



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

Comprehensive Annual Financial Report

For Fiscal Year Ending June 30, 2011



TOWN OF VINTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2011

Prepared by the Town of Vinton
Finance Department/Treasurer's Office

TOWN OF VINTON, VIRGINIA

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INTRODUCTORY SECTION



Town of Vinton

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Vinton, VA 24179
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Barry W. Thompson
Finance Director/Treasurer

November 3, 2011

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

The Comprehensive Annual Financial Report (CAFR) for the Town of Vinton for the fiscal year ended June 30, 2011 is hereby submitted in accordance with Section 15.1-167 of the 1950 *Code of Virginia*, (1950 as amended). The *Code* requires that the Town issues an annual report on its financial accounts and records. In addition, the report must be audited. The report was prepared by the Treasurer's Office and audited independently by the accounting firm of Brown, Edwards & Company, L.L.P.

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

The Reporting Entity and Services Provided

The financial reporting entity includes all of the funds of the primary government of the Town of Vinton, as legally defined. The reporting entity does not include legally separate entities (component units) for which a primary government is financially accountable because there are no such component units within the Town. The Town jointly operates the Roanoke Valley Resource Authority with Roanoke County and City of Roanoke. It is, however, a legally separate entity governed by a six-member multi-jurisdictional Board, one member of which represents the Town.

The Town of Vinton provides a full range of municipal services. These services include police protection, fire and first aid services, refuse and recycling functions, general public improvements, street and right-of-way maintenance, recreational and cultural activities, and planning and zoning. The Town also provides potable water distribution, wastewater collection, maintenance and service of line, meters, and other components related to its utility system. Based on the latest Water Quality Report, the water system meets all state and federal requirements administered by the Office of Drinking Water under the Virginia Department of Health. According to the 2010 Water Quality Report, the Town had no water quality violations. The Town also received a third place award in the Water Taste Competition from the Virginia Rural Water Association in 2009. The Virginia Department of Environmental Quality in April 2011 reported statewide recycling rates for calendar year 2010. The Town of Vinton's rate was 51.8% which ranked seventh out of 71 solid waste planning units in the Commonwealth.

Local Economic Condition and Outlook

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

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

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

Since the Town of Vinton is highly concerned with providing a positive atmosphere and quality of life for its citizens, it has taken an active role in various regional authorities and activities. The Town participates in economic development by being a member of the Roanoke Regional Partnership and in a variety of Valley wide recreational events like the Virginia Commonwealth Games as well as in community relations by funding a portion of the annual operating costs of the Roanoke Valley Regional Cable Television. The Town also participates in the Greenway Commission, the purpose of which is to identify possible greenway locations in the Roanoke Valley area. In 1999, the Town chose to participate in the construction and maintenance of a Regional Fire Training Academy.

Vinton has maintained stable property tax rates over the years, while continuing to provide high quality municipal services and responsive government. The Town Council adopted an ordinance to eliminate the vehicle decal and to enact a vehicle license fee effective January 1, 2008. This essentially was a revenue neutral action by Council.

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

Long-term Financial Planning

Christopher S. Lawrence was appointed as Town Manager in September 2008. Mr. Lawrence has strong leadership and management skills and has set goals toward community and economic development. The Town's Management Team works closely with the Roanoke County Management Team to develop short-term and long-term financial goals addressing the financial stability of the Town/County endeavors.

Long-term Financial Planning (Continued)

The Town Council approved a balanced budget for the upcoming fiscal year. The budget provides for maintaining the existing levels of services provided to the Town's citizens while increasing an effort on economic development through revitalizing the downtown business area. These efforts include partnering with the Virginia Department of Housing and Community Development whereby funding may be provided for a downtown economic restructuring plan as well as a physical improvement master plan. The Town was also awarded by the Virginia Department of Housing and Community Development (VA DHCD), a Business District Revitalization Planning Grant in the amount of \$35,000. The grant enabled the Town to hire consultants to complete the Downtown Revitalization and Economic Restructuring Plans. The project involved citizens in a participatory planning process from May 2009 through September 2010. A series of meeting and surveys were held to identify community assets and opportunities in downtown Vinton. These identified economic and physical needs will be used to compile the Downtown Revitalization and Economic Restructuring Plans for Vinton and will be submitted for future VA DHCD Community Improvement Grant applications for funding.

The budget maintains the Cigarette Tax, which was passed two years ago at \$0.20 per pack of cigarettes. This revenue generated an additional \$325,000. Another economic benefit for the Town is the result of the marketing and branding efforts of the newly completed War Memorial Conference Center. The Town should continue to realize increased revenue from the use of this facility. It is a premier conference facility. It has a main ballroom with a seating capacity of 240 to 300 depending on the room configuration which can be converted into two rooms. There is also a smaller meeting room known as the Library on the main floor and another two smaller meeting rooms on the second floor. The facility has a modern sound system, projectors and screens, and wireless Internet. The facility is now fully ADA compliant and all floors are served by an elevator. As a part of this project, the Jaycee Ball field near the War Memorial Complex was relocated to the Vineyard Park in order to continue providing the Vinton community an adequate ball field facility. This project is in cooperation with Roanoke County through its Parks and Recreation Program in order to provide a high level of service to our citizens.

The Town continues to commit to the improvement of the highways, streets, and roads by including approximately \$250,000 for paving and milling of streets throughout the Town.

Major Initiatives

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

There are two additional prepared sites at the Vinton Business Center which are being marketed. A picnic shelter has been completed while the Greenway Trail is planned to eventually connect with the existing Greenway System running through the Town of Vinton and east Roanoke County. A business center sign has been constructed to better identify the Vinton Business Center. This was jointly constructed by the Town of Vinton and Roanoke County at a cost of \$36,874.

In November 2003, the citizens of Vinton voted to allow operation of an off-track betting facility within the Town limits. Colonial Downs was constructed and began operations in October 2004 which has brought approximately \$30,000 of tax revenue to the Town.

Major Initiatives (Continued)

The Roanoke County Commonwealth Attorney's Office continues to represent the Town's interests in the prosecution of criminal charges. Attorney Elizabeth Dillon was re-appointed by the Town Council on July 1, 2010 to serve as counsel for the Town's other legal matters.

The Town evaluated its wastewater collection and water distribution system and as a result identified four (4) projects as vital to improve and update its safe and reliable operations. In January 2008, the Town issued bonds through VML-VACo amounting to \$2,750,000 to fund these projects. The bonds were issued to fund the water and wastewater improvement projects and are secured by pledges from the water and sewer revenues from the current utility system.

The remaining project to be completed is as follows:

- Glade Creek/Tinker Creek Wastewater Trunk Line will replace 750 foot segment of 18-inch wastewater trunk line and install new manholes along new alignment. The new alignment will locate replacement line away from creek within existing right-of-way. The segment of existing line to be replaced is in severely deteriorated condition and needs to be replaced immediately.

The Town continues to update with the County of Roanoke the Real Estate Tax and Appraisal and Personal Property Tax Software and billing has been successfully implemented. Roanoke County/Town of Vinton also has implemented and continues to update an Appraisal System. DMV imports have been automated and set-off debts have been automated and have improved delinquent collections. The Town is currently implementing an agreement with ACS Enterprise, Inc. for Application Hosting and Technology Support Systems and Services for the Financial Applications which will provide the Town with Technical Support, continuous software updating on the financial applications, and a disaster recovery plan in the event of some unforeseen emergency. This project should be complete in December 2011.

Prospects for the Future

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

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

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

Accounting System and Budgetary Controls

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

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

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

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

Cash Management

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

Risk Management

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

Independent Audit

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

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial reporting to the Town for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. The Certificate of Achievement is a national award that recognizes conformance with the highest standards for preparation of government financial reports.

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

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

The Town Manager has also established a goal for the budget document to be reevaluated as a budgeting and communication tool. The GFOA budget document standards are being used as a model for improving the budget document.

Acknowledgements

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

Respectfully submitted,


Christopher S. Lawrence
Town Manager


Barry W. Thompson
Treasurer/Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Vinton
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

President

A stylized, handwritten signature in black ink.

Executive Director

TOWN OF VINTON, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2011

TOWN COUNCIL

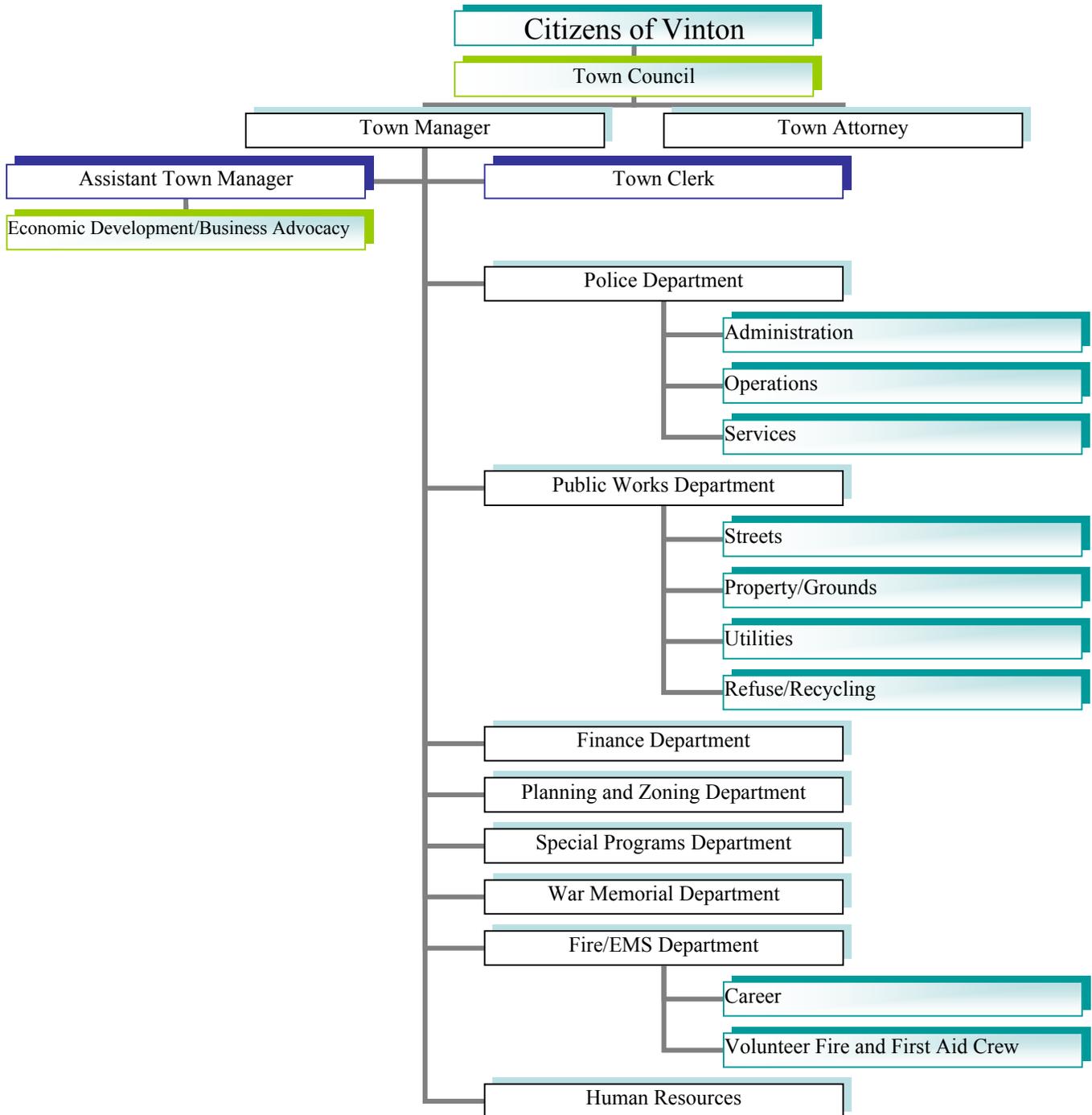
Bradley E. Grose, Mayor
Robert R. Altice
Carolyn D. Fidler
William S. Nance
Matthew S. Hare

