN OF BLACKSBURG, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	General	Urban Construction	Capital Projects		Debt Service	Nonmajor Funds	Total Governmental Funds
			General Capital Projects	Equipment Replacement			
REVENUES							
General property taxes	\$ 8,373,644	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,373,644
Other local taxes	12,352,968	-	-	-	-	-	12,352,968
Business license taxes	2,664,578	-	-	-	-	-	2,664,578
Permits and fees	469,311	-	-	-	-	-	469,311
Intergovernmental	4,547,672	-	378,694	-	-	377,226	5,303,592
Charges for services	4,211,019	-	-	-	-	-	4,211,019
Fines and forfeitures	224,385	-	-	-	-	-	224,385
Unrealized gain on investments	104,505	-	-	32,892	-	-	137,397
Investment earnings	276,935	19,862	-	62,886	-	-	359,683
Other	704,571	-	81,075	-	-	313,544	1,099,190
Total revenues	33,929,588	19,862	459,769	95,778	-	690,770	35,195,767
EXPENDITURES							
Current:							
Legislative	269,682	-	-	-	-	-	269,682
Executive	2,833,481	-	-	-	-	-	2,833,481
Legal	380,871	-	-	-	-	-	380,871
Financial services	1,714,292	-	-	-	-	-	1,714,292
Technology	623,388	-	-	-	-	-	623,388
Police	7,952,788	-	-	-	-	-	7,952,788
Fire and rescue	1,200,820	-	-	-	-	-	1,200,820
Public works	6,570,127	-	-	-	-	-	6,570,127
Recreation	2,439,494	-	-	-	-	-	2,439,494
Engineering and GIS	1,084,873	-	-	-	-	-	1,084,873
Planning and building	1,454,410	-	-	-	-	-	1,454,410
CDBG Entitlement	-	-	-	-	-	477,087	477,087
HOME Consortium	-	-	-	-	-	212,996	212,996
Capital outlays	-	-	3,227,220	2,238,690	-	-	5,465,910
Debt service:							
Principal retirement	-	-	-	-	1,795,092	-	1,795,092
Interest and fiscal charges	-	-	-	-	716,791	-	716,791
Total expenditures	26,524,226	-	3,227,220	2,238,690	2,511,883	690,083	35,192,102
Excess (deficiency) of revenues over expenditures	7,405,362	19,862	(2,767,451)	(2,142,912)	(2,511,883)	687	3,665
OTHER FINANCING SOURCES (USES)							
Sale of general capital assets	62,285	-	-	-	-	-	62,285
Transfers in	205,391	-	2,489,333	1,888,448	2,511,883	-	7,095,055
Transfers out	(6,392,506)	-	(253,946)	(230,891)	-	-	(6,877,343)
Total other financing sources (uses)	(6,124,830)	-	2,235,387	1,657,557	2,511,883	-	279,997
Net change in fund balance	1,280,532	19,862	(532,064)	(485,355)	-	687	283,662
FUND BALANCES AT JULY 1	6,055,890	262,599	6,292,071	4,891,104	-	(687)	17,500,977
FUND BALANCES AT JUNE 30	\$ 7,336,422	\$ 282,461	\$ 5,760,007	\$ 4,405,749	\$ -	\$ -	\$ 17,784,639

(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, 2019**

Net changes in fund balances	\$ 283,662
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	5,031,657
Capital contributions	161,600
Depreciation expense	(4,232,013)
Disposal of assets	(8,741)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(43,060)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatments of long-term debt and related items	
Principal repayment	1,795,092
Amortization of deferred costs	6,578
Deferred amount on refunding	(8,011)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	
Accrued interest payable	28,793
Change in compensated absences	(51,254)
Governmental funds report employer other post-employment benefit contributions as expenditures. However, in the statement of activities, the cost of these benefits earned, net of employee contributions, is reported as other postemployment benefit expense	214,363
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.	469,128
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.	67,952
Change in net position of governmental activities	\$ 3,715,746

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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 8,129,500	\$ 8,129,500	\$ 8,373,644	\$ 244,144
Other local taxes	11,850,500	11,850,500	12,352,968	502,468
Business license taxes	2,504,200	2,504,200	2,664,578	160,378
Permits and fees	420,000	420,000	469,311	49,311
Intergovernmental	4,508,700	4,508,700	4,547,672	38,972
Charges for services	4,204,300	4,204,300	4,211,019	6,719
Fines and forfeitures	308,500	308,500	224,385	(84,115)
Unrealized gain on investments	-	-	104,505	104,505
Investment earnings	159,800	159,800	276,935	117,135
Other	784,500	784,500	704,571	(79,929)
Total revenues	<u>32,870,000</u>	<u>32,870,000</u>	<u>33,929,588</u>	<u>1,059,588</u>
EXPENDITURES				
Current:				
Legislative	301,028	301,028	269,682	31,346
Executive	2,936,060	3,042,675	2,921,651	121,024
Legal	392,639	448,749	380,871	67,878
Financial services	1,817,971	1,839,082	1,749,368	89,714
Technology	677,903	685,250	627,384	57,866
Police	8,519,973	8,485,363	8,015,713	469,650
Fire and rescue	1,221,797	1,284,102	1,205,611	78,491
Public works	6,412,281	6,668,030	6,646,835	21,195
Recreation	2,515,728	2,584,887	2,453,134	131,753
Engineering and GIS	1,177,711	1,185,764	1,095,170	90,594
Planning and building	1,490,492	1,704,238	1,572,663	131,575
Contingency	169,106	10,942	-	10,942
Total expenditures	<u>27,632,689</u>	<u>28,240,110</u>	<u>26,938,082</u>	<u>1,302,028</u>
Excess of revenues over expenditures	<u>5,237,311</u>	<u>4,629,890</u>	<u>6,991,506</u>	<u>2,361,616</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	205,391	105,391
Transfers out	(6,683,311)	(6,768,986)	(6,542,506)	226,480
Bond proceeds	150,000	150,000	-	(150,000)
Sale of general capital assets	100,000	100,000	62,285	(37,715)
Prior year re-appropriations	1,096,000	1,096,000	-	(1,096,000)
Total other financing sources (uses)	<u>(5,237,311)</u>	<u>(5,322,986)</u>	<u>(6,274,830)</u>	<u>(951,844)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (693,096)</u>	<u>\$ 716,676</u>	<u>\$ 1,409,772</u>

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

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	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	\$ 1,694,258	\$ 1,886,711	\$ 275,292	\$ 918,939	\$ 4,775,200	\$ 237,094
Cash and investments, restricted	1,349,588	-	-	-	1,349,588	-
Investments	1,646,074	1,843,789	-	504,083	3,993,946	-
Receivables, net	1,240,710	94,646	243,848	69,437	1,648,641	-
Due from other governmental units	-	1,335,861	-	-	1,335,861	-
Inventories	-	1,589,965	-	-	1,589,965	149,139
Total current assets	5,930,630	6,750,972	519,140	1,492,459	14,693,201	386,233
Noncurrent assets:						
Land and construction in progress	279,936	3,500,186	133,997	-	3,914,119	45,620
Other capital assets, net	12,799,583	12,478,249	417,308	255,932	25,951,072	243,642
Total noncurrent assets	13,079,519	15,978,435	551,305	255,932	29,865,191	289,262
Total assets	19,010,149	22,729,407	1,070,445	1,748,391	44,558,392	675,495
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions	142,135	388,905	11,858	16,899	559,797	41,007
Deferred outflows related to other post-employment benefits	31,021	89,358	2,529	3,516	126,424	8,673
Deferred charge on refunding	54,319	-	-	-	54,319	-
Total deferred outflows of resources	227,475	478,263	14,387	20,415	740,540	49,680
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	1,769,350	368,342	114,571	14,284	2,266,547	30,698
Accrued payroll and related liabilities	44,729	155,157	3,304	4,687	207,877	9,737
Accrued interest payable	50,917	-	-	-	50,917	-
Customer deposits	180,432	-	-	-	180,432	-
Compensated absences	53,760	138,880	4,480	4,480	201,600	13,440
Bonds payable	621,300	-	-	-	621,300	-
Total current liabilities	2,720,488	662,379	122,355	23,451	3,528,673	53,875
Noncurrent liabilities:						
Compensated absences	114,172	150,853	2,970	10,804	278,799	21,050
Other post-employment benefits	551,283	1,588,443	45,136	62,371	2,247,233	154,456
Net pension liability	917,653	2,510,845	76,557	109,106	3,614,161	264,748
Bonds and leases payable	4,035,790	-	-	-	4,035,790	-
Total noncurrent liabilities	5,618,898	4,250,141	124,663	182,281	10,175,983	440,254
Total liabilities	8,339,386	4,912,520	247,018	205,732	13,704,656	494,129
DEFERRED INFLOWS OF RESOURCES						
Grants	-	137,905	1,361	-	139,266	-
Deferred inflows related to pensions	79,845	218,469	6,661	9,493	314,468	23,036
Deferred inflows related to other post-employment benefits	65,718	189,360	5,382	7,433	267,893	18,415
Total deferred inflows of resources	145,563	545,734	13,404	16,926	721,627	41,451
NET POSITION						
Net investment in capital assets	9,826,336	15,978,435	551,305	255,932	26,612,008	289,262
Restricted	-	55,004	-	-	55,004	-
Unrestricted	926,339	1,715,977	273,105	1,290,216	4,205,637	(99,667)
Total net position	\$ 10,752,675	\$ 17,749,416	\$ 824,410	\$ 1,546,148	\$ 30,872,649	\$ 189,595

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, 2019**

	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	\$ 11,114,231	\$ 5,286,471	\$ 1,906,534	\$ 1,081,165	\$ 19,388,401	\$ 1,171,833
Availability and transfer fees	273,001	-	-	-	273,001	-
Meter installation	74,426	-	-	-	74,426	-
Connection fees	95,691	-	-	-	95,691	-
Other	113,407	2,151	45	30,213	145,816	-
Total operating revenues	<u>11,670,756</u>	<u>5,288,622</u>	<u>1,906,579</u>	<u>1,111,378</u>	<u>19,977,335</u>	<u>1,171,833</u>
OPERATING EXPENSES						
Personal services	1,454,604	5,993,716	100,827	159,767	7,708,914	349,525
Contractual services	7,804,913	585,628	1,422,414	82,926	9,895,881	102,833
Administration	1,197,324	817,500	319,963	486,426	2,821,213	18,527
Depreciation	889,936	2,978,570	52,028	14,545	3,935,079	35,943
Other	528,401	2,073,142	30,775	55,095	2,687,413	625,292
Total operating expenses	<u>11,875,178</u>	<u>12,448,556</u>	<u>1,926,007</u>	<u>798,759</u>	<u>27,048,500</u>	<u>1,132,120</u>
Operating income (loss)	<u>(204,422)</u>	<u>(7,159,934)</u>	<u>(19,428)</u>	<u>312,619</u>	<u>(7,071,165)</u>	<u>39,713</u>
NONOPERATING REVENUES (EXPENSES)						
Gain on disposal of capital assets	-	322	-	-	322	-
Intergovernmental revenue	-	4,302,398	9,445	-	4,311,843	-
Unrealized gain on investments	42,935	23,421	-	9,800	76,156	-
Interest income	55,944	33,601	-	19,236	108,781	-
Interest expense	(134,224)	-	-	-	(134,224)	-
Net nonoperating revenues (expenses)	<u>(35,345)</u>	<u>4,359,742</u>	<u>9,445</u>	<u>29,036</u>	<u>4,362,878</u>	<u>-</u>
Income (loss) before contributions and transfers	<u>(239,767)</u>	<u>(2,800,192)</u>	<u>(9,983)</u>	<u>341,655</u>	<u>(2,708,287)</u>	<u>39,713</u>
CAPITAL CONTRIBUTIONS	-	1,736,938	-	105,942	1,842,880	-
TRANSFERS IN	111,233	-	157,337	3,830	272,400	28,239
TRANSFERS OUT	<u>(289,512)</u>	<u>-</u>	<u>(97,839)</u>	<u>(131,000)</u>	<u>(518,351)</u>	<u>-</u>
Change in net position	<u>(418,046)</u>	<u>(1,063,254)</u>	<u>49,515</u>	<u>320,427</u>	<u>(1,111,358)</u>	<u>67,952</u>
NET POSITION AT JULY 1	<u>11,170,721</u>	<u>18,812,670</u>	<u>774,895</u>	<u>1,225,721</u>	<u>31,984,007</u>	<u>121,643</u>
NET POSITION AT JUNE 30	<u>\$ 10,752,675</u>	<u>\$ 17,749,416</u>	<u>\$ 824,410</u>	<u>\$ 1,546,148</u>	<u>\$ 30,872,649</u>	<u>\$ 189,595</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, 2019