APPOINTED OFFICIALS

Christopher S. Lawrence..... Town Manager
Barry W. Thompson..... Finance Director/Treasurer
Susan Johnson Town Clerk
Herbert G. Cooley Chief of Police

INDEPENDENT AUDITORS

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



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Members of Town Council
Town of Vinton, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Vinton, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the Town's 2010 financial statements and, in our report dated September 30, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, and each major fund.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

During 2011, the Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2011 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, the Analysis of Funding Progress for Defined Benefit Pension Plan, and Analysis of Funding Progress for Other Postemployment Benefits 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town's basic financial statements. The introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Roanoke, Virginia
November 3, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Vinton, Virginia (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011. 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 total assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$13,509,155 (net assets). Of this amount, \$2,152,648 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets decreased by \$368,878. This decrease is largely due to the total expenses of \$10,695,736 being more than the total revenues of \$10,326,858. This resulted in a drop of \$48,943 (1.1%) in current and other assets. Additionally, capital assets decreased by \$1,116,017 (4.8%) in capital assets with the final result being a drop of 4.2% in total assets.

On the other hand, long-term liabilities decreased by \$739,572 (6.0%) while other liabilities fell by \$56,510 (3.8%), thus causing a favorable effect on the total net assets.

The final result of all these effects is a 2.7% decrease in net assets.

- As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$1,735,401, an increase of \$52,216 in comparison with the prior year. This is largely due to an increase of \$47,258 (1.6%) in total assets particularly due from other governmental units. In addition to this positive effect, total liabilities decreased by \$4,958 (0.4%) in particular accrued payroll and related liabilities.
- Approximately 69.0% of the ending fund balance, \$1,196,789 is available for spending at the Town's discretion (unassigned fund balance), and represents 16.3% of the governmental fund's expenditures.
- The Town's total long-term liabilities decreased by \$739,572 (5.70%) during the current fiscal year. This decrease is largely due to the regular payment on bonds and capital lease.

Overview of the Financial Statements

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

Overview of the Financial Statements (Continued)

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 assets presents information on all of the Town’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result only in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Town, assets exceeded liabilities by \$13,509,155 at the close of the most recent fiscal year.

By far the largest portion of the Town’s net assets (84.0%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town’s 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 Assets					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 3,187,166	\$ 3,146,550	\$ 1,323,424	\$ 1,412,983	\$ 4,510,590	\$ 4,559,533
Capital assets	10,603,739	11,304,677	11,492,996	11,908,075	22,096,735	23,212,752
Total assets	<u>13,790,905</u>	<u>14,451,227</u>	<u>12,816,420</u>	<u>13,321,058</u>	<u>26,607,325</u>	<u>27,772,285</u>
Long-term liabilities	4,736,142	5,070,376	6,922,032	7,327,370	11,658,174	12,397,746
Other liabilities	1,226,398	1,237,607	213,598	258,899	1,439,996	1,496,506
Total liabilities	<u>5,962,540</u>	<u>6,307,983</u>	<u>7,135,630</u>	<u>7,586,269</u>	<u>13,098,170</u>	<u>13,894,252</u>
Net assets						
Invested in capital assets, net of related debt	6,316,937	6,760,474	5,019,517	5,437,639	11,336,454	12,198,113
Restricted	20,053	20,000	-	-	20,053	20,000
Unrestricted	<u>1,491,375</u>	<u>1,362,770</u>	<u>661,273</u>	<u>297,150</u>	<u>2,152,648</u>	<u>1,659,920</u>
Total net assets	<u>\$ 7,828,365</u>	<u>\$ 8,143,244</u>	<u>\$ 5,680,790</u>	<u>\$ 5,734,789</u>	<u>\$ 13,509,155</u>	<u>\$ 13,878,033</u>

Unrestricted net assets of \$2,152,648 may be used to meet the Town’s ongoing obligations to citizens and creditors.

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

Government-wide Financial Analysis (Continued)

Governmental activities – Governmental activities decreased the Town’s net assets by 314,879. The key elements of this decrease are a decrease in cigarette tax of \$40,087 (11.6%), a reduction of transfers by \$78,466 (100.0%), and a drop on operating grants and contributions by \$48,577 (3.6%).

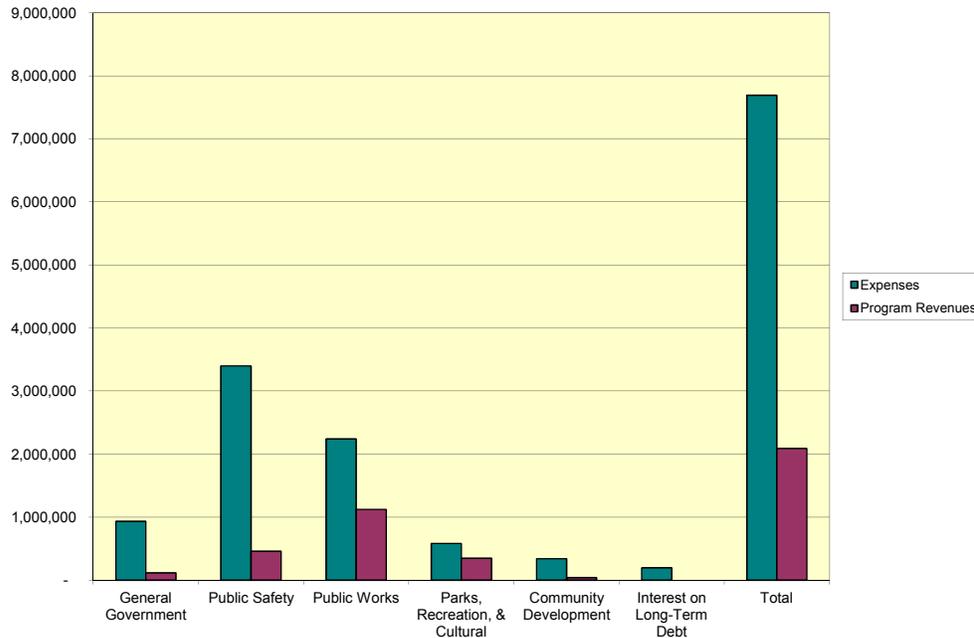
For the most part, revenues closely paralleled inflation and conditions represented in the economy and growth in the demand for services. Revenues from operating grants and contributions showed a major decrease due to not receiving VDOT revenue sharing which was a significant amount in the prior year. Investment earnings also showed a decline because of a very low interest rate coupled with the declining investments and bond proceeds. However, there was an increase in gain sharing revenue due to business growth in the area.

The Town’s Changes in Net Assets

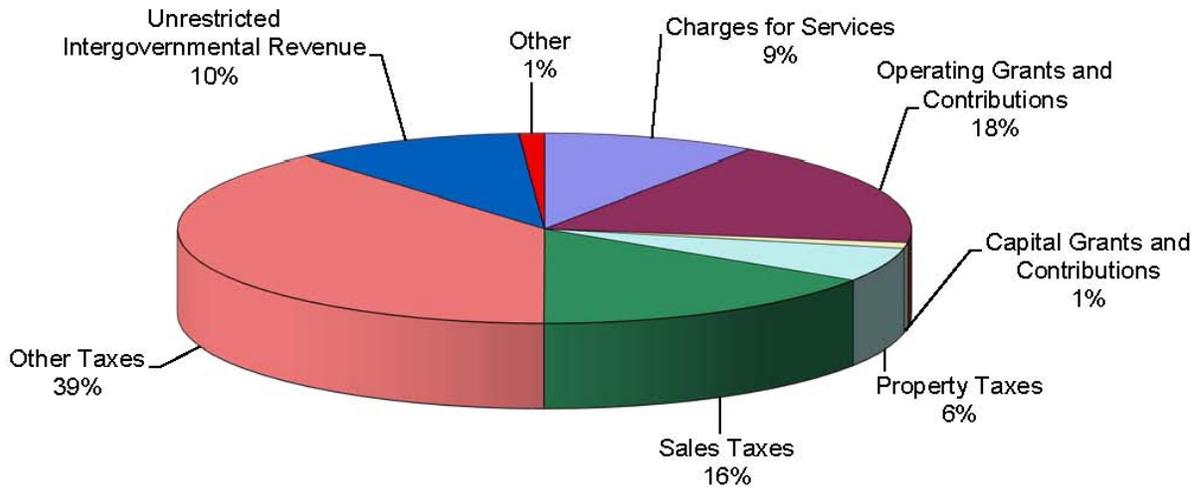
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services	\$ 696,556	\$ 708,263	\$ 2,672,156	\$ 2,439,634	\$ 3,368,712	\$ 3,147,897
Operating grants and contributions	1,318,394	1,366,971	-	-	1,318,394	1,366,971
Capital grants and contributions	75,188	8,034	-	-	75,188	8,034
General revenues						
Property taxes	429,409	419,401	-	-	429,409	419,401
Other taxes	4,026,254	3,971,094	-	-	4,026,254	3,971,094
Intergovernmental unrestricted	748,815	664,975	-	-	748,815	664,975
Investment earnings	1,904	3,187	1,601	3,551	3,505	6,738
Other	81,373	29,275	275,208	298,591	356,581	327,866
Total revenues	<u>7,377,893</u>	<u>7,171,200</u>	<u>2,948,965</u>	<u>2,741,776</u>	<u>10,326,858</u>	<u>9,912,976</u>
Expenses						
General government	934,388	1,023,227	-	-	934,388	1,023,227
Public safety	3,397,562	3,446,746	-	-	3,397,562	3,446,746
Public works	2,243,111	2,457,832	-	-	2,243,111	2,457,832
Parks, recreation, and cultural	583,569	617,778	-	-	583,569	617,778
Community development	339,983	393,160	-	-	339,983	393,160
Interest on long-term debt	194,159	203,787	-	-	194,159	203,787
Water and sewer	-	-	3,002,964	3,238,927	3,002,964	3,238,927
Total expenses	<u>7,692,772</u>	<u>8,142,530</u>	<u>3,002,964</u>	<u>3,238,927</u>	<u>10,695,736</u>	<u>11,381,457</u>
Excess (deficiency) before transfers	(314,879)	(971,330)	(53,999)	(497,151)	(368,878)	(1,468,481)
Transfers	-	78,466	-	(78,466)	-	-
Change in net assets	(314,879)	(892,864)	(53,999)	(575,617)	(368,878)	(1,468,481)
Net assets – July 1	<u>8,143,244</u>	<u>9,036,108</u>	<u>5,734,789</u>	<u>6,310,406</u>	<u>13,878,033</u>	<u>15,346,514</u>
Net assets – June 30	<u>\$ 7,828,365</u>	<u>\$ 8,143,244</u>	<u>\$ 5,680,790</u>	<u>\$ 5,734,789</u>	<u>\$ 13,509,155</u>	<u>\$ 13,878,033</u>

Government-wide Financial Analysis (Continued)

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



Business-type activities – Business-type activities decreased the Town’s net assets by \$53,999. This decrease is largely due to the decrease in other revenue by \$23,383 (7.8%). There were no capital grants and contributions received this fiscal year. This unfavorable effect was partially offset by an increase in charges for services of \$232,522 (9.5%), a reduction of transfers out of \$78,466 (100.0%), and a decrease in expenses of \$235,963 (7.3%).