	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	\$ 11,465,420	\$ 5,307,765	\$ 1,896,040	\$ 1,078,920	\$ 19,748,145	\$ 1,171,833
Payments to suppliers	(9,536,580)	(3,665,505)	(1,777,959)	(629,981)	(15,610,025)	(747,843)
Payments to employees	(1,443,149)	(6,051,204)	(107,436)	(166,413)	(7,768,202)	(384,008)
Other receipts	113,407	2,151	45	30,213	145,816	-
Net cash provided by (used in) operating activities	599,098	(4,406,793)	10,690	312,739	(3,484,266)	39,982
NONCAPITAL FINANCING ACTIVITIES						
Transfers to other funds	(289,512)	-	(97,839)	(131,000)	(518,351)	-
Operating assistance grants received	-	4,154,668	9,445	-	4,164,113	-
Transfers from other funds	-	-	44,726	3,830	48,556	-
Net cash provided by (used in) noncapital financing activities	(289,512)	4,154,668	(43,668)	(127,170)	3,694,318	-
CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of capital assets	(237,921)	(1,438,671)	-	(3,830)	(1,680,422)	-
Proceeds from sale of capital assets	-	322	-	-	322	-
Contribution of capital by other governments	-	2,468,804	-	-	2,468,804	-
Principal paid on capital debt	(644,090)	-	-	-	(644,090)	-
Interest paid on capital debt	(132,990)	-	-	-	(132,990)	-
Net cash provided by (used in) capital and related financing activities	(1,015,001)	1,030,455	-	(3,830)	11,624	-
INVESTING ACTIVITIES						
Net purchases of investments	345,454	(385,179)	-	(192,828)	(232,553)	-
Interest received	55,944	33,601	-	9,800	99,345	-
Net cash provided by (used in) investing activities	401,398	(351,578)	-	(183,028)	(133,208)	-
Net (decrease) increase in cash and cash equivalents	(304,017)	426,752	(32,978)	(1,289)	88,468	39,982
CASH AND CASH EQUIVALENTS						
Beginning at July 1	3,347,863	1,459,959	308,270	920,228	6,036,320	197,112
Ending at June 30	\$ 3,043,846	\$ 1,886,711	\$ 275,292	\$ 918,939	\$ 6,124,788	\$ 237,094
RECONCILIATION TO STATEMENT OF NET POSITION:						
Cash and cash equivalents	\$ 1,694,258	\$ 1,886,711	\$ 275,292	\$ 918,939	\$ 4,775,200	\$ 237,094
Cash and cash equivalents, restricted	1,349,588	-	-	-	1,349,588	-
	<u>\$ 3,043,846</u>	<u>\$ 1,886,711</u>	<u>\$ 275,292</u>	<u>\$ 918,939</u>	<u>\$ 6,124,788</u>	<u>\$ 237,094</u>

(Continued)

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, 2019

	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)	\$ (204,422)	\$ (7,159,934)	\$ (19,428)	\$ 312,619	\$ (7,071,165)	\$ 39,713
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	889,936	2,978,570	52,028	14,545	3,935,079	35,943
Pension expense net of employer contributions	(7,619)	(113,217)	(3,667)	(5,222)	(129,725)	(16,065)
Other post employment benefit expense net of employer contributions	(251)	34,884	(2,096)	(2,659)	29,878	(7,766)
Change in assets and liabilities						
(Increase) decrease in:						
Receivable, net	(78,427)	21,294	(10,494)	(2,245)	(69,872)	-
Inventories	-	(202,339)	-	-	(202,339)	(5,863)
(Decrease) increase in:						
Accounts payable and accrued liabilities	(5,942)	13,104	(4,807)	(5,534)	(3,179)	4,672
Accrued payroll and related liabilities	19,325	20,845	(846)	1,235	40,559	(10,652)
Customer deposits	(13,502)	-	-	-	(13,502)	-
Net cash provided by (used in) operating activities	<u>\$ 599,098</u>	<u>\$ (4,406,793)</u>	<u>\$ 10,690</u>	<u>\$ 312,739</u>	<u>\$ (3,484,266)</u>	<u>\$ 39,982</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital asset purchases financed by accounts payable	<u>\$ -</u>	<u>\$ 401,397</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 401,397</u>	<u>\$ -</u>
Capital contributions received	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,942</u>	<u>\$ 105,942</u>	<u>\$ -</u>
Decrease in due from other governmental units for capital and operating grants	<u>\$ -</u>	<u>\$ (581,562)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (581,562)</u>	<u>\$ -</u>
Capital asset transferred from governmental funds	<u>\$ 111,233</u>	<u>\$ -</u>	<u>\$ 112,611</u>	<u>\$ -</u>	<u>\$ 223,844</u>	<u>\$ 28,239</u>

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2019

	Other Post- Employment Benefits	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 474,602
Investments		
Fixed Income	1,039,480	-
Stocks	2,672,949	-
Real Estate	346,493	-
Alternative investments	890,983	-
	4,949,905	474,602
Total assets		
LIABILITIES		
Liability to agency	-	474,602
	-	474,602
Total liabilities		
NET POSITION		
Other post-employment benefits	4,949,905	-
	4,949,905	-
Total net position restricted for other post-employment benefits	\$ 4,949,905	\$ -

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

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
Year Ended June 30, 2019

	Other Post- Employment Benefits
	<u> </u>
ADDITIONS	
Employer contributions	\$ 833,408
Investment earnings	198,784
	<u> </u>
Total additions	<u>1,032,192</u>
DEDUCTIONS	
Retirement benefits	401,106
Administrative expenses	5,052
	<u> </u>
Total deductions	<u>406,158</u>
Change in net position	<u>626,034</u>
NET POSITION AT JULY 1	<u>4,323,871</u>
NET POSITION AT JUNE 30	<u><u>\$ 4,949,905</u></u>

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

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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 2019, the Town paid \$3,570,722 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 \$345,359 in tipping fees during fiscal year 2019.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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 2019, the Town paid \$3,664,765 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 2019, 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 2019, the Town paid \$6,600 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 2019, the Town paid \$191,237 to the MRTB.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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 2019, the Town paid \$782,000 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, 2019

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, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

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

Additionally, the Town reports the following fund types:

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

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

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

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

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

D. Budgets and Budgetary Accounting

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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)	\$ 716,676
Encumbrances at June 30, 2019	<u>563,856</u>
Net change in fund balance (GAAP basis)	<u>\$ 1,280,532</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 and thus will not be placed into service to benefit the Town.

J. Capital Assets

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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.

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.

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 periods and so will not be recognized as an inflow of resources (revenue) until that time.

The Town has the following items that qualify for reporting as deferred outflows/inflows:

- Deferred loss on refunding. A deferred loss on refunding is a deferred outflow 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.
- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- OPEB or pension changes in proportion and changes in assumptions. These differences will be recognized in pension or OPEB expense over the estimated remaining service life of employees subject to the plan and may be reported as a deferred inflow or outflow as appropriate.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

K. Compensated Absences

The Town has policies which allow for the accumulation and vesting of limited amounts of vacation, holiday, compensatory, and sick leave until termination or retirement. Outstanding vacation, holiday, and compensatory time is payable upon termination of employment. The amount of vacation leave payable is dependent on length of service and limited to a certain amount of hours. Sick leave is payable only upon retirement and limited to a certain amount of hours and is only accrued upon the announcement of an employee's retirement. Amounts for vacation, holiday, and compensatory time are accrued when incurred in the government-wide, proprietary, and fiduciary statements. A liability for these amounts is reported in the governmental funds when the amounts are due for payment.

L. Other Post-employment Benefit Trust Fund

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

M. Long-Term Obligations

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

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

N. Pensions and Other Postemployment Benefits (OPEB):

For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the Town's Plans and the additions to/deductions from the Town's Plans' net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS) and the Town's plan. 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, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

O. Fund Balances/Net Position

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

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

Council establishes fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. Appropriations for capital projects lapse at the end of the project and not at the end of the year. Assigned fund balance is established by Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

Restricted Amounts

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

Minimum Fund Balance Policy

The General Fund unassigned fund balance is targeted at no less than 10% of operating expenditures exclusive of capital improvements. However, the Town continues to strive to increase the level to a target of 15% of operating expenditures exclusive of capital improvements. Unassigned fund balance should only be used for one-time uses.

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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 \$563,856 in the general fund, \$1,449,455 in the capital projects and equipment replacement funds, and \$1,193,718 in nonmajor governmental funds. Encumbrances outstanding at the end of the year are reappropriated as part of subsequent year's budget.

Restricted Net Position

Restricted net position for governmental activities consists of unspent grant fund proceeds for the Urban Construction fund.

P. Estimates

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

Note 2. Deposits and Investments

Deposits

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

Investments

Investment Policy:

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 2. Deposits and Investments (Continued)

Investments (Continued)

other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool). Pursuant to Sec. 2.1-234.7 of the *Code*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the carrying value of the position in LGIP and SNAP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share) in accordance with GASB 79. SNAP is designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. These programs provide comprehensive investment management, accounting, and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia local governments. The SNAP has been assigned an "AAAm" rating by Standard & Poor's. The maturity of the SNAP is less than one year.

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

Credit Risk:

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

The Town's investments in LGIP and SNAP are rated AAAM by Standard and Poor's and represent 33.94% 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, 2019 are shown in the table below under Interest Rate Risk.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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	\$ 4,435,099	1	28.14%
LGIP	913,891	1	5.80%
Certificates of deposit	<u>10,409,200</u>	1,800	<u>66.06%</u>
Total investments	<u>\$ 15,758,190</u>		<u>100.00%</u>
Portfolio weighted average maturity			
*Weighted average maturity in days			

Investments	\$ 15,758,190
Deposits	<u>12,442,088</u>
Total deposits and investments	<u>\$ 28,200,278</u>
Reconciliation of deposits and investments to Exhibit 1:	
Cash and cash equivalents	\$ 13,368,998
Cash and cash equivalents, restricted	4,717,560
Investments	<u>10,113,720</u>
Total deposits and investments	<u>\$ 28,200,278</u>

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

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 3. Receivables, Net

Receivables are as follows:

	Governmental Activities				Business-Type Activities			
	General	General Capital Projects	Nonmajor Funds	Equipment Replacement	Water and Sewer	Transit System	Solid Waste and Recycling	Stormwater
Receivables								
Interest	\$ 17,093	\$ -	\$ -	\$ 8,440	\$ 7,766	\$ 4,916	\$ -	\$ 2,523
Taxes	1,033,648	-	-	-	-	-	-	-
Accounts	38,096	26,692	121,700	-	1,235,737	89,730	244,748	66,914
	1,088,837	26,692	121,700	8,440	1,243,503	94,646	244,748	69,437
Less: allowance for uncollectibles	(33,226)	-	-	-	(2,793)	-	(900)	-
Receivables, net	<u>\$ 1,055,611</u>	<u>\$ 26,692</u>	<u>\$ 121,700</u>	<u>\$ 8,440</u>	<u>\$ 1,240,710</u>	<u>\$ 94,646</u>	<u>\$ 243,848</u>	<u>\$ 69,437</u>

Governmental funds report *deferred inflows-deferred 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/deferred revenue* reported in the governmental funds were as follows:

	Unavailable	Deferred	Total
Included in receivables:			
Delinquent property taxes	\$ 150,330	\$ -	\$ 150,330
Sales tax	119,909	-	119,909
Telecommunication tax	80,287	-	80,287
Meals tax and BPOL	62,844	-	62,844
	<u>413,370</u>	<u>-</u>	<u>413,370</u>
Included in cash:			
Grants	-	41,463	41,463
Other	-	9,552	9,552
Subsequent years' tax collections	-	37,550	37,550
Total unavailable/deferred revenue for governmental funds	<u>\$ 413,370</u>	<u>\$ 88,565</u>	<u>\$ 501,935</u>

Deferred inflows of resources for deferred revenue in the transit fund and the solid waste and recycling fund represent grant payments received for future year activities. Amounts in the non-major governmental funds relate to program income received under the CDBG and HOME programs.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 4. Transfers, Interfund Receivables and Payables

Interfund transfers are as follows:

	Transfers Out:						Total
	General	General Capital	Equipment Replacement	Water and Sewer	Solid Waste and Recycling	Stormwater	
Transfers In:							
General	\$ -	\$ 205,391	\$ -	\$ -	\$ -	\$ -	\$ 205,391
Equipment operations	-	-	28,239	-	-	-	28,239
General capital	2,336,333	-	-	-	25,000	128,000	2,489,333
Equipment replacement	1,523,097	-	-	289,512	72,839	3,000	1,888,448
Solid waste and recycling	-	44,725	112,612	-	-	-	157,337
Stormwater	-	3,830	-	-	-	-	3,830
Debt Service	2,511,883	-	-	-	-	-	2,511,883
Water and sewer	21,193	-	90,040	-	-	-	111,233
Total	\$ 6,392,506	\$ 253,946	\$ 230,891	\$ 289,512	\$ 97,839	\$ 131,000	\$ 7,395,694

The primary purposes of the transfers are as follows:

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	CDBG	\$ 227,339
General	HOME	187,909
		<u>\$ 415,248</u>

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

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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	\$ -	\$ 689,305
Transit operational assistance grant		174,035
Community Development Planning Entitlement Grant	163,543	-
HOME funding	189,879	-
Other Federal:		
Transit Grants	-	45,872
Commonwealth of Virginia:		
Transit Grants	-	426,649
Telecommunications tax	167,237	-
VDOT Revenue Sharing	55,356	-
Other:		
Sales tax	251,934	-
Other – includes airport and VASAP	359,544	-
	\$ 1,187,493	\$ 1,335,861

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 6. Capital Assets

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 10,773,477	\$ 161,600	\$ -	\$ 10,935,077
Construction in progress	2,357,370	3,248,781	(3,137,530)	2,468,621
Total capital assets, not depreciated	13,130,847	3,410,381	(3,137,530)	13,403,698
Capital assets, depreciated				
Buildings and improvements	35,478,387	1,227,019	-	36,705,406
Infrastructure	56,909,570	1,437,033	-	58,346,603
Machinery and equipment	22,426,885	2,284,593	(440,126)	24,271,352
Total capital assets depreciated	114,814,842	4,948,645	(440,126)	119,323,361
Less accumulated depreciation for:				
Buildings and improvements	12,789,848	1,060,736	-	13,850,584
Infrastructure	18,845,561	1,727,581	-	20,573,142
Machinery and equipment	14,225,995	1,479,639	(431,385)	15,274,249
Total accumulated depreciation	45,861,404	4,267,956	(431,385)	49,697,975
Total capital assets, depreciated, net	68,953,438	680,689	(8,741)	69,625,386
Governmental activities, capital assets, net	\$ 82,084,285	\$ 4,091,070	\$ (3,146,271)	\$ 83,029,084
Business-Type Activities				
Capital assets, not depreciated				
Land	\$ 219,247	\$ -	\$ -	\$ 219,247
Construction in progress	3,458,156	1,103,089	(866,373)	3,694,872
Total capital assets, not depreciated	3,677,403	1,103,089	(866,373)	3,914,119
Capital assets, depreciated				
Buildings and improvements	7,857,591	446,328	-	8,303,919
Water system-plant	11,444,829	221,648	-	11,666,477
Sewer system-plant	15,783,807	-	-	15,783,807
Machinery and equipment	36,429,223	838,019	-	37,267,242
Total capital assets depreciated	71,515,450	1,505,995	-	73,021,445
Less accumulated depreciation for:				
Buildings and improvements	4,675,003	282,175	-	4,957,178
Water system-plant	7,735,915	212,675	-	7,948,590
Sewer system-plant	7,256,557	427,741	-	7,684,298
Machinery and equipment	23,467,819	3,012,488	-	26,480,307
Total accumulated depreciation	43,135,294	3,935,079	-	47,070,373
Total capital assets, depreciated, net	28,380,156	(2,429,084)	-	25,951,072
Business-Type activities, capital assets, net	\$ 32,057,559	\$ (1,325,995)	\$ (866,373)	\$ 29,865,191