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town's governmental fund reported combined ending fund balances of \$1,735,401, an increase of \$52,216 in comparison with the prior year. This is largely due to an increase in total of assets totaling \$47,258 (1.6%) particularly an increase by due from other governmental units by \$39,689 (11.4%), and an increase in prepaid items by \$9,605 (17.1%). In addition to this favorable effect, accrued payroll and related liabilities decreased by \$56,372 (26.0%) but was partially counteracted by an increase in accounts payable and accrued liabilities of \$56,171 (18.6%).

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

Unrestricted net assets of the Water and Sewer Department at the end of the year amounted to \$661,273. Factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for revenues were \$65,443 primarily due to an increase on Categorical Aid by \$67,028, or 6.03%.

Differences between the original budget and the final amended budget for expenditures were \$207,673. These differences are primarily due to minimal increases on expenses for general government administration; public safety; parks, recreation, and cultural; and community development.

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

Some revenue forecasts in the governmental fund were not significantly realized. Current personal property tax collection was 77.57% of the budget due to budgeting too high and collections being lower on current property taxes while tax on public utilities was budgeted too high. Interest from investments had a variance of 84% due to very low interest rate on investments. Other income expectations were significantly met. These are the revenues on recoveries and rebates \$41,658, or 145%, other police grants \$63,129, or 123%, ATF recoveries \$5,870, or 100%. No CDBG grant was received during the fiscal year.

However, there were unfavorable variances on revenue raised on cigarette tax (6.0%) and wireless 911 grant (75%) which could not be precisely predicted since the E-911 center merged with Roanoke County.

On the other hand, there were also favorable variances on certain expenses. Some maintenance service contracts were discontinued as a result of the merger of the E911 Communication System with Roanoke County thereby using only 36% of the budget. Additionally, 25% of the wireless E-911 expense budgeted was not used due to the merger with Roanoke County Emergency Communication Services. Also, much of the items for the criminal justice system improvement were acquired during the fiscal year causing a significant variance over the budget. A favorable variance resulted from the delay in the completion of the web cad project in the Police Department due to the change in the record program. However, this project was completed almost two months after the end of the fiscal year.

General Fund Budgetary Highlights (Continued)

Salaries and wages of personnel assigned in maintenance of highways, streets, and bridges are 9.08% above the budget because of the classification of expenses at the time actually recorded were different than budgeted.

Significant variances in the enterprise fund are in the bulk water sale and interest from investments. Revenue realized from bulk water sale was 48% below the budget due to classification whereas interest earned from investment was dramatically short by 84% because of the very low interest rate. These negative variances were partially offset by a \$20,000 planning grant received that was not budgeted.

The numbers of accounts with significant favorable variances in the enterprise fund are more than the unfavorable ones. Water purchased for resale was below the budget by 22% due to the corresponding decrease in the bulk water sale. Expenditures which can be held off without affecting services and operations cause positive variances on contractual services (63%), and maintenance and repair of buildings (30%). Wastewater treatment cost was 21% favorably below the budget because the projection was based on higher treatment cost which turned out to be relatively the same as last year. The favorable variance in the salaries and wage category in sewer was offset by the unfavorable salaries and wage category in water due to different actual cost allocation for expenditures than the budget. The favorable variance of 20% in electrical services is primarily due to rebate of previous rate increase during the year. Pump houses and pumps had to be repaired thus overshooting the budget. Some necessary repairs had to be done in the wastewater system maintenance thus exceeding the allocation by 65%.

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, 2011, amounts to \$22,096,735 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure, machinery, and equipment. The total decrease in the Town’s investment in capital assets for the current fiscal year was 4.81% (a 6.20% decrease for governmental activities and a 3.49% decrease for business-type activities). Additional information on the Town’s capital assets can be found in Note 5 of this report.

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,706,089	\$ 1,706,092	\$ 80,752	\$ 80,752	\$ 1,786,841	\$ 1,786,844
Buildings and systems	6,392,462	6,634,029	8,072,486	7,798,074	14,464,948	14,432,103
Infrastructure	1,717,120	1,809,274	-	-	1,717,120	1,809,274
Improvements other than buildings	-	-	2,918,026	3,048,142	2,918,026	3,048,142
Machinery and equipment	701,026	1,066,393	288,813	338,752	989,839	1,405,145
Construction in progress	87,042	88,889	132,919	642,355	219,961	731,244
Total	\$ 10,603,739	\$ 11,304,677	\$ 11,492,996	\$ 11,908,075	\$ 22,096,735	\$ 23,212,752

Capital Asset and Debt Administration (Continued)

Long-term debt – At the end of the current fiscal year, the Town had total debt outstanding of \$11,141,403. Of this amount, \$7,103,808 comprises debt backed by the full faith and credit of the government, \$3,990,000 is related to revenue bond obligations, and \$47,595 is related to capital lease obligations.

**The Town’s Outstanding Debt
General Obligation and Capital Leases**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 2,845,000	\$ 2,990,000	\$ 4,258,808	\$ 4,558,025	\$ 7,103,808	\$ 7,548,025
Revenue bonds	1,435,000	1,505,000	2,555,000	2,655,000	3,990,000	4,160,000
Capital leases	47,595	93,095	-	-	47,595	93,095
	<u>\$ 4,327,595</u>	<u>\$ 4,588,095</u>	<u>\$ 6,813,808</u>	<u>\$ 7,213,025</u>	<u>\$ 11,141,403</u>	<u>\$ 11,801,120</u>

The Town’s total debt decreased by \$659,717, or 5.59% during the fiscal year. This decrease is largely due to the principal payments on general obligation and revenue bonds amounting to \$444,208, or 67.33% and \$170,000, or 25.77% respectively. The payment of \$45,501, or 6.90% on capital lease also lowered the total debt.

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

Economic Factors and Next Year’s Budgets and Rates

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

- The unemployment rate for Roanoke County (no statistics are available for the Town individually) as of June 30, 2011 is 5.7%, which is lower than last year’s rate of 6.3%. This compares favorably to the state’s average unemployment rate as of June 30, 2011 of 6.0% percent and to the national average rate of 9.2%.
- The occupancy rate of the Town’s central business district has remained at 90% for the past five years.
- Inflationary trends in the region compare favorably to national indices.

During the current fiscal year, the unreserved fund balance in the general fund increased by \$52,216. The general fund remains strong with an increase in ending fund balance of \$1,735,401. It is intended that this available fund balance will be used for future needs of the Town.

Requests for Information

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

**BASIC
FINANCIAL STATEMENTS**

TOWN OF VINTON, VIRGINIA

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Totals	
			2011	(For Comparison Only) 2010
ASSETS				
Cash and cash equivalents (Note 2)	\$ 2,302,531	\$ 310,112	\$ 2,612,643	\$ 2,371,712
Receivables, net (Note 3)	314,130	566,657	880,787	792,686
Due from other governmental units (Note 4)	387,406	-	387,406	347,717
Inventories	505	31,589	32,094	36,028
Prepaid expenses	65,836	14,211	80,047	72,522
Bond issue costs, net	94,618	70,777	165,395	176,367
Restricted assets:				
Cash and cash equivalents (Note 2)	22,140	330,078	352,218	762,501
Capital assets: (Note 5)				
Nondepreciable	1,793,131	213,671	2,006,802	2,518,088
Depreciable, net	8,810,608	11,279,325	20,089,933	20,694,664
Total assets	13,790,905	12,816,420	26,607,325	27,772,285
LIABILITIES				
Accounts payable and accrued liabilities	358,058	113,777	471,835	420,838
Accrued payroll and related liabilities	160,363	8,242	168,605	260,977
Accrued interest payable	68,856	91,579	160,435	169,111
Unearned revenue (Note 3)	639,121	-	639,121	645,580
Long-term liabilities: (Note 6)				
Due within one year	353,248	430,936	784,184	780,796
Due in more than one year	4,382,894	6,491,096	10,873,990	11,616,950
Total liabilities	5,962,540	7,135,630	13,098,170	13,894,252
NET ASSETS				
Invested in capital assets, net of related debt	6,316,937	5,019,517	11,336,454	12,198,113
Restricted for:				
Flower fund	20,053	-	20,053	20,000
Unrestricted	1,491,375	661,273	2,152,648	1,659,920
Total net assets	\$ 7,828,365	\$ 5,680,790	\$ 13,509,155	\$ 13,878,033

TOWN OF VINTON, VIRGINIA
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Totals	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	2011	(For Comparison Only)	
								2010	2010
Governmental activities									
General government administration	\$ 934,388	\$ 116,656	\$ -	\$ -	\$ (817,732)		\$ (817,732)	\$ (863,497)	
Public safety	3,397,562	119,870	338,992	2,225	(2,936,475)		(2,936,475)	(2,926,529)	
Public works	2,243,111	110,380	979,402	35,763	(1,117,566)		(1,117,566)	(1,402,716)	
Parks, recreation, and cultural	583,569	345,040	-	2,200	(236,329)		(236,329)	(288,188)	
Community development	339,983	4,610	-	35,000	(300,373)		(300,373)	(374,545)	
Interest on long-term debt	194,159	-	-	-	(194,159)		(194,159)	(203,787)	
Total governmental activities	7,692,772	696,556	1,318,394	75,188	(5,602,634)		(5,602,634)	(6,059,262)	
Business-type activities									
Water and sewer	3,002,964	2,672,156	-	-	-	\$ (330,808)	\$ (330,808)	(799,293)	
Total business-type activities	3,002,964	2,672,156	-	-	-	(330,808)	(330,808)	(799,293)	
Total	\$ 10,695,736	\$ 3,368,712	\$ 1,318,394	\$ 75,188	\$ (5,602,634)		\$ (5,933,442)	\$ (6,858,555)	
General revenues									
Property taxes (Note 10)					429,409		429,409	419,401	
Sales tax					1,171,590		1,171,590	1,113,322	
Meals tax					864,448		864,448	842,384	
Utilities tax					801,264		801,264	803,044	
Business license tax					454,636		454,636	456,536	
Cigarette tax					306,799		306,799	346,886	
Other local taxes					427,517		427,517	408,922	
Unrestricted intergovernmental revenue					748,815		748,815	664,975	
Unrestricted investment earnings					1,904		1,174	5,011	
Restricted investment earnings					-		427	1,727	
Other					81,373		275,208	327,866	
Total general revenues					5,287,755		5,564,564	5,390,074	
Change in net assets					(314,879)		(53,999)	(1,468,481)	
NET ASSETS AT JULY 1					8,143,244		13,878,033	15,346,514	
NET ASSETS AT JUNE 30					\$ 7,828,365		\$ 13,509,155	\$ 13,878,033	