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 6. Capital Assets (Continued)

The Virginia Department of Transportation (VDOT) and the Federal Transit Administration (FTA) have provided grants for certain Transit System capital assets which have a total net book value of \$17,669,175 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:	
Financial services	\$ 9,747
Technology	21,511
Police	452,850
Fire and rescue	687,322
Public works	972,545
Recreation	329,673
Planning and engineering	30,783
Unallocated depreciation	1,727,582
Internal service fund	<u>35,943</u>
	<u><u>\$ 4,267,956</u></u>
Business-type activities:	
Water and sewer	\$ 889,936
Transit system	2,978,570
Stormwater	14,545
Solid Waste and Recycling	<u>52,028</u>
	<u><u>\$ 3,935,079</u></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
Bennett Hill/Progress Neighborhood Stabilization	\$ 300,263	\$ 286,372
Habitat for Humanity Developments	81,197	907,346
Multi-Modal Facility Design	3,015,070	608,372
Research Center Drive Phase 2 Design	-	99,253
Hubbard Street Sidewalk Expansion	230,395	33,552
UCB/Glade Traffic Signal & Intersection Upgrade	-	<u>561,090</u>
	<u><u>\$ 3,626,925</u></u>	<u><u>\$ 2,495,985</u></u>

The Town has entered into a Virginia Public-Private Education Facilities and Infrastructure Act agreement (PPEA) whereby the Town has engaged a developer to design a new public safety building and public parking garage on the old Blacksburg Middle School site. The fees for the concept and design phases of this project will be approximately \$1,740,000.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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 \$	22,580,893	\$ -	\$ 1,730,910	\$ 20,849,983	\$ 1,618,700
Net discounts/premiums	345,570	-	6,578	338,992	-
	<u>22,926,463</u>	<u>-</u>	<u>1,737,488</u>	<u>21,188,975</u>	<u>1,618,700</u>
Capital lease	147,754	-	64,182	83,572	66,554
Compensated absences	2,042,545	1,295,428	1,296,897	2,041,076	121,342
	<u>\$ 25,116,762</u>	<u>\$ 1,295,428</u>	<u>\$ 3,098,567</u>	<u>\$ 23,313,623</u>	<u>\$ 1,806,596</u>
<u>Business-Type</u>					
<u>Activities:</u>					
General obligation bonds \$	5,174,106	\$ -	\$ 644,090	\$ 4,530,016	\$ 621,300
Net discounts/premiums	125,856	-	(1,218)	127,074	-
	<u>5,299,962</u>	<u>-</u>	<u>642,872</u>	<u>4,657,090</u>	<u>621,300</u>
Compensated absences	452,971	485,530	458,102	480,399	201,600
	<u>\$ 5,752,933</u>	<u>\$ 485,530</u>	<u>\$ 1,100,974</u>	<u>\$ 5,137,489</u>	<u>\$ 822,900</u>

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

The gross amount of parking meters and pay stations acquired under the capital lease is \$312,701.

The Town is subject to a debt limit as mandated by the Commonwealth of Virginia. Information on this computation can be found in Schedule 2 in the Supporting Schedules Section.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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
2020	\$ 1,618,700	\$ 619,219	\$ 66,554	\$ 2,144	\$ 621,300	\$ 119,275
2021	1,641,685	583,564	17,018	155	633,315	105,675
2022	1,521,240	546,217	-	-	508,760	91,735
2023	1,541,995	510,691	-	-	518,005	80,067
2024	1,204,000	462,111	-	-	536,000	64,559
2025-2029	5,567,363	1,730,665	-	-	1,017,636	169,988
2030-2034	4,015,000	948,604	-	-	420,000	79,800
2035-2039	2,030,000	462,194	-	-	275,000	16,500
2040-2044	1,400,000	204,425	-	-	-	-
2045	310,000	10,850	-	-	-	-
	<u>\$ 20,849,983</u>	<u>\$ 6,078,540</u>	<u>\$ 83,572</u>	<u>\$ 2,299</u>	<u>\$ 4,530,016</u>	<u>\$ 727,599</u>

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Date	Amount of Original Issue	Governmental Activities	Business-type Activities
<u>General Obligation Bonds:</u>						
General Obligation Bonds	5.21	10-09	03-30	\$ 3,180,000	\$ 1,975,000	\$ -
General Obligation Bonds	1.92	11-11	10-25	9,545,000	2,186,690	2,018,310
General Obligation Bonds	1.94	11-12	03-32	3,855,000	2,670,000	-
General Obligation Bonds	2.00-5.00	03-15	06-45	15,170,000	11,058,293	1,156,706
General Obligation Bonds	2.98	10-17	03-37	4,740,000	2,960,000	1,355,000
					20,849,983	4,530,016
				Net discounts/premiums	338,992	127,074
					<u>\$ 21,188,975</u>	<u>\$ 4,657,090</u>
<u>Capital Lease:</u>						
Parking meters and pay stations	3.65	08-15	08-20	\$ 312,701	\$ 83,572	\$ -

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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	\$ 307,131	\$ -
Prepays	9,767	21,034
Total nonspendable	316,898	21,034
Restricted for:		
Urban construction – capital outlays	-	282,461
Committed to:		
Executive	88,170	-
Financial services	35,076	-
Technology	3,996	-
Police	62,925	-
Fire and rescue	4,791	-
Public works	76,708	-
Recreation	13,640	-
Engineering and GIS	10,297	-
Planning and building	118,253	-
Bond issuance	150,000	-
General capital projects	-	148,844
Equipment replacement	-	1,300,611
CDBG capital projects	-	286,372
HOME capital projects	-	907,346
Total committed	563,856	2,643,173
Assigned to:		
General capital projects	-	5,590,129
Equipment replacement	-	3,105,138
Total assigned	-	8,695,267
Unassigned	6,455,668	(1,193,718)
Total fund balance	\$ 7,336,422	\$ 10,448,217

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 9. Defined Benefit Pension Plan

Plan Description

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

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

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

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	176
Inactive members:	
Vested inactive members	48
Non-vested inactive members	62
Active elsewhere in VRS	93
Total inactive members	203
Active members	292
Total covered employees	671

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 9. Defined Benefit Pension Plan (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Town's contractually required contribution rate for the year ended June 30, 2019 was 13.02% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$1,939,805 and \$2,014,663 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 9. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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:

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

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

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in the FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever is greater. From July 1, 2018 on, participating employers are assumed to continue 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, 2017	\$ 74,677,179	\$ 59,069,479	\$ 15,607,700
Changes for the year:			
Change in proportion	134,448	106,348	28,100
Service cost	1,485,143	-	1,485,143
Interest	5,128,983	-	5,128,983
Differences between expected and actual experience	(241,608)	-	(241,608)
Contributions – employer	-	1,979,150	(1,979,150)
Contributions – employee	-	708,635	(708,635)
Net investment income	-	4,371,671	(4,371,671)
Benefit payments, including refunds of employee contributions	(3,080,888)	(3,080,888)	-
Administrative expenses	-	(37,262)	37,262
Other changes	-	(3,917)	3,917
Net changes	3,426,078	4,043,737	(617,659)
Balances at June 30, 2018	\$ 78,103,257	\$ 63,113,216	\$ 14,990,041

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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	\$ 25,555,837	\$ 14,990,041	\$ 6,235,940

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

For the year ended June 30, 2019, the Town recognized pension expense \$1,289,622. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 382,005	\$ 623,337
Change in assumptions	-	165,962
Net difference between projected and actual earnings on pension plan investments	-	514,987
Employer contributions subsequent to the measurement date	1,939,805	-
Total	\$ 2,321,810	\$ 1,304,285

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 9. Defined Benefit Pension Plan (Continued)

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

The \$1,939,805 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2020	\$ 120,306
2021	(339,507)
2022	(654,164)
2023	(48,915)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2019, approximately \$224,995 was payable to the Virginia Retirement System for the legally required contributions related to June 2019 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 \$.26 per \$100 of assessed valuation for the 2019 calendar year. 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, 2019

Note 11. Other Post-Employment Benefits – Local Plan

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. 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 are usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, in which (a) contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer or plan administrator, for the payment of benefits in accordance with the terms of the plan.

Trust Fund Investments

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

The following was the Board’s adopted asset allocation policy as of June 30, 2019:

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

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

Rate of Return – For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 4.56 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 11. Other Post-Employment Benefits – Local Plan (Continued)

Plan Description and benefits provided

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. 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.

Similar to the pension plan, two fiduciary entities, as described in Note 9, participate in the Town's other postemployment benefits as cost sharing participants. These entities are excluded from the Town's other postemployment benefit liabilities. The related required supplementary information is reported for the plan as a whole.

Membership

The number of participants at June 30, 2019 was as follows:

Retirees and spouses currently receiving benefits	81
Active employees	<u>278</u>
Total	<u><u>359</u></u>

Contributions

The Town contributed \$799,738 and \$999,063 during the years ended June 30, 2019 and 2018, respectively.

Net OPEB Liability

The Town's total net OPEB liability of \$7,881,063 was measured as of June 30, 2019 and was determined by an actuarial valuation performed as of July 1, 2017.

Actuarial Assumptions and Other Inputs

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.

TOWN OF BLACKSBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 11. Other Post-Employment Benefits – Local Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

In the July 1, 2017 actuarial valuation, the entry age normal, level percentage of pay method was used to determine liabilities. Under this method, the actuarial present value of all plan benefits is determined as of the valuation date and then allocated between the period before and after the valuation date. The present value of plan benefits earned prior to the valuation date is called the actuarial liability. The present value of plan benefits to be earned after the valuation date is called the present value of future normal costs. The actuarial assumptions used a 7.00% discount rate and an initial annual healthcare cost trend rate of 6.90% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 4.20%. An inflation rate of 2.5% and a payroll growth rate of 3% per year were used.

It is assumed that 100% of active members are married at retirement with husbands three years older than their wives. The unfunded actuarial accrued liability is being amortized over a closed period of 27 years as of June 30, 2019 as a level percent of payroll. The age-related claims cost assumption was updated and the assumed percentage of future retirees who elect medical coverage at retirement and also elect to cover their spouse was decreased from 20% to 10% based on inspection of actual spouse election experience as of July 1, 2017.

Long-Term Expected Rate of Return

The best-estimate range for the long-term expected rate of return is determined by taking the annual average long-term future inflation and real return components, with each component being reasonable in our professional opinion, including the anticipated effects of return volatility and correlation among various asset classes. The data used in the assessment of reasonability were the 2017 Horizon Survey of Capital Market Assumptions (consensus 10-year real returns) and the 2018 Social Security Trustees Report (inflation).

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
Core Fixed Income	19.60%	2.13%	2.02%
High Yield Bonds	1.40	4.00	3.54
Large Cap US Equities	26.00	4.90	3.76
Small Cap US Equities	10.00	5.89	4.11
Developed Foreign Equities	13.00	6.09	4.59
Emerging Market Equities	5.00	8.14	5.33
Private Equity	5.00	9.37	5.57
Hedge Funds / Absolute Return	10.00	1.91	1.66
Real Estate (REITS)	7.00	3.84	3.13
Commodities	3.00	3.01	1.42
Assumed Inflation		2.60%	2.60%
Portfolio Real Mean Return		4.55%	3.95%
Portfolio Nominal Mean Return		7.15%	6.65%
Portfolio Standard Deviation			10.85%
Long-Term Expected Rate of Return			6.50%

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 11. Other Post-Employment Benefits – Local Plan (Continued)

Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB 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 OPEB liability.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2018	\$ 12,858,750	\$ 4,170,900	\$ 8,687,850
Changes for the year:			
Change in proportion	(66,941)	(21,713)	(45,228)
Service cost	231,377	-	231,377
Interest	912,748	-	912,748
Change in assumptions	(1,125,306)	-	(1,125,306)
Economic/demographic gains/losses	205,265	-	205,265
Contributions – employer	-	799,738	(799,738)
Net investment income	-	190,753	(190,753)
Benefit payments	(384,901)	(384,901)	-
Administrative expenses	-	(4,848)	4,848
Net changes	(227,758)	579,029	(806,787)
Balances at June 30, 2019	\$ 12,630,992	\$ 4,749,929	\$ 7,881,063

Sensitivity of the Net OPEB Liability

The following presents the Net OPEB Liability of the Town, calculated using the discount rate of 7.00%, as well as what the Town's Net OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 11. Other Post-Employment Benefits – Local Plan (Continued)

Sensitivity of the Net OPEB Liability (Continued)

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Net OPEB Liability	\$ 9,946,525	\$ 7,881,063	\$ 6,217,230

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

	1.00% Decrease	Current Trend Rate	1.00% Increase
Net OPEB Liability	\$ 5,867,046	\$ 7,881,063	\$ 10,448,608

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

For the year ended June 30, 2019, the Town recognized OPEB expense of \$727,710. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 177,147	\$ -
Change in assumptions	-	971,155
Net difference between projected and actual earnings on OPEB plan investments	52,515	-
Total	\$ 229,662	\$ 971,155

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 11. Other Post-Employment Benefits – Local Plan (Continued)

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2020	\$ (185,373)
2021	(185,373)
2022	(185,373)
2023	(185,374)

Other Post-Employment Benefits – Virginia Retirement System Plan

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Town also participates in the VRS Group Life Insurance (GLI) Program which is a multiple employer, cost-sharing plan.