TOWN OF VINTON, VIRGINIA

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2011

	General Fund	
	(For Comparison Only)	
	2011	2010
ASSETS		
Cash and cash equivalents	\$ 2,302,531	\$ 2,317,207
Cash and cash equivalents, restricted	22,140	30,824
Receivables, net	314,130	292,806
Due from other governmental units	387,406	347,717
Inventories	505	505
Prepaid items	65,836	56,231
Total assets	<u>\$ 3,092,548</u>	<u>\$ 3,045,290</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 358,058	\$ 301,887
Accrued payroll and related liabilities	160,363	216,735
Deferred revenue (Note 3)	838,726	843,483
Total liabilities	<u>1,357,147</u>	<u>1,362,105</u>
FUND BALANCES		
Nonspendable	66,341	56,736
Restricted	372,271	751,677
Committed	-	303,644
Assigned	100,000	130,710
Unassigned	1,196,789	440,418
Total fund balances	<u>1,735,401</u>	<u>1,683,185</u>
Total liabilities and fund balances	<u>\$ 3,092,548</u>	<u>\$ 3,045,290</u>

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2011**

	General Fund	
	(For Comparison Only)	
	2011	2010
Total Fund Balances – Governmental Fund	\$ 1,735,401	\$ 1,683,185
 Amounts reported for governmental activities in the statement of net assets are different because:		
 Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 17,420,879	
Less: accumulated depreciation	(6,817,140)	
	10,603,739	11,304,677
 Bond issuance costs and premiums are reported as expenditures or revenues in the governmental funds, but are amortized over the life of the debt obligation in the statement of net assets:		
Issuance costs on debt issuances total \$132,858 and accumulated amortization is \$38,240.	94,618	
Bond premiums total \$70,855 and accumulated amortization is \$17,029.	(53,826)	
	40,792	43,892
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
	199,605	197,903
 Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds	(2,845,000)	
Revenue bonds	(1,435,000)	
Capital lease obligations	(47,595)	
Accrued interest payable	(68,856)	
Compensated absences	(330,621)	
Other post-employment benefits	(24,100)	
	(4,751,172)	(5,086,413)
Total Net Assets – Governmental Activities	\$ 7,828,365	\$ 8,143,244

TOWN OF VINTON, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
Year Ended June 30, 2011

	General Fund	
	2011	(For Comparison Only) 2010
REVENUES		
General property taxes	\$ 431,418	\$ 403,172
Other local taxes	4,035,740	3,942,775
Permits, privilege fees, and regulatory licenses	10,242	12,116
Fines and forfeitures	102,566	94,548
Revenues from use of money and property	118,560	156,533
Charges for services	355,606	328,116
Other	16,860	3,562
Gain sharing	527,420	435,113
Recovered costs	170,511	150,488
Contribution from Roanoke County	-	5,807
Non-categorical aid	407,876	405,975
Categorical aid	1,197,925	1,173,407
Total revenues	<u>7,374,724</u>	<u>7,111,612</u>
EXPENDITURES		
Current:		
General government administration	628,386	641,853
Public safety	3,250,590	3,200,859
Public works	1,990,381	2,164,328
Parks, recreation, and cultural	551,240	574,215
Community development	333,617	365,366
Capital projects	114,309	90,570
Debt service:		
Principal retirement	260,501	253,500
Interest and fiscal charges	195,608	205,189
Total expenditures	<u>7,324,632</u>	<u>7,495,880</u>
Excess (deficiency) of revenues over expenditures	<u>50,092</u>	<u>(384,268)</u>
OTHER FINANCING SOURCES		
Proceeds from sale of capital assets	2,124	17,491
Transfers in	-	78,466
Total other financing sources	<u>2,124</u>	<u>95,957</u>
Net change in fund balances	52,216	(288,311)
FUND BALANCES AT JULY 1	<u>1,683,185</u>	<u>1,971,496</u>
FUND BALANCES AT JUNE 30	<u>\$ 1,735,401</u>	<u>\$ 1,683,185</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011**

	<u>General Fund</u>	
		<u>(For Comparison Only)</u>
	<u>2011</u>	<u>2010</u>
Net change in fund balances governmental fund	\$ 52,216	\$ (288,311)
Amounts reported for governmental activities in the statement of activities are different because:		
The net effect of the change in accrued interest expense, which is not reflected in the fund statements.	4,549	4,502
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$864,358) exceeded capital outlays (\$163,420) in the current period.	(700,938)	(855,858)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,701	59,589
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report issuance costs, premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of those differences.	257,401	250,400
Some items reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of a decrease in compensated absences of \$80,398 and an increase in other post-employment benefits of \$(10,206).	70,192	(63,186)
Change in net assets of governmental activities	<u>\$ (314,879)</u>	<u>\$ (892,864)</u>

TOWN OF VINTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
REVENUES				
General property taxes	\$ 531,332	\$ 531,332	\$ 431,418	\$ (99,914)
Other local taxes	3,993,000	3,993,000	4,035,740	42,740
Permits, privilege fees, and regulatory licenses	11,500	11,500	10,242	(1,258)
Fines and forfeitures	116,500	116,500	102,566	(13,934)
Revenues from use of money and property	152,000	152,000	118,560	(33,440)
Charges for services	342,000	343,661	355,606	11,945
Other	21,000	13,500	16,860	3,360
Gain sharing	450,000	450,000	527,420	77,420
Recovered costs	143,500	147,754	170,511	22,757
Non-categorical aid	405,096	405,096	407,876	2,780
Categorical aid	1,111,153	1,178,181	1,197,925	19,744
Total revenues	<u>7,277,081</u>	<u>7,342,524</u>	<u>7,374,724</u>	<u>32,200</u>
EXPENDITURES				
Current:				
General government administration	642,013	642,012	628,386	13,626
Public safety	3,253,701	3,268,484	3,250,590	17,894
Public works	1,937,564	1,979,090	1,990,381	(11,291)
Parks, recreation, and cultural	567,523	588,734	551,240	37,494
Community development	344,800	348,485	333,617	14,868
Capital projects	79,710	206,179	114,309	91,870
Debt service:				
Principal retirement	260,501	260,501	260,501	-
Interest and fiscal charges	196,269	196,269	195,608	661
Total expenditures	<u>7,282,081</u>	<u>7,489,754</u>	<u>7,324,632</u>	<u>165,122</u>
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	5,000	5,000	2,124	(2,876)
Transfers in	51,500	51,500	-	(51,500)
Total other financing sources	<u>56,500</u>	<u>56,500</u>	<u>2,124</u>	<u>(54,376)</u>
Net change in fund balance	<u>\$ 51,500</u>	<u>\$ (90,730)</u>	<u>\$ 52,216</u>	<u>\$ 142,946</u>

TOWN OF VINTON, VIRGINIA

STATEMENT OF NET ASSETS
PROPRIETARY FUND

June 30, 2011

	Business-type Activities – Enterprise Fund Water and Sewer	
	2011	(For Comparison Only) 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 310,112	\$ 54,505
Cash and cash equivalents, restricted	330,078	731,677
Receivables, net	566,657	499,880
Inventories	31,589	36,028
Prepaid items	14,211	15,786
Total current assets	<u>1,252,647</u>	<u>1,337,876</u>
Noncurrent assets:		
Bond issue costs, net	70,777	75,107
Capital assets:		
Nondepreciable	213,671	723,107
Depreciable, net	11,279,325	11,184,968
Total noncurrent assets	<u>11,563,773</u>	<u>11,983,182</u>
Total assets	<u>12,816,420</u>	<u>13,321,058</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	113,777	118,951
Accrued payroll and related liabilities	8,242	44,242
Accrued interest payable	91,579	95,706
Current portion of noncurrent liabilities	430,936	415,735
Total current liabilities	<u>644,534</u>	<u>674,634</u>
Noncurrent liabilities:		
Due in more than one year	6,491,096	6,911,635
Total noncurrent liabilities	<u>6,491,096</u>	<u>6,911,635</u>
Total liabilities	<u>7,135,630</u>	<u>7,586,269</u>
NET ASSETS		
Invested in capital assets, net of related debt	5,019,517	5,437,639
Unrestricted	661,273	297,150
Total net assets	<u>\$ 5,680,790</u>	<u>\$ 5,734,789</u>

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2011

	Business-type Activities –	
	Enterprise Fund	
	Water and Sewer	
	(For Comparison Only)	
	2011	2010
OPERATING REVENUES		
Water service charges and fees	\$ 1,206,891	\$ 1,104,196
Sewer service charges and fees	1,418,951	1,292,309
Water/sewer penalties	46,314	43,129
Other revenue	275,208	298,591
Total operating revenues	<u>2,947,364</u>	<u>2,738,225</u>
OPERATING EXPENSES		
Salaries	777,762	809,286
Fringe benefits	276,825	274,419
Contractual services	43,802	65,168
Maintenance	32,173	48,507
Rent, utilities, and insurance	279,090	361,056
Materials and supplies	112,787	112,621
Equipment repairs and rentals	21,144	36,998
Sewage treatment	334,336	345,141
Purchase of water	116,645	141,569
Other	146,202	166,953
Depreciation	632,179	658,380
Amortization	4,330	4,330
Total operating expenses	<u>2,777,275</u>	<u>3,024,428</u>
Operating income (loss)	<u>170,089</u>	<u>(286,203)</u>
NON-OPERATING REVENUE (EXPENSE)		
Interest income	1,601	3,551
Interest expense	(225,689)	(195,038)
Loss on disposal of capital asset	-	(19,461)
Net non-operating expense	<u>(224,088)</u>	<u>(210,948)</u>
Loss before transfers	(53,999)	(497,151)
TRANSFERS OUT	-	(78,466)
Change in net assets	(53,999)	(575,617)
NET ASSETS AT JULY 1	<u>5,734,789</u>	<u>6,310,406</u>
NET ASSETS AT JUNE 30	<u>\$ 5,680,790</u>	<u>\$ 5,734,789</u>