Plan Description

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

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

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

Contributions

Contributions to the VRS GLI program was based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. The contribution requirements for the GLI Program are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. Employers may elect to pay all or part of the employee contribution. The Town contributed \$205,178 and \$190,611 during the years ended June 30, 2019 and 2018, respectively.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 11. Other Post-Employment Benefits – Virginia Retirement System Plan (Continued)

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

The net OPEB liabilities were measured as of June 30, 2018 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers.

June 30, 2019 proportionate share of liability	\$1,166,520
June 30, 2018 proportion	.07940%
June 30, 2017 proportion	.07863%
June 30, 2019 expense	\$126,435

At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,077	\$ 21,283
Change in assumptions	-	48,349
Net difference between projected and actual earnings on OPEB plan investments	-	37,729
Changes in proportion	17,405	-
Employer contributions subsequent to the measurement date	205,178	-
Total	<u>\$ 279,660</u>	<u>\$ 107,361</u>

The \$205,178 reported as deferred outflows of resources related to OPEB resulting from the Town's contributions made after the measurement date of the net other postemployment liability but before the Town's reporting period will be recognized as a reduction of the net other postemployment liability in the subsequent fiscal year rather than in the current fiscal period.. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2020	\$ (8,220)
2021	(8,220)
2022	(8,220)
2023	(8,219)

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 11. Other Post-Employment Benefits – Virginia Retirement System Plan (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2017, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

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

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

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 9.

Net OPEB Liabilities

The net OPEB liabilities represent each program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB Liability	\$ 3,113,508
Plan fiduciary net position	1,594,773
Employers’ net OPEB liability (asset)	\$ 1,518,735
Plan fiduciary net position as a percentage of total OPEB liability	51.22%

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 11. Other Post-Employment Benefits – Virginia Retirement System Plan (Continued)

Net OPEB Liabilities (Continued)

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

Long-Term Expected Rate of Return

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

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

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 11. Other Post-Employment Benefits – Virginia Retirement System Plan (Continued)

Discount Rate

The discount rate used to measure the GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the OPEB liabilities 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 OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liabilities of the Town, as well as what the Town's net OPEB liabilities 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 discount rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
GLI Net OPEB liability	\$ 1,524,622	\$ 1,166,520	\$ 876,464

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the OPEB Plan

At June 30, 2019, approximately \$16,857 was payable to the Virginia Retirement System for the legally required contributions of GLI related to June 2019 payroll.

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 12. Risk Management

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

Note 13. Commitments and Contingencies

Special Purpose Grants

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

Landfill

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

VDOT Land Contribution

During 2007, \$1,725,000 of land was contributed to the Town by the Virginia Department of Transportation (VDOT). This land was intended by VDOT to be used for open space and recreational purposes for the general public. The Town also had the right to designate a portion of the land, up to eight acres, for future commercial use. If the town elected not to devote the land for the specific purpose within ten years, the land was to be conveyed back to VDOT. In 2014, the Town negotiated the sale of four acres to construct an assisted living facility. The sale generated \$750,000 which was reinvested in the property to construct roads, infrastructure, and a public trail. Currently the Town has a contract to sell an additional four acres for \$750,000 to expand the residential facility to include a memory care unit. The proceeds from this sale will reimburse the town for the cost to develop over six acres of athletic fields which was completed in 2018. The closing of these additional acres and resulting revenue is expected by June 2020.

Cook's Clean Center

A claim was filed against the Town by a property owner on North Main Street that alleged the Town eliminated access to parking spaces at their place of business. During 2015, the Town settled the lawsuit whereby the Town purchased the building for \$900,000. Currently, the Town has appropriated \$215,000 to remediate the building and has acquired grant funding to further assist in the remediation. Upon remediation, the Town intends on leasing or selling the property.

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 13. Commitments and Contingencies (Continued)

Litigation

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

Note 14. Cemetery Trust Disclosure

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

Note 15. Subsequent Event

Subsequent to year end, the Town purchased 23.60 acres of land located at the old Blacksburg High School property for \$3,300,000 from a local developer. The Town intends on preserving the site to construct a future recreation center.

Note 16. New Accounting Standards

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

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

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

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 16. New Accounting Standards (Continued)

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

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

The GASB issued **Statement No. 91, Conduit Debt Obligations** in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BLACKSBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2019

	Plan Year				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 1,537,120	\$ 1,594,893	\$ 1,526,474	\$ 1,529,256	\$ 1,485,346
Interest on total pension liability	5,308,486	5,150,045	4,842,808	4,590,812	4,369,226
Difference between expected and actual experience	(250,064)	(953,018)	1,252,548	565,459	-
Changes in assumptions	-	(354,504)	-	-	-
Benefit payments, including refunds of employee contributions	(3,188,712)	(3,159,226)	(3,306,250)	(2,864,895)	(2,513,240)
Net change in total pension liability	3,406,830	2,278,190	4,315,580	3,820,632	3,341,332
Total pension liability - beginning	77,429,873	75,151,683	70,836,103	67,015,471	63,674,139
Total pension liability - ending	80,836,703	77,429,873	75,151,683	70,836,103	67,015,471
Plan Fiduciary Net Position					
Contributions - employer	2,048,416	1,980,051	1,942,175	1,915,988	1,761,278
Contributions - employee	733,436	720,403	709,864	690,768	689,129
Net investment income	4,524,670	6,716,817	942,503	2,417,663	7,204,828
Benefit payments, including refunds of employee contributions	(3,188,712)	(3,159,226)	(3,306,250)	(2,864,895)	(2,513,240)
Administrative expenses	(38,567)	(38,454)	(33,878)	(32,864)	(38,519)
Other	(4,054)	(5,985)	(402)	(510)	379
Net change in plan fiduciary net position	4,075,189	6,213,606	254,012	2,126,150	7,103,855
Plan fiduciary net position - beginning	61,246,854	55,033,248	54,779,236	52,653,086	45,549,231
Plan fiduciary net position - ending	65,322,043	61,246,854	55,033,248	54,779,236	52,653,086
Net pension liability - ending	\$ 15,514,660	\$ 16,183,019	\$ 20,118,435	\$ 16,056,867	\$ 14,362,385
Plan fiduciary net position as a percentage of total pension liability	81%	79%	73%	77%	79%
Covered payroll	\$ 15,157,113	\$ 14,536,186	\$ 13,279,500	\$ 13,766,189	\$ 13,426,101
Net pension liability as a percentage of covered payroll	102%	111%	151%	117%	107%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

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

TOWN OF BLACKSBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
 June 30, 2019

Town Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 2,007,695	\$ 2,007,695	\$ -	\$ 15,157,113	13.25%
2018	2,088,926	2,088,926	-	15,157,113	14.37
2017	2,008,302	2,008,302	-	14,536,186	14.45
2016	1,953,058	1,953,058	-	13,279,500	14.71
2015	1,920,383	1,920,383	-	13,766,189	13.95

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

TOWN OF BLACKSBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
 June 30, 2019

Entity Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability	Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Group Life Insurance - General Employees					
2019	0.08%	\$ 1,206,000	\$ 14,177,866	8.51%	51.22%
2018	0.08	1,184,000	13,896,607	8.52	48.86

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

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

TOWN OF BLACKSBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
June 30, 2019

	Fiscal Year		
	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 241,118	\$ 245,403	\$ 229,349
Interest on total pension liability	951,175	886,471	839,767
Economic/demographic gains or losses	213,907	-	-
Changes in assumptions	(1,172,682)	-	-
Benefit payments, including refunds of employee contributions	(401,106)	(432,659)	(403,756)
Net change in total OPEB liability	(167,588)	699,215	665,360
Total OPEB liability - beginning	<u>13,330,356</u>	<u>12,631,141</u>	<u>11,965,781</u>
Total OPEB liability - ending	<u>13,162,768</u>	<u>13,330,356</u>	<u>12,631,141</u>
Plan Fiduciary Net Position			
Contributions - employer	833,408	1,035,704	927,406
Net investment income	198,784	325,480	328,404
Benefit payments, including refunds of employee contributions	(401,106)	(432,659)	(403,756)
Administrative expenses	(5,052)	(4,176)	(3,474)
Net change in plan fiduciary net position	626,034	924,349	848,580
Plan fiduciary net position - beginning	<u>4,323,871</u>	<u>3,399,522</u>	<u>2,550,942</u>
Plan fiduciary net position - ending	<u>4,949,905</u>	<u>4,323,871</u>	<u>3,399,522</u>
Net OPEB liability - ending	<u>\$ 8,212,863</u>	<u>\$ 9,006,485</u>	<u>\$ 9,231,619</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>38%</u>	<u>32%</u>	<u>27%</u>
Covered employee payroll	<u>\$ 14,177,866</u>	<u>\$ 13,896,607</u>	<u>\$ 13,896,607</u>
Net OPEB liability as a percentage of covered employee payroll	<u>58%</u>	<u>65%</u>	<u>66%</u>

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

TOWN OF BLACKSBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2019

Town Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Town of Blacksburg - Retiree Health					
2019	\$ 685,600	\$ 833,408	(147,808)	\$ 14,177,866	5.88%
2018	832,800	1,035,704	(202,904)	13,896,600	7.45%
2017	808,500	927,406	(118,906)	13,896,600	6.67%
2016	725,400	598,280	127,120	13,279,500	4.51%
2015	475,816	417,561	58,255	13,469,522	3.10%
2014	417,061	417,561	(500)	13,030,418	3.20%
2013	417,061	544,900	(127,839)	13,030,418	4.18%
2012	513,141	513,700	(559)	12,584,838	4.08%
2011	513,141	422,800	90,341	12,584,838	3.36%
2010	511,958	302,900	209,058	12,218,220	2.48%

* - For fiscal years ending June 30, 2016 through June 30, 2018, employer contributions include an estimated implicit subsidy payment for retirees from the Town's own resources.

Virginia Retirement System - Group Life Insurance - General Employees

2019	\$ 212,095	\$ 212,095	\$ -	\$ 15,157,113	1.40%
2018	197,697	197,697	-	14,536,186	1.36%

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

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

TOWN OF BLACKSBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS - OPEB TRUST
June 30, 2019

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

2019	4.56%
2018	9.45%
2017	12.69%

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

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2019

Note 1. Changes of Benefit Terms

Pension

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

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

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

Largest 10 – Non-Hazardous Duty:

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

Largest 10 – Hazardous Duty/Public Safety Employees:

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

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

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

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2019

Note 2. Changes of Assumptions (Continued)

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Applicable to: Pension, GLI OPEB

Note 3. Fiduciary Entities

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

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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, 2019

	<u>CDBG</u>	<u>HOME</u>	<u>Total</u>
ASSETS			
Receivables, net	\$ 121,700	\$ -	\$ 121,700
Due from other governmental units	163,543	189,879	353,422
Total assets	<u>\$ 285,243</u>	<u>\$ 189,879</u>	<u>\$ 475,122</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 14,075	\$ -	\$ 14,075
Accrued payroll and related liabilities	2,366	1,970	4,336
Due to other funds	227,339	187,909	415,248
Total liabilities	<u>243,780</u>	<u>189,879</u>	<u>433,659</u>
DEFERRED INFLOWS OF RESOURCES			
Grants	41,463	-	41,463
Total deferred inflows of resources	<u>41,463</u>	<u>-</u>	<u>41,463</u>
FUND BALANCES			
Committed	286,372	907,346	1,193,718
Unassigned	(286,372)	(907,346)	(1,193,718)
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 285,243</u>	<u>\$ 189,879</u>	<u>\$ 475,122</u>

TOWN OF BLACKSBURG, VIRGINIA

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

Year Ended June 30, 2019

	<u>CDBG</u>	<u>HOME</u>	<u>Total</u>
REVENUES			
Intergovernmental	\$ 163,543	\$ 213,683	\$ 377,226
Other	313,544	-	313,544
Total revenues	<u>477,087</u>	<u>213,683</u>	<u>690,770</u>
EXPENDITURES			
CDBG Entitlement	477,087	-	477,087
HOME Consortium	-	212,996	212,996
Total expenditures	<u>477,087</u>	<u>212,996</u>	<u>690,083</u>
Net change in fund balance	<u>-</u>	<u>687</u>	<u>687</u>
FUND BALANCES AT JULY 1	<u>-</u>	<u>(687)</u>	<u>(687)</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. Agency funds in this category include:

New River Valley Alcohol Safety Action Program

Virginia Tech/Montgomery Regional Airport Authority

TOWN OF BLACKSBURG, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2019

	<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	\$ 103,238	\$ 371,364	\$ 474,602
Total assets	<u>\$ 103,238</u>	<u>\$ 371,364</u>	<u>\$ 474,602</u>
LIABILITIES			
Liability to agency	\$ 103,238	\$ 371,364	\$ 474,602
Total liabilities	<u>\$ 103,238</u>	<u>\$ 371,364</u>	<u>\$ 474,602</u>

TOWN OF BLACKSBURG, VIRGINIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>
New River Valley Alcohol Safety Action Program				
ASSETS				
Cash and cash equivalents	\$ 117,118	\$ -	\$ 13,880	\$ 103,238
Total assets	<u>\$ 117,118</u>	<u>\$ -</u>	<u>\$ 13,880</u>	<u>\$ 103,238</u>
LIABILITIES				
Liability to agency	\$ 117,118	\$ -	\$ 13,880	\$ 103,238
Total liabilities	<u>\$ 117,118</u>	<u>\$ -</u>	<u>\$ 13,880</u>	<u>\$ 103,238</u>
Virginia Tech/Montgomery Regional Airport Authority				
ASSETS				
Cash and cash equivalents	\$ 1,148,915	\$ -	\$ 777,551	\$ 371,364
Total assets	<u>\$ 1,148,915</u>	<u>\$ -</u>	<u>\$ 777,551</u>	<u>\$ 371,364</u>
LIABILITIES				
Liability to agency	\$ 1,148,915	\$ -	\$ 777,551	\$ 371,364
Total liabilities	<u>\$ 1,148,915</u>	<u>\$ -</u>	<u>\$ 777,551</u>	<u>\$ 371,364</u>
Total All Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 1,266,033	\$ -	\$ 791,431	\$ 474,602
Total assets	<u>\$ 1,266,033</u>	<u>\$ -</u>	<u>\$ 791,431</u>	<u>\$ 474,602</u>
LIABILITIES				
Liability to agency	\$ 1,266,033	\$ -	\$ 791,431	\$ 474,602
Total liabilities	<u>\$ 1,266,033</u>	<u>\$ -</u>	<u>\$ 791,431</u>	<u>\$ 474,602</u>

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SUPPORTING SCHEDULES

TOWN OF BLACKSBURG, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures	Expenditures to Subrecipients
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Community Development Block Grants	14.218	\$ 477,087	\$ 322,342
HOME Investment Partnership Program	14.239	213,683	145,724
<u>DEPARTMENT OF TRANSPORTATION</u>			
<u>Transit Cluster:</u>			
Federal Transit - Capital Investment Grant	20.500	1,239,771	-
Federal Transit - Formula Grant	20.507	1,692,444	-
MPO Grant	20.500	60,321	-
Federal Transit Cluster Subtotal		<u>2,992,536</u>	
VA-90-X560, VA20180320			
73019-66/69/71			
73018-94/95/96/97/98/99			
73115-37/40/41/43			
73117-6/16/17/18/48/52			
73114-16			
46018-11, 46019-11			
<u>Department of Motor Vehicles</u>			
Alcohol Impaired Driving Countermeasurer Incentive Grant	20.601	25,092	-
K8-2018-58083/M6OT-2019-59335			
FSC-2018-58099/FSC-2019-59336			
Total Expenditures of Federal Awards		<u>\$ 3,708,398</u>	

Notes to Schedule of Expenditures of Federal Awards

Basis of Accounting

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

Subrecipients

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

De Minimus Indirect Cost Rate

The Town did not elect to use the 10% de minimus indirect cost rate.

Outstanding Loan Balances

As of June 30, 2019, the Town had no outstanding loan balances requiring continuing disclosure

SCHEDULE 2

TOWN OF BLACKSBURG, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2019

Total assessed value of real estate (including public service corporations)	<u>\$ 3,409,726,982</u>
Debt limit: 10% of total assessed value of real estate (1)	<u>\$ 340,972,698</u>
Less: Amount of debt applicable to debt limit:	
General bonded debt	20,849,983
Enterprise debt	4,530,016
Capital lease obligations	<u>83,572</u>
	<u>25,463,571</u>
Legal debt margin	<u>\$ 315,509,127</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)

	2019	2018**	2017	2016	2015*	2014	2013	2012	2011	2010
Governmental activities										
Net investment in capital assets	\$ 64,935,509	\$ 62,454,999	\$ 61,688,322	\$ 61,556,627	\$ 55,065,864	\$ 52,856,050	\$ 46,489,358	\$ 38,424,336	\$ 26,949,080	\$ 25,764,585
Restricted	282,461	262,599	296,007	602,302	1,029,041	1,999,902	4,232,468	4,977,107	8,177,561	8,930,797
Unrestricted	(3,884,633)	(5,100,007)	780,063	(1,344,654)	(3,123,873)	8,002,610	9,741,501	10,740,636	12,577,701	7,386,710
Total governmental activities net position	\$ 61,333,337	\$ 57,617,591	\$ 62,764,392	\$ 60,814,275	\$ 52,971,032	\$ 62,858,562	\$ 60,463,327	\$ 54,142,079	\$ 47,704,342	\$ 42,082,092
Business-type activities										
Net investment in capital assets	\$ 26,612,008	\$ 28,161,024	\$ 26,811,761	\$ 27,111,499	\$ 27,565,755	\$ 29,013,749	\$ 25,779,737	\$ 23,184,487	\$ 22,697,086	\$ 23,031,456
Restricted	55,004	78,527	-	-	132,442	-	49,080	49,080	191,159	101,920
Unrestricted	4,205,637	3,744,456	6,155,946	6,452,636	4,872,167	6,834,729	6,566,905	7,655,159	7,993,716	7,826,479
Total business-type activities net position	\$ 30,872,649	\$ 31,984,007	\$ 32,967,707	\$ 33,564,135	\$ 32,570,364	\$ 35,848,478	\$ 32,395,722	\$ 30,888,726	\$ 30,881,961	\$ 30,959,855
Primary government										
Net investment in capital assets	\$ 91,547,517	\$ 90,616,023	\$ 88,500,083	\$ 88,668,126	\$ 82,631,619	\$ 81,869,799	\$ 72,269,095	\$ 61,608,823	\$ 49,646,166	\$ 48,796,041
Restricted	337,465	341,126	296,007	602,302	1,161,483	1,999,902	4,281,548	5,026,187	8,368,720	9,032,717
Unrestricted	321,004	(1,355,551)	6,936,009	5,107,982	1,748,294	14,837,339	16,308,406	18,395,795	20,571,417	15,213,189
Total primary government net position	\$ 92,205,986	\$ 89,601,598	\$ 95,732,099	\$ 94,378,410	\$ 85,541,396	\$ 98,707,040	\$ 92,859,049	\$ 85,030,805	\$ 78,586,303	\$ 73,041,947

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

** During fiscal year 2018, the Town adopted GASB 75.

TABLE 2

Town of Blacksburg, Virginia

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses										
Governmental activities										
Legislative	\$ 261,595	\$ 277,701	\$ 283,446	\$ 276,373	\$ 277,068	\$ 270,763	\$ 251,958	\$ 241,530	\$ 231,703	\$ 245,076
Executive	2,844,304	2,966,322	2,456,229	2,343,384	2,220,361	2,256,772	1,921,674	1,701,070	1,403,791	1,170,592
Legal	347,236	409,074	359,036	318,363	324,788	331,616	294,699	273,191	264,370	249,725
Judicial	-	-	-	-	-	-	-	6,100	8,467	8,856
Financial services	1,694,909	1,738,665	1,706,593	1,623,761	1,606,641	1,600,576	1,560,128	1,440,990	1,550,048	1,479,279
Technology	758,309	701,968	651,746	632,548	632,548	626,438	601,503	551,139	527,641	534,597
Police	8,186,787	8,260,990	8,136,657	7,805,731	7,962,990	7,691,501	7,943,511	7,307,087	6,444,171	6,836,813
Fire and rescue	1,847,379	1,806,268	1,754,609	1,493,402	1,371,343	1,278,687	1,220,682	1,219,788	1,019,455	562,261
Public works	8,773,687	8,834,761	7,997,543	8,106,501	8,137,865	7,680,338	7,736,614	6,919,603	8,112,983	8,389,547
Recreation	2,730,339	2,543,602	2,426,104	2,404,483	2,337,016	2,370,603	2,291,017	2,334,189	2,242,560	1,705,504
Engineering and GIS	1,105,228	1,082,524	1,285,509	1,116,935	1,403,154	1,793,233	1,615,665	1,417,586	1,382,101	1,343,738
Planning and building	1,413,021	1,238,064	1,099,762	1,029,530	917,969	1,231,734	953,747	901,087	857,945	865,270
CDBG entitlement	477,087	592,902	520,577	707,711	514,028	402,360	623,505	379,983	437,066	1,111,071
HOME consortium	212,996	235,603	105,081	826,954	1,462,016	672,216	726,653	647,794	473,848	1,163,994
Interest on long-term debt	689,431	835,422	696,604	738,393	694,561	552,382	684,779	622,997	719,046	735,300
Unallocated depreciation	1,727,582	1,885,354	1,698,347	1,634,138	1,520,348	1,258,229	945,610	755,705	470,750	428,824
Total governmental activities	33,069,890	33,409,220	31,177,843	31,193,200	31,382,696	30,017,448	29,371,745	26,719,839	26,145,945	26,830,447
Business-type activities										
Water and sewer	12,009,402	10,960,655	10,315,742	9,816,136	9,661,045	9,344,964	8,862,137	8,588,121	8,688,140	8,452,170
Transit system	12,448,556	11,977,354	11,418,619	10,068,972	10,038,822	10,003,945	8,609,385	8,382,557	8,102,931	6,883,924
Solid waste and recycling	1,926,007	1,931,437	1,736,542	1,660,484	1,629,828	1,671,055	1,584,094	1,484,319	1,445,065	1,420,779
Stormwater	798,759	710,292	667,701	685,973	199,721	-	-	-	-	-
Golf course	-	-	-	-	-	-	-	-	-	-
Total business-type activities expense	27,182,724	25,579,738	24,138,604	22,231,565	21,529,416	21,019,964	19,055,616	18,454,997	18,236,136	17,168,752
Total primary government expense:	60,252,614	58,988,958	55,316,447	53,424,765	52,912,112	51,037,412	48,427,361	45,174,836	44,382,081	43,999,199
Program Revenues										
Governmental activities										
Charges for services	\$ 633,703	\$ 699,360	\$ 535,868	\$ 515,691	\$ 571,652	\$ 510,587	\$ 597,170	\$ 705,233	\$ 579,807	\$ 565,693
Public Safety	1,414,696	1,589,207	1,371,477	1,425,330	1,496,304	1,633,230	1,459,679	1,419,076	1,366,649	1,284,492
Public Works	3,922,454	3,449,315	3,195,640	3,284,590	2,953,583	2,557,517	2,194,673	2,816,666	2,294,680	2,986,244
Other Activities	4,399,936	4,341,240	4,519,119	4,277,408	4,150,390	4,072,899	3,982,480	3,919,134	3,908,463	3,892,484
Operating grants and contributions	1,065,040	1,421,680	1,316,730	7,804,684	4,173,342	4,081,847	7,846,314	5,407,444	5,303,881	6,110,555
Capital grants and contributions	11,435,829	11,500,802	10,938,834	17,307,703	13,343,271	12,856,080	16,080,316	14,267,553	13,453,480	14,839,468
Total governmental activities program revenues										

(Continued)

TABLE 2

Town of Blacksburg, Virginia

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Business-type activities										
Charges for services	\$ 11,557,349	\$ 11,416,693	\$ 10,240,386	\$ 10,696,762	\$ 9,349,690	\$ 9,558,396	\$ 8,730,119	\$ 8,406,428	\$ 8,138,579	\$ 8,099,125
Water and sewer	5,286,471	4,414,207	3,889,641	3,671,868	3,878,193	3,898,564	3,587,399	3,161,117	3,230,281	2,872,835
Transit system	1,906,534	1,835,849	1,765,773	1,737,437	1,701,665	1,735,237	1,666,645	1,607,847	1,539,940	1,585,386
Solid waste and recycling	1,081,165	1,061,037	1,042,232	1,014,048	529,585	-	-	-	-	-
Stormwater	4,311,843	3,786,504	3,638,434	3,380,129	3,640,253	3,194,624	3,023,237	2,706,887	2,682,891	2,157,225
Golf course	1,842,880	4,514,324	2,968,324	2,402,524	2,426,973	6,076,151	3,559,305	2,275,015	2,531,592	8,640,465
Operating grants and contributions	25,986,242	27,028,614	23,544,790	22,902,768	21,526,359	24,462,972	20,566,705	18,155,294	18,123,283	23,610,759
Capital grants and contributions	\$ 37,422,071	\$ 38,529,416	\$ 34,483,624	\$ 40,210,471	\$ 34,871,630	\$ 37,319,052	\$ 36,647,021	\$ 32,422,847	\$ 31,576,763	\$ 38,450,227
Total business-type activities program revenues	\$ (21,634,061)	\$ (21,908,418)	\$ (20,239,009)	\$ (13,885,497)	\$ (18,037,425)	\$ (17,161,368)	\$ (13,291,429)	\$ (12,452,286)	\$ (12,692,465)	\$ (11,990,979)
Governmental activities	(1,196,482)	1,448,876	(593,814)	671,203	(3,057)	3,443,008	1,511,089	(299,703)	(112,853)	6,442,007
Business-type activities	\$ (22,830,543)	\$ (20,459,542)	\$ (20,832,823)	\$ (13,214,294)	\$ (18,040,482)	\$ (13,718,360)	\$ (11,780,340)	\$ (12,751,989)	\$ (12,805,318)	\$ (5,548,972)
Total primary government net expense										
Net (expense) revenue										
Governmental activities	\$ 8,389,571	\$ 7,664,056	\$ 7,278,919	\$ 7,140,994	\$ 6,303,580	\$ 5,624,078	\$ 5,544,687	\$ 5,554,193	\$ 5,454,459	\$ 5,338,784
Business-type activities	12,298,862	11,908,022	11,327,459	11,077,000	10,718,380	10,327,472	10,352,187	9,865,455	9,059,494	8,626,597
Business license taxes	2,659,697	2,465,828	2,167,597	2,304,712	2,159,852	2,079,603	1,907,716	1,465,896	1,638,592	1,605,017
Other local taxes	216	1,126	3,642	81,781	70,146	19,911	125,615	89,005	641,965	201,150
Inter-governmental revenue unrestricted	359,683	270,666	171,491	179,249	188,008	178,730	301,616	298,900	262,730	356,410
Investment earnings	137,397	(141,176)	(72,585)	64,431	(66,326)	49,404	45,290	86,708	(230,085)	-
Unrealized gain/(loss) on investments	1,258,430	1,227,473	1,096,504	850,709	954,538	1,017,954	1,126,961	1,288,300	1,270,394	1,375,506
Other	245,951	355,941	216,099	29,864	321,301	259,451	208,605	241,566	197,166	(1,187,081)
Transfers	25,349,807	23,751,936	22,189,126	21,728,740	20,649,479	19,556,603	19,612,677	18,890,023	18,314,715	16,316,383
Total governmental activities	108,781	86,147	80,659	109,330	56,527	57,799	44,049	91,241	115,643	171,771
Investment earnings	76,156	(78,335)	(42,820)	41,114	(19,629)	20,796	9,662	44,437	(123,550)	-
Unrealized gain/(loss) on investments	146,138	170,989	175,646	201,988	303,302	190,604	150,801	151,689	240,032	204,039
Other	(245,951)	(355,941)	(216,099)	(29,864)	(321,301)	(259,451)	(208,605)	(241,566)	(197,166)	1,187,081
Transfers	85,124	(177,140)	(2,614)	322,568	18,899	9,748	(4,093)	45,801	34,959	1,562,891
Total business-type activities	\$ 25,434,931	\$ 23,574,796	\$ 22,186,512	\$ 22,051,308	\$ 20,668,378	\$ 19,566,351	\$ 19,608,584	\$ 18,935,824	\$ 18,349,674	\$ 17,879,274
Total primary government										
Changes in Net Position										
Governmental activities	\$ 3,715,746	\$ 1,843,518	\$ 1,950,117	\$ 7,843,243	\$ 2,612,054	\$ 2,395,235	\$ 6,321,248	\$ 6,437,737	\$ 5,622,250	\$ 4,325,404
Business-type activities	(1,111,358)	1,271,736	(596,428)	993,771	15,842	3,452,756	1,506,996	(253,902)	(77,894)	8,004,898
Business-type activities	\$ 2,604,388	\$ 3,115,254	\$ 1,353,689	\$ 8,837,014	\$ 2,627,896	\$ 5,847,991	\$ 7,828,244	\$ 6,183,835	\$ 5,544,356	\$ 12,330,302
Total primary government										