TOWN OF VINTON, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2011

EXHIBIT 10

	Business-type Activities – Enterprise Fund Water and Sewer	
	(For Comparison Only)	
	2011	2010
OPERATING ACTIVITIES		
Receipts from customers	\$ 2,605,379	\$ 2,372,827
Receipts from other sources	275,208	298,591
Payments to suppliers	(1,070,631)	(1,314,701)
Payments to employees	(1,093,039)	(1,071,607)
Net cash provided by operating activities	716,917	285,110
NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	-	(78,466)
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(231,808)	(775,899)
Principal paid on long-term liabilities	(399,218)	(385,135)
Interest paid	(233,484)	(202,673)
Net cash used in capital and related financing activities	(864,510)	(1,363,707)
INVESTING ACTIVITIES		
Interest received on investments	1,601	3,551
Net decrease in cash and cash equivalents	(145,992)	(1,153,512)
CASH AND CASH EQUIVALENTS		
Beginning at July 1	786,182	1,939,694
Ending at June 30	\$ 640,190	\$ 786,182
RECONCILIATION TO EXHIBIT 8		
Cash and cash equivalents	\$ 310,112	\$ 54,505
Cash and cash equivalents, restricted	330,078	731,677
	\$ 640,190	\$ 786,182
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 170,089	\$ (286,203)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	636,509	662,710
Change in certain assets and liabilities:		
(Increase) decrease in:		
Receivables, net	(66,777)	(66,807)
Inventories	4,439	3,968
Prepaid items	1,575	(1,698)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(28,918)	(26,860)
Net cash provided by operating activities	\$ 716,917	\$ 285,110
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital asset purchases included in accounts payable	\$ -	\$ 14,708

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

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

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

Jointly Governed Organizations

Roanoke Valley Resource Authority:

The Town of Vinton, Roanoke County, and the City of Roanoke jointly participate in the Roanoke Valley Resource Authority, which operates a regional solid waste disposal system that includes a sanitary landfill, waste collection, and transfer station. The Authority is governed by a board composed of seven members appointed by the governing bodies of participating jurisdictions. Town Council appoints one member. The Town has control over the budget and financing of the Authority only to the extent of representation by the board member appointed. The participating localities are each responsible for their pro-rata share, based on population, of any year-end operating deficit. For the year ended June 30, 2011, the Town remitted \$178,326 to the Authority for services. A separate financial statement can be obtained from the Roanoke Valley Resource Authority, 110 Hollins Road, NE, Roanoke, Virginia 24012.

Roanoke Valley Regional Pound Facility:

The Counties of Roanoke and Botetourt, the City of Roanoke, the Town of Vinton, and the Roanoke Valley Society for the Prevention of Cruelty to Animals, Inc. formed the Advisory Board of the Roanoke Valley Regional Pound Facility to construct and operate a regional pound facility. The Board is composed of nine members. Each locality's financial obligation is based on the number of animals caged per day at the facility. The Town's proportionate share totaled \$39,855 for the year ended June 30, 2011. Separate financial statements are not available.

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Joint Venture

Regional Fire Training Facility:

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

B. Individual Component Unit Disclosures

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

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *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 the governmental fund and proprietary fund.

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary fund:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

E. Budgets and Budgetary Accounting

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

- 1) Prior to June 30, the Town Manager submits to Council a proposed operating and capital budget for the fiscal year commencing the following July 1. This budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain citizen comments.
- 3) Prior to June 30, the budgets for the general and enterprise funds are legally enacted through passage of an appropriations ordinance. Town Council may, from time to time, amend the budget providing for additional expenditures and the means for financing them. Town Council approved additional general fund appropriations of approximately \$207,673 during the fiscal year ended June 30, primarily for capital projects deferred from the prior year and additional operating expenditures.
- 4) The appropriations ordinance places legal restrictions on expenditures at the department or function level. Management can over-expend at the line item level without approval of Town Council. The appropriation for each department or function can be revised only by Town Council. The Town Manager is authorized to transfer budget amounts within departments. All budget data presented in Exhibit 7 is at the legal level of budgetary control.

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting (Continued)

- 5) Formal budgetary integration is employed as a management control device during the year for the general and enterprise funds.
- 6) Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 7) Appropriations lapse on June 30.
- 8) All budget data presented in the accompanying financial statements are revised as of June 30.

F. Cash and Cash Equivalents

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

G. Allowance for Uncollectible Accounts

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

H. Inventories

Inventories in the general and enterprise funds are valued at the lower of cost (first-in, first-out) or market method.

I. Capital Assets

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

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

TOWN OF VINTON, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

Note 1. Summary of Significant Accounting Policies (Continued)

I. Capital Assets (Continued)

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

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

J. Capitalization of Interest

The Town follows the policy of capitalizing net interest costs on funds borrowed to finance the construction of proprietary capital assets. Interest is not capitalized on the construction of assets used in governmental activities. There was \$19,738 of interest capitalized for the year ended June 30, 2011.

K. Compensated Absences

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

L. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, *long-term debt* and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

M. Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The classifications are as follows:

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

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

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

Minimum Fund Balance Policy

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

N. Estimates

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

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

O. Comparative Information

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

P. Reclassifications

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

Note 2. Deposits and Investments

Deposits

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

Investments

Investment Policy:

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

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Credit Risk:

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

As of June 30, 100% of the portfolio was invested in “AAAm” rated securities. All credit ratings presented in this paragraph are Standard & Poor’s short-term issue credit ratings.

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

Interest Rate Risk:

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity*</u>
Virginia LGIP	\$ 1,921,997	AAAm	37.55
Money Market Funds – Wells Fargo (Heritage)	<u>330,079</u>	AAAm	2.35
Total investments	<u>\$ 2,252,076</u>		
Portfolio weighted average maturity			39.90

* Weighted average maturity in days.

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Custodial Credit Risk:

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

	Fair Value
Investments	\$ 2,252,076
Deposits	710,123
Total deposits and investments	\$ 2,962,199
Reconciliation of deposits and investments to Exhibit 1:	
Cash and cash equivalents, excluding \$2,662 cash on hand	\$ 2,609,981
Cash and cash equivalents, restricted	352,218
Total deposits and investments	\$ 2,962,199

Restricted cash and cash equivalents consists primarily of unused bond proceeds.

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 3. Receivables

Receivables consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Receivables			
Taxes	\$ 411,031	\$ -	\$ 411,031
Accounts	11,780	633,657	645,437
	<u>422,811</u>	<u>633,657</u>	<u>1,056,468</u>
Gross receivables			
Allowance for uncollectibles	(108,681)	(67,000)	(175,681)
Receivables, net	<u>\$ 314,130</u>	<u>\$ 566,657</u>	<u>\$ 880,787</u>

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Included in receivables:			
Delinquent property taxes receivable	\$ 16,905	\$ 89,895	\$ 106,800
Vehicle license fee	29,450	-	29,450
Sales tax	94,519	-	94,519
Communication taxes	24,332	-	24,332
Overcharges	24,955	-	24,955
Intergovernmental	1,155	-	1,155
Other taxes and fees	8,289	-	8,289
	<u>199,605</u>	<u>89,895</u>	<u>289,500</u>
Included in cash:			
Subsequent years' tax collections	-	537,448	537,448
Deposits on facility use	-	11,778	11,778
	<u>-</u>	<u>549,226</u>	<u>549,226</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 199,605</u>	<u>\$ 639,121</u>	<u>\$ 838,726</u>

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 4. Due from Other Governmental Units

A summary of funds due from other governmental units was as follows:

Commonwealth of Virginia	
Communication taxes	\$ 53,923
Miscellaneous non-categorical aid	43,124
	97,047
County of Roanoke	
Local sales taxes	212,914
Vinton Business Center	1,155
Refuse Credit	55,000
Transport fees	14,721
Court fines	6,569
	290,359
	\$ 387,406

Note 5. Capital Assets

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 1,706,089	\$ -	\$ -	\$ 1,706,089
Construction in progress	88,889	20,114	21,961	87,042
Total capital assets, not depreciated	1,794,978	20,114	21,961	1,793,131
Capital assets, depreciated				
Buildings and improvements	9,304,851	46,330	25,728	9,325,453
Machinery and equipment	3,899,454	118,937	148,770	3,869,621
Infrastructure	2,432,674	-	-	2,432,674
Total capital assets, depreciated	15,636,979	165,267	174,498	15,627,748
Less accumulated depreciation for:				
Buildings and improvements	2,670,822	287,897	25,728	2,932,991
Machinery and equipment	2,833,058	484,307	148,770	3,168,595
Infrastructure	623,400	92,154	-	715,554
Total accumulated depreciation	6,127,280	864,358	174,498	6,817,140
Total capital assets, depreciated, net	9,509,699	(699,091)	-	8,810,608
Governmental activities capital assets, net	\$ 11,304,677	\$ (678,977)	\$ 21,961	\$ 10,603,739

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 5. Capital Assets (Continued)

<u>Business-type activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated				
Land	\$ 80,752	\$ -	\$ -	\$ 80,752
Construction in progress	642,354	217,101	726,536	132,919
Total capital assets, not depreciated	<u>723,106</u>	<u>217,101</u>	<u>726,536</u>	<u>213,671</u>
Capital assets, depreciated				
Utility plant	17,004,501	726,536	-	17,731,037
Sewage treatment contract	3,816,857	-	-	3,816,857
Machinery and equipment	1,105,406	-	-	1,105,406
Total capital assets, depreciated	<u>21,926,764</u>	<u>726,536</u>	<u>-</u>	<u>22,653,300</u>
Less accumulated depreciation for:				
Utility plant	9,206,430	452,121	-	9,658,551
Sewage treatment contract	768,713	130,118	-	898,831
Machinery and equipment	766,653	49,940	-	816,593
Total accumulated depreciation	<u>10,741,796</u>	<u>632,179</u>	<u>-</u>	<u>11,373,975</u>
Total capital assets, depreciated, net	<u>11,184,968</u>	<u>94,357</u>	<u>-</u>	<u>11,279,325</u>
Business-type activities capital assets, net	<u>\$ 11,908,074</u>	<u>\$ 311,458</u>	<u>\$ 726,536</u>	<u>\$ 11,492,996</u>

Included in Governmental Activities' capital assets is equipment with a cost of \$227,500 and accumulated amortization of \$178,208 financed by a capital lease.

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

Governmental activities	
General government	\$ 324,075
Public safety	249,446
Public works	259,337
Parks, recreation, and cultural	31,500
	<u>\$ 864,358</u>
Business-type activities	
Water and sewer	<u>\$ 632,179</u>

Construction Commitments

The Town has no active construction projects as of June 30, 2011. The Town does have partially completed construction in progress, but there are no outstanding construction commitments related to these items. The construction in progress for governmental activities is related to design and study costs that the Town has done for future projects. The amounts in construction in progress in the water and sewer fund are engineering costs associated with the Tinker Creek Phase II project. As of the end of the year, the Town doesn't have enough funding to fully complete this project as originally designed. The Town will revamp the designs for this project and bid the work out in the next few years.

TOWN OF VINTON, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

Note 5. Capital Assets (Continued)

Sewage Treatment Contract

Through its participation in an agreement with four other localities for expansion of the regional sewage treatment plant and interceptors, the Town received contractual rights to predetermined capacity in both the plant and interceptors through 2034. This expansion was completed in 2001 at a cost to the Town of approximately \$1.2 million.