Town of Blacksburg, Virginia

Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2019	2018	2017	2016	2015	2014	2013	2012	2011
Post-GASB 54 Implementation:									
General Fund	\$ 316,898	\$ 299,501	\$ 281,892	\$ 293,667	\$ 276,220	\$ 254,012	\$ 244,566	\$ 437,906	\$ 395,245
Nonspendable	-	-	-	-	-	-	19,161	18,969	18,614
Restricted	563,856	704,762	896,163	208,725	232,077	362,950	248,061	295,076	392,826
Committed	6,455,668	5,051,627	4,286,239	4,118,814	2,018,265	3,987,120	4,334,512	4,498,310	3,985,734
Unassigned	7,336,422	6,055,890	5,464,294	4,621,206	2,526,562	4,604,082	4,846,300	5,250,261	4,792,419
Total general fund	\$ 7,336,422	\$ 6,055,890	\$ 5,464,294	\$ 4,621,206	\$ 2,526,562	\$ 4,604,082	\$ 4,846,300	\$ 5,250,261	\$ 4,792,419
All Other Governmental Funds									
Nonspendable	\$ 21,034	\$ 49,370	\$ 42,940	\$ 71,567	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	282,461	262,599	296,007	602,302	1,029,041	1,999,902	4,213,307	4,958,138	8,158,947
Committed	2,643,173	2,001,640	669,829	1,111,021	8,672,105	3,305,731	7,219,912	9,280,961	4,375,945
Assigned	8,695,267	9,344,904	8,456,700	7,954,443	8,199,620	6,396,132	6,194,653	6,737,264	6,857,823
Unassigned	(1,193,718)	(213,426)	(368,066)	(203,216)	(1,269,650)	(2,393,078)	(4,025,738)	(6,872,010)	(2,463,749)
Total all other governmental funds	\$ 10,448,217	\$ 11,445,087	\$ 9,097,410	\$ 9,536,117	\$ 16,631,116	\$ 9,308,687	\$ 13,602,134	\$ 14,104,353	\$ 16,928,966
Total all governmental funds	\$ 17,784,639	\$ 17,500,977	\$ 14,561,704	\$ 14,157,323	\$ 19,157,678	\$ 13,912,769	\$ 18,448,434	\$ 19,354,614	\$ 21,721,385

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

	2010
Pre-GASB 54 Implementation:	
General Fund	
Reserved	\$ 821,151
Unreserved	2,391,309
Total general fund	\$ 3,212,460
All Other Governmental Funds	
Reserved	\$ 7,875,695
Unreserved, reported in:	
Special Revenue funds	1,708,900
Capital projects funds	7,574,327
Total all other governmental funds	\$ 17,158,922
Total all governmental funds	\$ 20,371,382

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues										
Taxes	\$ 20,726,612	\$ 19,646,192	\$ 18,578,071	\$ 18,179,697	\$ 17,057,725	\$ 15,979,783	\$ 15,904,094	\$ 15,354,299	\$ 14,731,137	\$ 13,714,423
Permits, privilege fees, and licenses	3,133,889	2,944,264	2,539,735	2,936,235	2,517,700	2,587,860	2,211,583	2,484,167	2,321,328	2,319,880
Fines and forfeitures	224,385	300,959	188,183	170,986	240,394	236,673	344,153	450,017	347,444	345,875
Revenue from use of money	497,080	129,490	98,906	243,680	121,682	228,134	346,906	385,608	84,894	356,410
Charges for services	4,211,019	3,914,674	3,677,197	3,596,057	3,111,037	2,994,939	2,813,066	2,969,731	2,738,117	3,245,746
Other	1,099,190	797,808	783,624	1,237,138	1,197,960	1,059,617	654,999	607,268	619,939	850,887
Intergovernmental	5,303,592	5,764,046	5,439,491	7,866,927	8,144,768	7,617,779	11,929,785	9,195,584	9,802,060	10,204,189
Total revenues	35,195,767	33,497,433	31,305,207	34,230,720	32,391,266	30,704,785	34,204,586	31,446,674	30,644,919	31,037,410
Expenditures										
General government	5,821,714	5,739,864	5,296,990	5,104,713	5,836,463	4,820,475	4,433,781	3,980,022	4,157,031	4,011,434
Judicial	9,153,608	9,145,034	8,946,257	8,558,742	8,673,279	8,099,953	8,471,349	7,897,882	7,321,785	7,438,072
Public safety	6,570,127	6,651,096	5,770,596	5,851,727	5,904,498	5,438,879	5,676,805	5,654,285	5,364,738	5,138,371
Recreation	2,439,494	2,328,265	2,238,996	2,153,379	2,301,245	2,065,887	2,036,250	1,972,667	1,938,326	1,539,526
Planning and engineering	2,539,283	2,307,462	2,137,749	2,131,305	2,266,072	2,247,140	2,225,383	2,062,767	1,995,305	1,969,816
Other	690,083	828,505	625,658	1,534,665	1,976,044	1,074,576	1,350,158	1,027,777	910,914	2,775,065
Capital outlays	5,465,910	4,843,581	3,697,779	11,761,229	8,049,302	10,423,543	12,937,636	9,557,271	7,107,725	6,755,768
Debt service	1,795,092	1,822,399	1,759,953	1,809,486	1,506,403	1,535,192	1,522,291	1,339,083	1,216,743	1,064,287
Principal retirement	716,791	812,507	696,804	734,720	582,601	539,668	651,726	791,066	759,790	735,455
Interest and fiscal charges										
Total expenditures	35,192,102	34,478,713	31,170,782	39,639,966	37,095,907	36,245,313	39,305,379	34,288,540	30,780,062	31,435,888
Excess of revenues over (under) expenditures	3,665	(981,280)	134,425	(5,409,246)	(4,704,641)	(5,540,528)	(5,100,793)	(2,841,866)	(135,143)	(398,478)
Other Financing Sources (Uses)										
Proceeds from issuance of debt	-	3,250,000	-	-	9,495,000	-	3,855,000	-	1,270,000	4,515,750
Capital lease proceeds	-	-	-	312,701	-	-	-	-	-	-
Premium on debt proceeds	-	156,331	-	-	268,138	-	60,661	-	-	-
Proceeds from issuance of refunding debt	-	-	-	-	3,813,690	-	-	5,387,540	1,994,645	-
Sale of general capital assets	62,285	158,281	53,857	66,326	21,093	844,711	70,347	-	-	-
Payments to bond escrow agents	-	-	-	-	(3,982,356)	-	-	(5,154,011)	(1,976,665)	(1,307,861)
Transfers in	7,095,055	7,477,011	5,956,258	6,060,345	9,923,375	4,862,515	4,475,827	10,094,828	6,230,527	5,943,752
Transfers out	(6,877,343)	(7,121,070)	(5,740,159)	(6,030,481)	(9,589,390)	(4,702,363)	(4,267,222)	(9,853,262)	(6,033,361)	(7,517,774)
Total other financing sources (uses)	279,997	3,920,553	269,956	408,891	9,949,550	1,004,863	4,194,613	475,095	1,485,146	1,633,867
Net change in fund balances	\$ 283,662	\$ 2,939,273	\$ 404,381	\$ (5,000,355)	\$ 5,244,909	\$ (4,535,665)	\$ (906,180)	\$ (2,366,771)	\$ 1,350,003	\$ 1,235,389
Debt service as a percentage of noncapital expenditures	8.33%	8.68%	8.93%	10.33%	7.13%	7.79%	8.08%	8.76%	8.25%	7.31%

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)
2019	\$ 3,355,508,520	\$ 54,218,462	\$ 3,409,726,982	0.26
2018	2,953,459,060	53,903,846	3,007,362,906	0.26
2017	2,882,249,520	53,549,297	2,935,798,817	0.25
2016	2,802,938,760	51,332,000	2,854,270,760	0.25
2015	2,718,917,780	51,197,160	2,770,114,940	0.25
2014	2,499,516,720	48,791,818	2,548,308,538	0.22
2013	2,476,699,300	47,898,182	2,524,597,482	0.22
2012	2,472,590,460	49,735,455	2,522,325,915	0.22
2011	2,467,477,960	46,881,818	2,514,359,778	0.22
2010	2,380,745,200	49,227,727	2,429,972,927	0.22

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 \$.26.

(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 2019			Fiscal Year 2010		
	Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Foxridge Association	\$ 118,300,000	1	3.47%	\$ 61,604,900	1	2.54%
CAP IX Blacksburg, LLC	96,745,967	2	2.84%	-	-	-
Related Properties, LLC	69,000,000	3	2.02%	-	-	-
The Village at Blacksburg LLC	59,000,000	4	1.73%	29,811,000	3	1.23%
Retreat at Blacksburg LLC	58,000,000	5	1.70%	-	-	-
Blacksburg 1 LLC	47,600,000	6	1.40%	-	-	-
BSE AH Blacksburg Apts LLC	39,500,000	7	1.16%	25,380,800	5	1.05%
Maple Ridge Land LLC	37,617,600	8	1.10%	29,124,900	4	1.20%
Blacksburg APF Partners LLC	31,908,000	9	0.94%	-	-	-
CSB LLC II	28,100,000	10	0.82%	19,121,900	9	0.79%
University Mall LLC	-	-	-	19,139,200	8	0.79%
HCA Montgomery Regional Hospital	-	-	-	35,757,700	2	1.47%
Terrace View Association	-	-	-	16,971,400	10	0.70%
Fairmont NB Blacksburg, LLC	-	-	-	22,531,900	6	0.93%
Diversified Interest	-	-	-	21,086,000	7	0.87%
	<u>\$ 585,771,567</u>		<u>17.18%</u>	<u>\$ 280,529,700</u>		<u>11.57%</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
2019	\$ 8,352,877	\$ 8,128,255	97.31%	\$ -	\$ 8,128,255	97.31%
2018	7,621,604	7,410,844	97.23%	162,843	7,573,687	99.37%
2017	7,246,451	7,049,974	97.29%	184,143	7,234,117	99.83%
2016	7,092,708	6,864,745	96.79%	220,557	7,085,302	99.90%
2015	6,273,943	6,109,693	97.38%	157,279	6,266,972	99.89%
2014	5,585,423	5,407,901	96.82%	176,112	5,584,013	99.97%
2013	5,542,953	5,293,072	95.49%	247,890	5,540,962	99.96%
2012	5,539,488	5,319,413	96.03%	219,365	5,538,778	99.99%
2011	5,417,877	5,236,517	96.65%	180,751	5,417,268	99.99%
2010	5,302,922	5,052,796	95.28%	249,668	5,302,464	99.99%

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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Water Revenues										
Residential	\$ 3,519,673	\$ 3,421,454	\$ 2,885,426	\$ 2,538,354	\$ 2,520,194	\$ 2,424,371	\$ 2,254,407	\$ 2,199,971	\$ 2,031,664	\$ 1,958,341
Commercial	2,738,054	2,493,900	2,200,186	2,309,540	2,077,680	1,896,259	1,890,082	1,719,976	1,707,310	1,677,257
Other	350,263	382,631	339,839	610,472	317,531	434,628	311,287	313,704	317,962	316,771
Total Water Revenues	6,607,990	6,297,985	5,425,451	5,458,366	4,915,405	4,755,258	4,455,776	4,233,651	4,056,936	3,952,369
Sewer Revenues										
Residential	2,627,457	2,599,131	2,603,412	2,181,450	2,281,379	2,214,446	2,147,557	2,147,604	2,194,556	2,185,772
Commercial	2,151,610	2,134,285	2,122,261	2,233,201	2,060,846	1,925,000	1,932,524	1,888,145	1,914,708	1,926,293
Other	10,698	33,461	14,655	19,219	12,632	11,441	7,677	9,624	5,594	7,222
Total Sewer Revenues	4,789,765	4,766,877	4,740,328	4,433,870	4,354,857	4,150,887	4,087,758	4,045,373	4,114,858	4,119,287
Availability Fees										
	273,001	485,198	212,612	938,888	197,798	765,235	305,962	261,151	107,103	172,396
Total revenues	\$ 11,670,756	\$ 11,550,060	\$ 10,378,391	\$ 10,831,124	\$ 9,468,060	\$ 9,671,380	\$ 8,849,496	\$ 8,540,175	\$ 8,278,897	\$ 8,244,052