Modifications costing approximately \$46.0 million were completed in June 2008. The Town's share of the costs were approximately 5.6% or \$2.6 million, which was partially funded with general obligation bonds issued in fiscal year 2005 through the Virginia Resources Authority.

The Town is required to contribute \$66,000 annually to a capital reserve fund for ongoing maintenance of the system.

Note 6. Long-Term Liabilities

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 2,990,000	\$ -	\$ 145,000	\$ 2,845,000	\$ 145,000
Revenue bonds	1,505,000	-	70,000	1,435,000	75,000
Bond Premiums	57,369	-	3,543	53,826	3,543
Capital leases	93,096	-	45,501	47,595	47,595
Compensated absences	411,019	20,619	101,017	330,621	82,110
Other postemployment benefits	13,894	51,024	40,818	24,100	-
	<u>\$ 5,070,378</u>	<u>\$ 71,643</u>	<u>\$ 405,879</u>	<u>\$ 4,736,142</u>	<u>\$ 353,248</u>
Business-type Activities					
General obligation bonds	\$ 4,558,026	\$ -	\$ 299,218	\$ 4,258,808	\$ 312,975
Revenue bonds	2,655,000	-	100,000	2,555,000	105,000
Bond Premiums	64,194	-	3,668	60,526	3,668
Compensated absences	48,794	6,741	10,189	45,346	9,293
Other postemployment benefits	1,356	4,978	3,982	2,352	-
	<u>\$ 7,327,370</u>	<u>\$ 11,719</u>	<u>\$ 417,057</u>	<u>\$ 6,922,032</u>	<u>\$ 430,936</u>

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

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 6. Long-Term Liabilities (Continued)

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

Fiscal Year	Governmental Activities						Business-type Activities			
	General Obligation Bonds		Revenue Bonds		Capital Leases		General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 145,000	\$ 120,573	\$ 75,000	\$ 62,941	\$ 47,595	\$ 2,190	\$ 312,975	\$ 135,695	\$ 105,000	\$ 115,425
2013	155,000	114,672	75,000	60,064	-	-	324,498	124,172	110,000	111,125
2014	160,000	108,260	75,000	57,078	-	-	268,204	112,209	115,000	106,625
2015	165,000	101,873	80,000	54,002	-	-	237,382	103,649	120,000	101,925
2016	170,000	95,272	85,000	50,953	-	-	244,924	96,106	120,000	97,125
2017-2021	960,000	363,587	470,000	197,838	-	-	1,347,436	358,719	685,000	407,613
2022-2026	1,010,000	132,469	520,000	81,274	-	-	1,440,022	132,910	880,000	219,500
2027-2030	80,000	4,000	55,000	2,668	-	-	83,367	1,300	420,000	21,250
	<u>\$ 2,845,000</u>	<u>\$ 1,040,706</u>	<u>\$ 1,435,000</u>	<u>\$ 566,818</u>	<u>\$ 47,595</u>	<u>\$ 2,190</u>	<u>\$ 4,258,808</u>	<u>\$ 1,064,760</u>	<u>\$ 2,555,000</u>	<u>\$ 1,180,588</u>

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 6. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General Obligation Bonds:						
Virginia Resources Authority Taxable:						
G.O. Water and Sewer Bonds	3.00%	01/17/97	12/01/13	\$ 1,120,000	\$ -	\$ 236,500
Virginia Revolving Loan Fund:						
G.O. Water and Sewer Bonds	3.30%	07/24/03	07/01/24	1,250,704	-	946,845
G.O. Water and Sewer Bonds	3.10%	10/01/04	10/01/26	2,479,000	-	2,084,047
G.O. Water and Sewer Bonds	3.10%	01/12/06	03/01/26	1,210,000	-	991,416
Virginia Association of Counties:						
G.O. Public Improvement Bonds	2.50-4.38%	12/15/04	08/21/24	2,500,000	1,915,000	-
G.O. Public Improvement Bonds	3.75-5.25%	02/08/07	02/01/27	1,045,000	930,000	-
					<u>2,845,000</u>	<u>4,258,808</u>
				Plus bond premium, net of amortization	35,305	-
					<u>\$ 2,880,305</u>	<u>\$ 4,258,808</u>
Revenue Bonds:						
Virginia Resources Authority:						
Infrastructure Revenue Bonds	2.38-4.48%	11/04/04	10/01/24	\$ 1,015,000	\$ 785,000	\$ -
Infrastructure Revenue Bonds	3.64-4.96%	06/01/06	10/01/26	755,000	650,000	-
Virginia Association of Counties:						
Revenue Water and Sewer Bonds	3.50-5.00%	12/19/07	08/01/27	2,750,000	-	2,555,000
					<u>1,435,000</u>	<u>2,555,000</u>
				Plus bond premium, net of amortization	18,521	60,526
					<u>\$ 1,453,521</u>	<u>\$ 2,615,526</u>
Capital Leases:						
First Capital Equipment Leasing	4.60%	07/16/07	08/01/11	\$ 227,500	<u>\$ 47,595</u>	<u>\$ -</u>

(Continued)

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 7. Defined Benefit Pension Plan

Plan Description

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

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

TOWN OF VINTON, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

Note 7. Defined Benefit Pension Plan

Plan Description (Continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is -0-%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended June 30, 2011 was 8.48% of the annual covered payroll.

Annual Pension Cost

For the fiscal year ended June 30, 2011, the Town's annual pension cost of \$452,742 for VRS was equal to the required and actual contributions.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 452,742	100 %	\$ -
June 30, 2010	\$ 477,750	100 %	\$ -
June 30, 2009	\$ 473,590	100 %	\$ -

TOWN OF VINTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 7. Defined Benefit Pension Plan (Continued)

The fiscal year 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases also included an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 86.81% funded. The actuarial accrued liability for benefits was \$14,175,236, and the actuarial value of assets was \$12,305,195, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,870,041. The covered payroll (annual payroll of active employees covered by the plan) was \$3,513,612, and the ratio of the UAAL to the covered payroll was 53.22%.

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

Note 8. Other Post-Employment Benefits

Plan Description

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

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

The plan does not provide audited financial statements.

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 8. Other Post-Employment Benefits (Continued)

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2011, the Town's annual OPEB cost (expense) of \$55,900 was equal to its Annual Required Contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. For the year ended 2011, the Town's pay-as-you-go funding totaled \$44,800 and resulted in a Net OPEB obligation of \$26,452. The pay-as-you-go funding includes the Town's contribution towards retiree health care premiums of \$4,820, and an implicit subsidy of the retiree health care premiums created through the blending of active employee and retiree insurance rates.

Annual required contribution	\$	55,900
Interest on net OPEB obligation		610
Adjustment to annual required contribution		(508)
		56,002
Annual OPEB cost		56,002
Less funding		(44,800)
		11,202
Increase in net OPEB obligation		11,202
Net OPEB obligation-beginning of year		15,250
		26,452
Net OPEB obligation-end of year	\$	26,452

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and 2010 are as follows:

Fiscal Year Ended	OPEB Obligation	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 56,002	80.0%	\$ 26,452
June 30, 2010	55,400	72.5%	\$ 15,250

TOWN OF VINTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 8. Other Post-Employment Benefits (Continued)

Funded Status and Funding Progress

As of January 1, 2009, the Town's most recent actuarial valuation date, the unfunded actuarial accrued liability (UAAL) for benefits was \$479,500, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,715,300, and the ratio of the UAAL to the covered payroll was 12.91%.

Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

In the January 1, 2009 actuarial valuation, the projected unit credit cost method was used to determine the liabilities. Under this method, the post-retirement health costs are assumed to be earned ratably from the date of hire to the participant's full eligibility age. The actuarial assumptions used a 4% discount rate and an initial annual healthcare cost trend of 6.8% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 4.5%. The unfunded accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2010 is 29 years.

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

TOWN OF VINTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 9. Service Contracts

Sewage Treatment

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

Water Purchases/Sales

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

Note 10. Property Taxes

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

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

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

Real estate	\$.03
Personal property	\$	1.00
Machinery and tools	\$	1.00

Note 11. Leases

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

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 12. Risk Management

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

Workers' Compensation

Workers' compensation insurance is provided through the Virginia Municipal League. During 2010-2011, total premiums paid were approximately \$79,000. Benefits are those afforded through Commonwealth of Virginia as outlined in the *Code of Virginia* Section 65.2-100; premiums are based upon covered payroll, job rates, and claims experience.

General Liability

The Town provides general liability and other insurance through policies with Virginia Municipal Self-Insurance Association. During 2010-2011, total premiums paid were approximately \$170,000. General liability and business automobile have a \$1,000,000 limit per occurrence. Boiler and machinery coverage and property insurance are covered per statement of values. The Town maintains an additional \$4,000,000 umbrella policy over all forms of liability insurance. Police professional liability and public officials' liability insurance with a \$1,000,000 limit are covered through a policy with the Commonwealth of Virginia.

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

Healthcare

The Town provides healthcare coverage for employees through a policy with Anthem Blue Cross Blue Shield. The Town contributes the required premium amount for single coverage for each employee. Dependents of employees are also covered by the policy provided they pay the additional premium to the Town. During 2010-2011, total premiums paid were approximately \$555,000.

Note 13. Commitments and Contingencies

Special Purpose Grants

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

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 13. Commitments and Contingencies (Continued)

Landfill Closure and Post-Closure Costs

As discussed in Note 1, the Town participates in the Roanoke Valley Resource Authority. The Authority currently has responsibility for closure and post-closure care related to the new Smith Gap landfill, the transfer station, and the old landfill site formerly owned by the Roanoke Valley Regional Solid Waste Management Board.

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

Gain Sharing Agreement – Vinton Business Center

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

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

Note 14. Major Customer/Taxpayer

During fiscal year 2011, approximately 8.0% of the Town's business-type revenues were generated by one industrial customer.

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 15. Fund Balances

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

	General Fund
Nonspendable:	
Inventories	\$ 505
Prepays	65,836
Total nonspendable	66,341
Restricted for:	
Public safety	22,140
Public works	330,078
Community development	20,053
Total restricted	372,271
Assigned to:	
Community development	100,000
Total assigned	100,000
Unassigned	1,196,789
Total fund balance	\$ 1,735,401

Note 16. Subsequent Event

On September 6, 2011, the Town and Roanoke County reached an agreement to purchase property at 304 South Pollard Street for a future Roanoke County/Vinton Branch Library to be built by Roanoke County. The property is being sold for \$1.25 million, and the Town will be responsible for half of that amount or \$625,000. Roanoke County will be responsible for the remainder of the costs. The Town will make an additional \$100,000 good faith deposit and the remaining costs for the project will be spread out over the next 10 years. The Town will pay \$50,000 each year for years one through five, and \$55,000 per year in years six through ten. Roanoke County will own the property and add it to its capital assets.

Note 17. New Accounting Standards

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

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, was issued address issues related to the use of the alternative measurement method, and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The statement amends GASB No. 45, to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. This statement will be effective for the year ending June 30, 2012.

TOWN OF VINTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 17. New Accounting Standards (Continued)

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB pronouncements issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*, is intended to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. This statement will be effective for the year ending June 30, 2013.

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

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF VINTON, VIRGINIA

ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN

June 30, 2011

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c) UAAL as of Percentage of Covered Payroll
June 30, 2010	\$ 12,305,195	\$ 14,175,236	\$ 1,870,041	86.81%	\$ 3,513,612	53.22%
June 30, 2009	\$ 12,201,884	\$ 13,108,688	\$ 906,804	93.08%	\$ 3,601,670	25.18%
June 30, 2008	\$ 12,035,517	\$ 12,518,772	\$ 483,255	96.14%	\$ 3,225,456	14.98%
June 30, 2007	\$ 10,981,805	\$ 11,558,591	\$ 576,786	95.01%	\$ 3,156,124	18.28%
June 30, 2006	\$ 9,702,178	\$ 9,524,237	\$ (177,941)	101.87%	\$ 2,787,681	(6.38)%
June 30, 2005	\$ 9,259,266	\$ 9,590,278	\$ 331,012	96.55%	\$ 2,519,480	13.14%

TOWN OF VINTON, VIRGINIA

ANALYSIS OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

June 30, 2011

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

STATISTICAL SECTION

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

<u>Contents</u>	<u>Table</u>
Financial Trends	1-4
These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	
Revenue Capacity	5-8
These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes, as well as customer rates for its water and sewer operations.	
Debt Capacity	9-11
These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	
Demographic and Economic Information	12-13
These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	14-16
These schedules contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates to the services the Town provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The Town implemented Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

TABLE 1

TOWN OF VINTON, VIRGINIA

NET ASSETS BY COMPONENT
Last Nine Fiscal Years
(accrual basis of accounting)

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities									
Invested in capital assets, net of related debt	\$ 6,316,937	\$ 6,760,474	\$ 7,365,632	\$ 7,763,470	\$ 7,500,994	\$ 7,237,168	\$ 6,683,653	\$ 5,775,255	\$ 4,943,882
Restricted	20,053	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Unrestricted	1,491,375	1,362,770	1,650,476	2,451,898	3,431,442	3,238,092	3,355,212	3,471,498	4,050,589
Total governmental activities net assets	\$ 7,828,365	\$ 8,143,244	\$ 9,036,108	\$ 10,235,368	\$ 10,952,436	\$ 10,495,260	\$ 10,058,865	\$ 9,266,753	\$ 9,014,471
Business-type activities									
Invested in capital assets, net of related debt	\$ 5,019,517	\$ 5,437,639	\$ 5,342,230	\$ 5,497,604	\$ 5,555,583	\$ 6,072,220	\$ 6,042,240	\$ 6,176,039	\$ 6,388,053
Unrestricted	661,273	297,150	968,176	1,255,035	1,837,429	1,882,467	2,027,777	2,109,040	2,216,182
Total business-type activities net assets	\$ 5,680,790	\$ 5,734,789	\$ 6,310,406	\$ 6,752,639	\$ 7,393,012	\$ 7,954,687	\$ 8,070,017	\$ 8,285,079	\$ 8,604,235
Primary government									
Invested in capital assets, net of related debt	\$ 11,336,454	\$ 12,198,113	\$ 12,707,862	\$ 13,261,074	\$ 13,056,577	\$ 13,309,388	\$ 12,725,893	\$ 11,951,294	\$ 11,331,935
Restricted	20,053	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Unrestricted	2,152,648	1,659,920	2,618,652	3,706,933	5,268,871	5,120,559	5,382,989	5,580,538	6,266,771
Total primary government net assets	\$ 13,509,155	\$ 13,878,033	\$ 15,346,514	\$ 16,988,007	\$ 18,345,448	\$ 18,449,947	\$ 18,128,882	\$ 17,551,832	\$ 17,618,706

Note: The Town began to report accrual information when it completed GASB Statement 34 in fiscal year 2003.

TABLE 2

TOWN OF VINTON, VIRGINIA

CHANGE IN NET ASSETS BY COMPONENT

Last Nine Fiscal Years
(accrual basis of accounting)

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses									
Governmental activities									
General government	\$ 934,388	\$ 1,023,227	\$ 1,037,073	\$ 906,072	\$ 1,842,084	\$ 758,537	\$ 758,738	\$ 687,073	\$ 736,478
Public safety	3,397,562	3,446,746	3,593,946	3,407,536	3,454,713	2,973,885	2,678,245	2,693,087	2,405,198
Public works	2,243,111	2,457,832	2,455,754	2,905,249	2,058,379	1,583,537	1,505,832	1,201,386	1,409,330
Parks, recreation, and cultural	583,569	617,778	610,756	575,895	300,854	456,343	544,242	535,102	538,083
Community development	339,983	393,160	339,304	227,303	218,941	206,510	196,075	223,272	196,691
Interest on long-term debt	194,159	203,787	211,189	220,551	188,966	140,534	148,719	5,295	7,268
Total governmental activities	7,692,772	8,142,530	8,248,022	8,242,606	8,063,937	6,119,346	5,831,851	5,345,215	5,293,048
Business-type activities									
Water and sewer	3,002,964	3,238,927	3,189,315	3,148,236	3,035,847	2,380,728	2,174,939	2,197,396	1,863,274
Total business-type activities expense	3,002,964	3,238,927	3,189,315	3,148,236	3,035,847	2,380,728	2,174,939	2,197,396	1,863,274
Total primary government expenses	\$ 10,695,736	\$ 11,381,457	\$ 11,437,337	\$ 11,390,842	\$ 11,099,784	\$ 8,500,074	\$ 8,006,790	\$ 7,542,611	\$ 7,156,322
Program Revenues									
Governmental activities									
Charges for services	\$ 119,870	\$ 108,187	\$ 172,357	\$ 128,216	\$ 231,207	\$ 203,532	\$ 193,264	\$ 132,263	\$ 313,961
Public safety	110,380	110,175	132,382	114,274	110,220	114,267	113,917	113,966	113,434
Public works	466,306	489,901	436,835	450,338	370,838	502,979	544,415	586,866	440,873
Other activities	1,318,394	1,366,971	1,454,813	1,691,163	1,282,244	1,102,340	1,121,561	1,122,314	1,016,694
Operating grants and contributions	75,188	8,034	2,146	91,590	1,337,016	123,240	737,716	-	10,212
Capital grants and contributions	2,090,138	2,083,268	2,198,533	2,475,581	3,331,525	2,046,358	2,710,873	1,955,409	1,893,174
Total governmental activities program revenues	2,672,156	2,439,634	2,289,754	2,255,505	2,274,224	2,143,032	1,873,821	1,807,775	1,687,904
Business-type activities									
Charges for services	-	-	303,556	-	48,540	-	-	-	-
Water and sewer	2,672,156	2,439,634	2,593,310	2,255,505	2,322,764	2,143,032	1,873,821	1,807,775	1,687,904
Capital grants and contributions	4,762,294	4,522,902	4,791,843	4,731,086	5,654,289	4,189,390	4,584,694	3,763,184	3,583,078
Total business-type activities program revenues	\$ (5,602,634)	\$ (6,059,262)	\$ (6,049,489)	\$ (5,767,025)	\$ (4,732,412)	\$ (4,072,988)	\$ (3,120,978)	\$ (3,389,806)	\$ (3,397,874)
Total primary government program revenues	(330,808)	(799,293)	(596,005)	(892,731)	(713,083)	(237,696)	(301,118)	(389,621)	(175,370)
Net (expense) revenue	\$ (5,933,442)	\$ (6,858,555)	\$ (6,645,494)	\$ (6,659,756)	\$ (5,445,495)	\$ (4,310,684)	\$ (3,422,096)	\$ (3,779,427)	\$ (3,573,244)

(Continued)

TABLE 2

TOWN OF VINTON, VIRGINIA

CHANGE IN NET ASSETS BY COMPONENT
Last Nine Fiscal Years
(accrual basis of accounting)

	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property taxes	\$ 429,409	\$ 419,401	\$ 434,176	\$ 467,806	\$ 411,866	\$ 397,200	\$ 397,424	\$ 400,896	\$ 400,780
Sales tax	1,171,590	1,113,322	1,132,519	1,132,083	1,148,136	1,065,843	1,177,089	1,156,165	1,056,387
Business license tax	454,636	456,536	437,797	452,672	413,400	403,818	192,344	183,824	167,991
Meals tax	864,448	842,384	861,286	860,961	806,916	715,267	584,998	539,348	512,792
Other taxes	734,316	755,808	386,703	338,292	397,014	423,145	410,121	380,078	351,218
Utilities tax	801,264	803,044	795,268	804,812	790,308	719,289	734,279	558,704	475,006
Intergovernmental revenue not restricted	748,815	664,975	631,320	679,009	755,599	437,496	334,649	308,307	245,941
Investment earnings not restricted	1,904	3,187	28,917	112,672	210,193	147,368	80,837	36,694	59,870
Restricted investment earnings	-	-	187	11,087	145,554	113,317	37,903	-	-
Gain on disposal of property	-	-	-	-	-	51,366	-	48,103	-
Other	81,373	29,275	16,038	77,077	48,702	27,774	45,384	29,969	66,891
Transfers	-	78,466	126,018	113,486	61,900	7,500	-	-	-
Total governmental activities	5,287,755	5,166,398	4,850,229	5,049,957	5,189,588	4,509,383	3,995,028	3,642,088	3,336,876
Business-type activities:									
Investment earnings not restricted	1,174	1,824	16,719	67,772	110,024	76,855	42,669	21,425	34,977
Restricted investment earnings	427	1,727	26,873	47,234	-	-	-	-	-
Other	275,208	298,591	236,198	250,838	103,284	53,011	52,300	49,040	104,552
Transfers	-	(78,466)	(126,018)	(113,486)	(61,900)	(7,500)	-	-	-
Total business-type activities	276,809	223,676	153,772	252,358	151,408	122,366	94,969	70,465	139,529
Total primary government	\$ 5,564,564	\$ 5,390,074	\$ 5,004,001	\$ 5,302,315	\$ 5,340,996	\$ 4,631,749	\$ 4,089,997	\$ 3,712,553	\$ 3,476,405
Changes in Net Assets									
Governmental activities	\$ (314,879)	\$ (892,864)	\$ (1,199,260)	\$ (717,068)	\$ 457,176	\$ 436,395	\$ 874,050	\$ 252,282	\$ (60,998)
Business-type activities	(53,999)	(575,617)	(442,233)	(640,373)	(561,675)	(115,330)	(206,149)	(319,156)	(35,841)
Total primary government	\$ (368,878)	\$ (1,468,481)	\$ (1,641,493)	\$ (1,357,441)	\$ (104,499)	\$ 321,065	\$ 667,901	\$ (66,874)	\$ (96,839)

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

TABLE 3

TOWN OF VINTON, VIRGINIA

FUND BALANCES - GOVERNMENTAL FUND

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund									
Reserved	\$ 361,090	\$ 272,645	\$ 314,902	\$ 2,835,003	\$ 4,625,979	\$ 3,999,505	\$ 513,023	\$ 950,814	\$ 1,685,175
Unreserved	1,322,095	1,698,851	2,439,625	1,747,348	2,927,980	3,011,346	3,101,323	3,133,089	3,126,600
Total general fund	\$ 1,683,185	\$ 1,971,496	\$ 2,754,527	\$ 4,582,351	\$ 7,553,959	\$ 7,010,851	\$ 3,614,346	\$ 4,083,903	\$ 4,811,775