*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
2019	\$ 6.90	\$ 5.80	\$ 2.94	\$ 2.96	\$ 12.08	\$ 10.15	\$ 5.15	\$ 5.18
2018	\$ 6.47	\$ 5.72	\$ 2.94	\$ 2.96	\$ 11.32	\$ 10.01	\$ 5.15	\$ 5.18
2017	\$ 5.49	\$ 5.69	\$ 2.94	\$ 2.96	\$ 9.61	\$ 9.96	\$ 5.15	\$ 5.18
2016	\$ 5.21	\$ 5.43	\$ 3.09	\$ 3.12	\$ 9.09	\$ 9.50	\$ 5.39	\$ 5.45
2015	\$ 4.88	\$ 5.17	\$ 3.05	\$ 3.08	\$ 8.52	\$ 9.04	\$ 5.33	\$ 5.39
2014	\$ 4.55	\$ 4.85	\$ 3.03	\$ 3.06	\$ 7.95	\$ 8.49	\$ 5.30	\$ 5.36
2013	\$ 4.22	\$ 4.70	\$ 2.94	\$ 2.97	\$ 7.38	\$ 8.23	\$ 5.15	\$ 5.20
2012	\$ 3.92	\$ 4.64	\$ 2.62	\$ 2.65	\$ 6.85	\$ 8.14	\$ 4.59	\$ 4.65
2011	\$ 3.76	\$ 4.77	\$ 2.58	\$ 2.61	\$ 6.57	\$ 8.35	\$ 4.52	\$ 4.57
2010	\$ 3.58	\$ 4.77	\$ 2.55	\$ 2.58	\$ 6.26	\$ 8.35	\$ 4.46	\$ 4.52

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

Customer	Fiscal Year 2019			Fiscal Year 2010		
	Revenue	Rank	Percentage of Total Town Revenue	Revenue	Rank	Percentage of Total Town Revenue
HH Hunt	\$ 1,142,898	1	9.79%	\$ 736,609	1	9.51%
Federal Mogul Division	243,990	2	2.09%	131,489	3	1.70%
CAP IX Blacksburg, LLC	200,442	3	1.72%	-	-	-
Related Properties, LLC	187,064	4	1.60%	-	-	-
Chasewood Apartments	177,065	5	1.52%	100,762	6	1.30%
Mid-Atlantic Apt. Mgmt, LLC	133,118	6	1.14%	-	-	-
BSE AH Blacksburg Apts LLC	113,371	7	0.97%	-	-	-
Montgomery Regional Hospital	106,313	8	0.91%	123,457	4	1.59%
University Terrace	100,563	9	0.86%	71,845	10	0.93%
Carriage Hill Association LTD	100,523	10	0.86%	-	-	-
Moog Components Group	-	-	-	104,648	5	1.35%
Windsor Hills Apartments	-	-	-	75,890	9	0.98%
Terrace View	-	-	-	231,248	2	2.98%
Montgomery County PSA	-	-	-	95,209	7	1.23%
Blacksburg Estates, LLC	-	-	-	87,102	8	1.12%
	<u>\$ 2,505,347</u>		<u>21.47%</u>	<u>\$ 1,758,259</u>		<u>22.69%</u>

TABLE 11

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Debt limit	\$ 340,972,698	\$ 300,736,291	\$ 293,579,882	\$ 285,427,076	\$ 277,011,494	\$ 254,830,854	\$ 252,459,748	\$ 252,232,592	\$ 251,435,978	\$ 242,997,293
Total net debt applicable to limit	25,463,571	27,902,753	25,639,646	28,016,334	30,115,454	22,866,069	25,047,773	23,390,669	24,927,552	25,361,515
Legal debt margin	\$ 315,509,127	\$ 272,833,538	\$ 267,940,236	\$ 257,410,742	\$ 246,896,040	\$ 231,964,785	\$ 227,411,975	\$ 228,841,923	\$ 226,508,426	\$ 217,635,778
Total net debt applicable to the limit as a percentage of debt limit	7.47%	9.28%	8.73%	9.82%	10.87%	8.97%	9.92%	9.27%	9.91%	10.44%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value	\$ 3,409,726,982
Debt limit (10% of assessed value)	\$ 340,972,698
Less debt applicable to limit:	
General obligation bonds	25,379,999
Other long-term obligations	83,572
Legal debt margin	\$ 315,509,127

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	Other Governmental Debt
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total General Bonded Debt			Capital Leases
2019	\$ 21,188,975	\$ -	\$ 21,188,975	0.621%	\$ 474.26	\$ 83,572
2018	22,926,463	-	22,926,463	0.762%	514.47	147,754
2017	21,283,898	-	21,283,898	0.725%	472.58	209,648
2016	22,978,340	-	22,978,340	0.805%	519.70	269,336
2015	24,651,641	-	24,651,641	0.890%	560.46	82,456
2014	16,471,607	-	16,471,607	0.646%	377.71	138,071
2013	17,953,095	-	17,953,095	0.711%	421.17	191,775
2012	15,568,488	-	15,568,488	0.617%	365.29	243,673
2011	16,623,947	-	16,623,947	0.661%	390.05	293,768
2010	16,506,446	-	16,506,446	0.679%	363.43	340,032

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				
2019	\$ 4,657,090	\$ -	\$ 25,929,637	0.760%	0.15%	\$ 580.37
2018	5,299,962	-	28,374,179	0.943%	0.13%	636.72
2017	4,389,941	-	25,883,487	0.882%	0.13%	574.70
2016	5,000,069	-	28,247,745	0.990%	0.12%	638.87
2015	5,594,540	-	30,328,637	1.095%	0.10%	689.52
2014	6,256,391	-	22,866,069	0.897%	0.13%	524.34
2013	6,902,903	-	25,047,773	0.992%	0.11%	587.60
2012	7,578,509	-	23,390,670	0.927%	0.12%	548.82
2011	8,009,837	-	24,927,552	0.661%	0.11%	577.99
2010	8,515,037	-	25,361,515	0.679%	0.11%	558.39

Notes: Details regarding the Town's outstanding debt can be found in the notes to the financial statements on page 43. See Table 14 for personal income and population data. These ratios are calculated using personal income for the prior calendar year.

Town of Blacksburg, Virginia

Water & Sewer Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2019	\$ 11,670,756	\$ 10,985,242	\$ 685,514	\$ 644,090	\$ 134,224	0.88
2018	11,550,060	9,905,643	1,644,417	654,494	191,047	1.94
2017	10,378,391	9,205,986	1,172,405	616,735	120,255	1.59
2016	10,831,124	8,695,812	2,135,312	602,335	137,567	2.89
2015	9,468,060	8,500,153	967,907	664,211	194,525	1.13
2014	9,671,380	8,236,126	1,435,254	646,512	190,382	1.71
2013	8,849,496	7,779,527	1,069,969	675,606	205,213	1.21
2012	8,540,175	7,469,812	1,070,363	601,205	263,889	1.24
2011	8,278,897	7,546,113	732,784	555,546	326,962	0.83
2010	8,244,052	7,342,883	901,169	798,457	347,884	0.79

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
2019	44,678	*	*	3.20%
2018	44,563	\$ 4,430,040	\$ 37,759	3.10
2017	45,038	4,163,163	35,822	4.20
2016	44,215	3,906,250	33,650	4.10
2015	43,985	3,818,058	33,184	5.10
2014	43,609	3,649,374	31,800	6.30
2013	42,627	3,534,206	31,168	6.30
2012	42,620	3,404,296	30,428	6.40
2011	42,620	3,175,190	28,668	6.50
2010	45,419	3,089,516	27,844	8.90

* Information not yet available.

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

(2) Population is based on figures available from the US Census Bureau.

(3) Source: Bureau of Economic Analysis. Information not available for towns in Virginia. Blacksburg is included in statistics for Montgomery County and Radford City. Latest available data.

Town of Blacksburg, Virginia
Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2019			Fiscal Year 2010		
	Rank	Number of Employees	Percent of Total Employment	Rank	Number of Employees	Percent of Total Employment
Virginia Tech	1	> 5,000		1	14,688	
Moog	2	> 1,000		2	2,200	
HCA Montgomery Regional Hospital	3	500 to 999		3	1,168	
NRV Community Services	4	250 to 499		4	537	
Town of Blacksburg	5	250 to 499		-	-	
Eaglepicher Wolverine LLC	6	250 to 499		-	-	
Spectrum (Tetra)	7	100 to 249		7	175	
Federal-Mogul Corporation	8	100 to 249		6	240	
Virginia Tech Services, Inc.	9	100 to 249		5	330	
Luna Innovations	10	100 to 249		8	92	
NanoSonic	-	-		9	69	
VTLS, Inc.	-	-		10	60	

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

TABLE 16

Town of Blacksburg, Virginia

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

Function/Program	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General government										
Management	20.12	20.12	20.12	18.84	18.84	19.87	21.37	20.37	20.37	19.87
Finance	13.60	13.60	13.60	15.00	15.00	14.50	14.50	13.50	13.50	13.50
Technology	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Police										
Officers	65.00	63.00	64.00	64.00	63.00	63.00	63.00	63.00	62.00	62.00
Civilians	15.69	15.69	14.50	17.78	17.78	17.78	18.18	18.78	18.78	18.78
Fire and Rescue										
Firefighters	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Civilians (all volunteer professionals)	1.50	1.50	1.50	1.00	1.00	1.63	1.00	2.00	2.00	2.00
Public works	63.10	65.58	64.44	64.33	63.29	61.92	64.52	56.90	58.77	58.77
Parks and recreation	44.19	42.93	42.53	42.26	41.39	41.12	47.12	46.37	46.37	40.83
Planning and Engineering	25.00	25.00	22.00	24.00	24.00	24.60	22.00	21.98	21.50	21.50
Water and Sewer	24.72	24.72	24.94	25.07	23.73	24.23	24.23	24.25	24.25	24.25
Golf Course	*	*	*	*	*	*	*	*	*	6.00
Solid Waste	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00
Stormwater	2.00	2.00	2.00	2.00	-	-	-	-	-	-
Transit	132.53	121.13	111.67	113.49	105.94	105.07	104.07	97.14	95.14	89.21
Total	415.45	402.27	388.30	394.77	380.97	380.72	387.99	372.29	370.68	364.71

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Function/Program										
General Government										
Fleet										
Pieces of equipment maintained	444	437	417	410	406	391	377	376	371	378
Building permits issued	1,817	3,050	2,312	3,278	1,717	1,864	1,730	596	1,291	1,323
Building permits construction value	88,206,057	68,057,881	54,422,464	-	-	-	-	-	-	-
Public safety										
Police										
Physical arrests	749	802	751	774	793	915	1,097	1,195	1,688	1,598
Parking violations	4,505	6,110	2,979	1,999	3,240	3,727	5,689	7,252	7,051	5,486
Traffic violations	3,009	2,508	2,539	2,915	3,219	3,443	4,206	5,213	3,735	3,580
Fire										
Emergency responses	1,135	1,049	930	918	916	982	973	889	973	1,018
Public works										
Refuse collection										
Refuse collected (tons per day)	19.89	19.48	19.68	19.23	20	20	20	20	20	20
Recyclables collected (tons per day)	5.96	6.43	6.57	6.42	5	5	5	5	5	4
Other public works										
Street resurfacing (miles)	5.01	4.02	5.72	5.50	5.80	4.80	4.80	3.63	3.57	4.00
Parks, recreation, and cultural										
Parks and recreation										
Park acreage owned by the Town - Developed	530.21	530.21	544	544	544	544	544	544	544	544
Park acreage owned by the Town - Undeveloped	100.59	101.22	-	-	-	-	-	-	-	-
Library										
Volumes in collection	69,554	70,815	78,603	83,165	83,165	83,165	86,137	86,280	86,280	84,886
Water										
Number of customer accounts	9,605	9,442	9,446	9,159	9,203	9,159	8,917	8,927	8,832	8,791
Miles of distribution lines	185	182	182	177	177	177	169	168	168	168
Volume pumped (million gallons per day average)	3	2.7	2.5	2.3	2.3	2.3	2.2	2.5	2.5	2.6
Sewer										
Number of customer accounts	8,934	8,766	8,753	8,484	8,509	8,260	8,213	8,174	8,124	8,080
Miles of sanitary sewers	145	145	144	156	156	156	156	155	155	154

Source: Town individual departments and Budget Document.

TABLE 18

Town of Blacksburg, Virginia

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

<u>Function/Program</u>	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Public safety										
Law enforcement vehicles	73	70	75	73	74	70	69	72	62	56
Fire stations	3	3	3	3	3	3	3	3	3	3
Public works										
Miles of streets	332	330	325	354	354	354	350	344	344	343
Streetlights	1,828	1,828	1,828	1,826	1,804	1,804	1,804	1,613	1,613	1,585
Parks, recreation, and cultural										
Community centers	1	1	1	1	1	1	1	1	1	1
Parks/athletic fields - Developed	30	30	35	35	35	35	35	30	30	30
Parks/athletic fields - Undeveloped	8	8	-	-	-	-	-	-	-	-
Water and sewage										
Water mains (miles)	185	182	182	177	177	177	169	168	168	168
Storm sewers (miles)	83.9	89.5	83	83	35	35	46	37	37	37
Sanitary sewers (miles)	145	145	144	156	156	156	156	155	155	154

Source: Town individual departments and Budget Document.

TABLE 19

TOWN OF BLACKSBURG, VIRGINIA

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
REVENUES										
Taxes	\$ 20,726,612	\$ 19,646,192	\$ 18,578,071	\$ 18,179,697	\$ 17,057,725	\$ 15,979,783	\$ 15,904,094	\$ 15,354,299	\$ 14,731,137	\$ 13,714,423
Licenses and permits	3,133,889	2,944,264	2,539,735	2,936,235	2,517,700	2,587,860	2,211,583	2,484,167	2,321,328	2,319,880
Intergovernmental	4,547,672	4,833,556	4,661,068	4,493,518	4,355,564	4,386,406	4,375,613	4,348,396	4,046,573	4,088,926
Charges for services	4,211,019	3,914,674	3,677,197	3,596,057	3,111,037	2,994,939	2,813,066	2,969,731	2,738,117	3,245,746
Fines and forfeitures	224,385	300,959	188,183	170,986	240,394	236,673	344,153	450,017	347,444	345,875
Investment earnings	276,935	212,271	112,370	130,313	143,674	112,883	215,624	195,149	155,437	230,070
Unrealized gain/(loss)	104,505	(106,889)	(49,402)	42,634	(42,994)	32,203	31,281	63,339	(167,835)	-
Other	704,571	697,840	709,975	1,082,572	819,082	607,722	649,599	601,113	611,757	656,452
Other financing sources	267,676	664,090	216,487	434,783	3,962,746	94,711	186,008	5,399,273	3,365,573	2,520,095
Total revenues	34,197,264	33,106,957	30,633,684	31,066,795	32,164,928	27,033,180	26,731,021	31,865,484	28,149,531	27,121,467
EXPENDITURES										
Current:										
Legislative	269,682	280,349	281,047	281,218	278,374	269,326	253,817	240,263	231,586	243,323
Executive	2,833,481	2,777,192	2,414,343	2,319,402	3,086,873	2,150,690	1,850,440	1,609,640	1,611,610	1,547,838
Legal	380,871	412,937	361,134	325,269	333,877	330,220	298,964	270,487	257,808	247,270
Judicial	-	-	-	-	-	-	-	5,720	7,705	8,094
Financial services	1,714,292	1,710,541	1,696,527	1,655,338	1,625,381	1,566,972	1,555,497	1,419,112	1,611,673	1,528,293
Technology	623,388	558,845	543,939	523,486	511,958	503,267	475,063	440,520	444,354	444,710
Police	7,952,788	8,003,770	7,745,463	7,498,893	7,698,863	7,142,942	7,512,440	7,023,927	6,446,560	6,623,523
Fire and rescue	1,200,820	1,141,264	1,200,794	1,059,849	974,416	957,011	958,909	873,955	875,225	814,549
Public works	6,570,127	6,651,096	5,770,596	5,851,727	5,904,498	5,438,879	5,676,805	5,654,285	5,364,738	5,138,371
Recreation	2,439,494	2,328,265	2,238,996	2,153,379	2,301,245	2,065,887	2,036,250	1,972,667	1,938,326	1,539,526
Planning and engineering	2,539,283	2,307,462	2,137,749	2,131,305	2,266,072	2,247,140	2,225,383	2,062,767	1,995,305	1,969,816
Nondepartmental and transfers	3,880,623	3,708,734	2,943,251	2,628,079	7,171,887	2,528,204	2,141,589	2,550,139	1,831,484	5,125,726
Debt service	2,511,883	2,634,906	2,456,757	2,544,206	2,089,004	2,074,860	2,149,825	7,284,160	3,953,198	1,799,742
Total expenditures	32,916,732	32,515,361	29,790,596	28,972,151	34,242,448	27,275,398	27,134,982	31,407,642	26,569,572	27,030,781
Excess (deficiency) of revenues over expenditures	1,280,532	591,596	843,088	2,094,644	(2,077,520)	(242,218)	(403,961)	457,842	1,579,959	90,686
FUND BALANCES AT JULY 1	6,055,890	5,464,294	4,621,206	2,526,562	4,604,082	4,846,300	5,250,261	4,792,419	3,212,460	3,121,774
FUND BALANCES AT JUNE 30	7,336,422	6,055,890	5,464,294	4,621,206	2,526,562	4,604,082	4,846,300	5,250,261	4,792,419	3,212,460
Reserved:										
Reserved/Committed* for encumbrances	\$ 563,856	\$ 704,762	\$ 896,163	\$ 208,725	\$ 232,077	\$ 362,950	\$ 248,061	\$ 295,076	\$ 392,826	\$ 454,443
Reserved/Nonspendable* for inventories	307,131	285,944	281,892	293,667	276,220	254,012	244,566	215,145	183,615	158,005
Reserved/Restricted for museum lifetime memberships	-	-	-	-	-	-	19,161	18,969	18,614	18,158
Reserved for Toms Creek Interchange	-	-	-	-	-	-	-	-	-	-
Reserved/Nonspendable* for prepaid expenditures	9,767	13,557	-	-	-	-	-	222,761	211,650	190,545
Total	880,754	1,004,263	1,178,055	502,392	508,297	616,962	511,788	751,951	806,685	821,151
Total unreserved/unassigned* fund balance	6,455,668	5,051,627	4,286,239	4,118,814	2,018,265	3,987,120	4,334,512	4,498,310	3,985,734	2,391,309
Ending fund balance	\$ 7,336,422	\$ 6,055,890	\$ 5,464,294	\$ 4,621,206	\$ 2,526,562	\$ 4,604,082	\$ 4,846,300	\$ 5,250,261	\$ 4,792,419	\$ 3,212,460

* 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

	2019	2018**	2017	2016	2015*	2014	2013	2012	2011	2010
OPERATING REVENUES										
Charges for services	\$ 11,114,231	\$ 10,742,869	\$ 9,892,531	\$ 9,352,300	\$ 9,027,449	\$ 8,573,721	\$ 8,304,725	\$ 8,041,176	\$ 7,861,176	\$ 7,751,109
Availability and transfer fees	273,001	485,198	212,612	938,888	197,798	765,235	305,962	261,151	159,153	222,256
Meter installation	74,426	122,307	69,596	310,743	68,924	145,874	84,857	63,363	48,488	71,210
Connection fees	95,691	66,319	65,647	94,831	55,519	73,566	34,575	40,738	69,762	54,550
Other	113,407	133,367	138,005	134,362	118,370	112,984	119,377	133,747	140,318	144,927
Total operating revenues	11,670,756	11,550,060	10,378,391	10,831,124	9,468,060	9,671,380	8,849,496	8,540,175	8,278,897	8,244,052
OPERATING EXPENSES										
Personal services	1,454,604	1,183,420	1,508,688	1,223,565	1,527,626	1,512,028	1,531,539	1,406,099	1,402,094	1,429,945
Contractual services	7,804,913	6,756,949	6,007,699	5,735,846	5,238,730	5,003,294	4,617,489	4,613,068	4,758,024	4,545,424
Administration	1,197,324	1,331,691	1,201,972	1,199,587	1,328,574	1,266,064	1,194,376	1,101,954	887,100	867,200
Depreciation	889,936	863,965	989,501	982,757	948,684	918,456	877,397	854,420	894,398	761,403
Other	528,401	633,583	487,627	536,814	405,223	454,740	436,123	348,691	498,895	500,314
Total operating expenses	11,875,178	10,769,608	10,195,487	9,678,569	9,448,837	9,154,582	8,656,924	8,324,232	8,440,511	8,104,286
Operating income (loss)	(204,422)	780,452	182,904	1,152,555	19,223	516,798	192,572	215,943	(161,614)	139,766
NONOPERATING EXPENSES										
Intergovernmental revenue	-	-	-	-	-	-	-	15,000	-	-
Interest income	55,944	40,552	27,225	46,476	5,446	7,868	44,049	46,158	74,796	143,402
Interest expense	(134,224)	(191,047)	(120,255)	(137,567)	(212,208)	(190,382)	(205,213)	(263,889)	(326,962)	(347,884)
Unrealized gain/(loss) on investments	42,935	(43,784)	(16,051)	15,346	(8,237)	4,914	9,662	29,800	(90,690)	-
Gain (loss) on disposition of asset	-	-	25,000	25,804	329	4,610	19,123	-	-	-
Net nonoperating expenses	(35,345)	(194,279)	(84,081)	(49,941)	(214,670)	(172,990)	(132,379)	(172,931)	(342,856)	(204,482)
Income (loss) before contributions and transfers	(239,767)	586,173	98,823	1,102,614	(195,447)	343,808	60,193	43,012	(504,470)	(64,716)
CAPITAL CONTRIBUTIONS										
TRANSFERS IN										
TRANSFERS OUT										
Change in net position	(418,046)	332,274	1,184,946	(467,125)	(167,960)	388,526	(108,190)	172,002	(328,580)	(34,086)
NET POSITION AT JULY 1	11,170,721	10,838,447	10,195,161	9,069,827	9,237,787	10,002,488	10,110,678	9,938,676	10,267,256	10,301,342
NET POSITION AT JUNE 30	\$ 10,752,675	\$ 11,170,721	\$ 11,380,107	\$ 10,195,161	\$ 9,069,827	\$ 10,391,014	\$ 10,002,488	\$ 10,110,678	\$ 9,938,676	\$ 10,267,256

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

** During fiscal year 2018, the Town adopted GASB 75.

(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
2018	117,324	\$ 1,123,268,000	9,574
2017	116,217	1,089,716,203	9,377
2016	98,602	1,086,987,143	11,024
2015	97,653	1,045,664,373	10,708
2014	97,244	988,622,704	10,166
2013	96,207	975,623,640	10,141
2012	95,626	967,667,151	10,119
2011	94,392	911,189,094	9,653
2010	94,392	892,050,066	9,450
2009	91,395	897,455,302	9,820

(Continued)

TABLE 19

TOWN OF BLACKSBURG, VIRGINIA

**CONTINUING BOND DISCLOSURES
SUMMARY OF CAPITAL IMPROVEMENT PROGRAM**

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
<u>General Fund</u>					
Finance	\$ 26,500	\$ 13,300	\$ -	\$ 88,000	\$ 218,000
Fire	341,000	313,500	288,500	288,500	288,500
Rescue	210,083	210,083	440,083	172,083	567,083
Parks and Recreation	564,000	240,000	210,000	35,000	35,000
Planning and Building	15,000	-	-	-	-
Engineering and GIS	105,000	130,000	90,000	54,000	67,000
Police	1,994,025	15,494,025	496,025	368,025	353,025
Public Works	2,231,622	1,504,802	1,074,802	1,024,802	1,024,802
Technology	159,800	144,000	151,100	262,400	110,800
Town Manager's Office	120,000	1,370,000	190,000	870,000	7,995,000
Housing and Neighborhood Services	112,100	47,600	57,800	10,000	10,000
WTOB	17,000	-	-	-	-
General Fund Total	<u>5,896,130</u>	<u>19,467,310</u>	<u>2,998,310</u>	<u>3,172,810</u>	<u>10,669,210</u>
<u>Water/Sewer</u>					
Finance Department	205,000	170,000	170,000	170,000	170,000
Engineering and GIS	399,450	1,086,450	830,175	555,750	240,000
Public Works	629,542	672,712	720,399	632,512	569,512
Water/Sewer Total	<u>1,233,992</u>	<u>1,929,162</u>	<u>1,720,574</u>	<u>1,358,262</u>	<u>979,512</u>
<u>VDOT Revenue Sharing</u>					
Public Works	660,000	660,000	660,000	660,000	660,000
Engineering and GIS	776,000	250,000	-	-	-
VDOT Revenue Sharing Total	<u>1,436,000</u>	<u>910,000</u>	<u>660,000</u>	<u>660,000</u>	<u>660,000</u>
Stormwater Fund	273,000	313,000	333,000	333,000	353,000
Transit Fund	1,739,059	3,182,904	2,128,019	969,060	1,380,651
Equipment Replacement Fund	3,447,000	609,000	1,339,000	1,176,000	2,108,000
Major Building Systems Replacement Fund	563,850	84,050	33,800	23,580	59,500
Solid Waste & Recycling Fund	97,839	122,839	72,839	72,839	72,839
Grand Total	<u>\$ 14,686,870</u>	<u>\$ 26,618,265</u>	<u>\$ 9,285,542</u>	<u>\$ 7,765,551</u>	<u>\$ 16,282,712</u>

Source: Adopted Capital Improvement Program Fiscal Years Ending 2018/2019-2022/2023

(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
2019	44,678	\$ 3,409,726,982	25,846,065	0.7580%	578.50
2018	44,563	3,007,362,906	28,226,425	0.9386	633.40
2017	45,038	2,935,798,817	25,673,839	0.8745	570.05
2016	44,215	2,854,270,760	27,978,409	0.9802	632.78
2015	43,985	2,770,114,940	30,246,181	1.0919	687.65
2014	43,609	2,548,308,538	22,727,998	0.8919	521.18
2013	42,627	2,524,597,482	24,855,998	0.9846	583.10
2012	42,620	2,522,325,915	23,146,997	0.9180	543.36
2011	42,620	2,514,359,778	24,633,787	0.9800	578.26
2010	45,419	2,429,972,927	25,361,515	1.0440	595.06

(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
2019	\$ 278,377	\$ 2,664,578	\$ 5,919,740
2018	265,046	2,463,245	5,667,284
2017	252,233	2,155,424	5,493,780
2016	225,065	2,304,720	5,374,077
2015	237,129	2,170,173	5,051,799
2014	235,411	2,066,822	4,579,931
2013	246,334	1,908,934	4,459,804
2012	234,208	1,860,603	4,237,159
2011	253,230	1,658,993	4,177,991
2010	239,507	1,605,817	3,558,541

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, 2019, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated November 25, 2019.

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 2019-001, 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 that are required to be reported under *Government Auditing Standards*.**

Town of Blacksburg's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town'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 25, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Blacksburg, Virginia's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2019. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal programs, based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 25, 2019

TOWN OF BLACKSBURG, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2019

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

State Agency Requirements

Highway Maintenance Funds

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

TOWN OF BLACKSBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019

A. SUMMARY OF AUDITOR’S RESULTS

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

<u>Name of Program:</u>	<u>CFDA #</u>
Federal Transit Cluster – Capital Improvement Grants	20.500
Federal Transit Cluster – Formula Grants	20.507

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The Town was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2019-001: Segregation of Duties (Significant Deficiency)

Condition:

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

Recommendation:

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

Management’s Response:

The auditee concurs with this recommendation.

TOWN OF BLACKSBURG, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019

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

None noted.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None noted.

TOWN OF BLACKSBURG, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2019

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2006-001: Segregation of Duties (Significant Deficiency)

Condition:

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

Current Status:

Condition still present.

TOWN OF Blacksburg VIRGINIA



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