2011

Post-GASB 54 implementation:

General Fund	
Nonspendable	\$ 66,341
Restricted	372,271
Assigned	100,000
Unassigned	1,196,789
Total general fund	\$ 1,735,401

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

TABLE 4

TOWN OF VINTON, VIRGINIA
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues										
Taxes	\$ 4,467,158	\$ 4,345,947	\$ 4,049,513	\$ 4,084,586	\$ 3,914,205	\$ 3,726,456	\$ 3,488,354	\$ 3,199,342	\$ 2,897,003	\$ 2,863,030
Permits, privilege fees, and regulatory licenses	10,242	12,116	11,321	14,035	10,852	10,029	9,006	9,160	7,446	8,342
Fines and forfeitures	102,566	94,548	116,463	102,720	103,816	93,022	76,294	92,799	96,001	72,046
Revenue from use of money and property	118,560	156,533	201,341	298,369	527,343	436,303	301,240	228,260	254,994	318,000
Charges for services	355,606	328,116	319,293	270,521	190,513	323,882	358,378	518,493	290,325	231,775
Other	16,860	3,562	4,638	4,718	10,740	5,175	954	6,302	13,009	6,126
Intergovernmental	2,303,732	2,170,790	2,230,602	2,590,575	3,491,179	1,903,599	2,463,622	1,602,944	1,478,524	1,400,640
Total revenues	7,374,724	7,111,612	6,933,171	7,365,524	8,248,648	6,498,466	6,697,848	5,657,300	5,037,302	4,899,959
Expenditures										
General government	628,386	641,853	652,359	695,916	660,932	629,650	625,170	546,248	587,700	618,015
Public safety	3,250,590	3,200,859	3,259,980	3,379,924	3,209,720	2,813,661	2,514,263	2,520,584	2,209,600	1,884,686
Public works	1,990,381	2,164,328	2,219,226	2,357,040	1,779,490	1,479,899	1,438,886	1,440,888	1,434,811	1,337,518
Parks, recreation, and cultural	551,240	574,215	571,291	511,481	294,221	445,612	535,139	527,157	524,514	443,427
Community development	333,617	365,366	316,267	221,764	217,263	206,379	222,780	223,204	193,601	166,993
Capital projects	114,309	90,570	384,982	1,962,873	5,899,542	907,147	1,339,795	1,057,436	865,791	829,614
Debt service:										
Principal	260,501	253,500	241,585	208,404	154,021	148,208	46,616	59,126	55,106	33,722
Interest	195,608	205,189	212,090	208,912	202,495	157,905	99,758	5,295	7,264	6,091
Debt issuance costs	-	-	-	1,856	-	-	-	-	-	-
Total expenditures	7,324,632	7,495,880	7,857,780	9,548,170	12,417,684	6,788,461	6,822,407	6,379,938	5,878,387	5,320,066
Excess (deficiency) of revenues over expenditures	50,092	(384,268)	(924,609)	(2,182,646)	(4,169,036)	(289,995)	(124,559)	(722,638)	(841,085)	(420,107)
Other Financing Sources (Uses)										
Issuance of debt	-	-	-	227,500	1,045,000	755,000	3,515,000	-	113,213	-
Premium on issuance of debt	-	-	-	-	45,554	19,237	6,064	-	-	-
Proceeds from sale of capital assets	2,124	17,491	15,560	13,836	4,825	51,366	-	253,081	-	10,306
Transfers in	-	78,466	126,018	113,486	61,900	7,500	-	-	-	-
Total other financing sources	2,124	95,957	141,578	354,822	1,157,279	833,103	3,521,064	253,081	113,213	10,306
Net change in fund balances	\$ 52,216	\$ (288,311)	\$ (783,031)	\$ (1,827,824)	\$ (3,011,757)	\$ 543,108	\$ 3,396,505	\$ (469,557)	\$ (727,872)	\$ (409,801)
Debt service as a percentage of noncapital expenditures	6.33%	6.19%	6.07%	5.53%	5.47%	5.20%	2.67%	1.21%	1.24%	0.89%

TOWN OF VINTON, VIRGINIA

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public		Mobile Homes	Total Assessed Value
				Service Corporation			
2011	\$ 469,499,100	\$ 43,392,270	\$ 7,232,700	\$ 15,191,110	\$	47,740	\$ 535,362,920
2010	468,470,600	42,803,545	7,303,000	15,632,460		48,190	534,257,795
2009	463,014,500	47,556,110	7,191,835	14,933,569		51,675	532,747,689
2008	447,926,300	42,858,012	7,068,115	13,074,644		56,500	510,983,571
2007	429,817,400	40,691,155	7,665,980	14,387,422		60,775	492,622,732
2006	400,424,300	40,889,135	7,231,595	14,041,122		66,340	462,652,492
2005	377,493,200	39,382,275	7,273,105	14,186,848		78,425	438,413,853
2004	357,892,100	36,322,110	7,179,930	16,543,307		75,595	418,013,042
2003	378,146,535	39,232,928	6,098,125	16,054,317		89,965	439,621,870
2002	359,527,540	35,955,908	6,740,653	12,895,491		91,060	415,210,652

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

TABLE 6

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

Customer	Fiscal Year 2011			Fiscal Year 2002		
	Revenue	Rank	Percentage of Total Town Revenue	Revenue	Rank	Percentage of Total Town Revenue
Precision Fabrics Group, Inc.	\$ 227,256	1	7.99%	\$ 54,894	1	4.54%
Aramark	90,716	2	3.19%	54,208	2	4.48%
Cardinal Glass	67,662	3	2.38%	-	N/A	N/A
The Berkshire	55,072	4	1.94%	23,418	3	1.94%
Blue Ridge Manor Apartments	38,333	5	1.35%	16,341	6	1.35%
RGM Properties	37,535	6	1.32%	17,393	5	1.44%
Clearview Manor	33,880	7	1.19%	9,304	7	0.77%
Roanoke County Schools	28,009	8	0.98%	18,458	4	1.53%
Richard Dickerson/RL Mansard Sq	17,794	9	0.63%	9,179	8	0.76%
American Efficiency	8,195	10	0.29%	4,638	10	0.38%
Cardinal Clean Center	10,289	11	0.36%	7,719	9	0.64%
	<u>\$ 614,741</u>			<u>\$ 215,552</u>		

1) FY 2011 % was based on total water and sewer revenue of \$2,844,004

2) FY 2002 % was based on total water and sewer revenue of \$1,208,980

TOWN OF VINTON, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Fiscal Year	Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$ 634,445	\$ 591,743	93.27%	\$ -	\$ 591,743	93.27%
2010	637,392	607,701	95.34%	13,950	621,651	97.53%
2009	609,402	619,539	101.66%	16,229	635,768	104.33%
2008	634,952	655,404	103.22%	5,946	661,350	104.16%
2007	605,599	609,454	100.64%	10,024	619,478	102.29%
2006	593,382	594,866	100.25%	5,765	600,631	101.22%
2005	580,586	568,645	97.94%	4,765	573,410	98.76%
2004	543,144	562,510	103.57%	9,531	572,041	105.32%
2003	555,754	572,992	103.10%	7,450	580,442	104.44%
2002	615,779	587,012	95.33%	6,001	593,013	96.30%

Source: Detailed Town property tax records.

Note: Amount collected includes any penalties and interest on late payments.

TOWN OF VINTON, VIRGINIA

WATER AND SEWER RATES

Last Ten Fiscal Years

Fiscal Year	Residential ¹		Commercial ²	
	First 3,000 Gallons or Less		First 1,500 Gallons or Less	
	Water	Sewer	Water	Sewer
2011	\$ 15.92	\$ 23.39	\$ 7.97	\$ 11.68
2010	\$ 13.84	\$ 20.34	\$ 6.93	\$ 10.16
2009	\$ 12.59	\$ 18.49	\$ 6.30	\$ 9.24
2008	\$ 12.59	\$ 18.49	\$ 6.30	\$ 9.24
2007	\$ 11.77	\$ 15.84	\$ 5.89	\$ 7.92
2006	\$ 11.77	\$ 15.84	\$ 5.89	\$ 7.92
2005	\$ 11.00	\$ 13.20	\$ 5.50	\$ 6.60
2004	\$ 10.00	\$ 12.00	\$ 5.00	\$ 6.00
2003	\$ 10.00	\$ 12.00	\$ 5.00	\$ 6.00
2002	\$ 10.00	\$ 12.00	\$ 5.00	\$ 6.00

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

¹ Residential Minimum Charges are billed on a bi-monthly basis

² Commercial Minimum Charges are billed on a monthly basis

TABLE 9

TOWN OF VINTON, VIRGINIA

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Debt limit	\$ 53,536,292	\$ 53,425,780	\$ 53,274,769	\$ 44,792,630	\$ 42,981,740	\$ 40,042,300	\$ 37,757,163	\$ 35,796,770	\$ 37,823,650	\$ 35,961,860
Total net debt applicable to limit	7,103,808	7,548,025	7,978,160	8,394,491	8,753,625	7,140,228	5,643,925	1,772,906	881,868	945,348
Legal debt margin	<u>\$ 46,432,484</u>	<u>\$ 45,877,755</u>	<u>\$ 45,296,609</u>	<u>\$ 36,398,139</u>	<u>\$ 34,228,115</u>	<u>\$ 32,902,072</u>	<u>\$ 32,113,238</u>	<u>\$ 34,023,864</u>	<u>\$ 36,941,782</u>	<u>\$ 35,016,512</u>
Total net debt applicable to the limit as a percentage of debt limit	13.27%	14.13%	14.98%	18.74%	20.37%	17.83%	14.95%	4.95%	2.33%	2.63%

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	<u>\$ 535,362,920</u>
Debt limit (10% of assessed value)	\$ 53,536,292
Less debt applicable to limit: General obligation bonds	<u>7,103,808</u>
Legal debt margin	<u>\$ 46,432,484</u>

TOWN OF VINTON, VIRGINIA

TABLE 10

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities -- General Bonded Debt			Other Governmental Activities Debt		
	General Bonded Debt	Percentage of Actual Value		Per Capita	Capital Leases	Revenue Bonds
		Property	of Taxable			
2011	\$ 2,845,000	0.53%	\$ 351	\$ 47,595	\$ 1,435,000	
2010	2,990,000	0.56%	383	93,096	1,505,000	
2009	3,130,000	0.59%	397	136,595	1,575,000	
2008	3,265,000	0.64%	413	178,180	1,640,000	
2007	3,360,000	0.68%	424	4,084	1,700,000	
2006	2,410,000	0.52%	310	28,105	1,735,000	
2005	2,500,000	0.57%	321	51,313	1,015,000	
2004	-	0.00%	-	97,929	-	
2003	-	0.00%	-	157,055	-	
2002	-	0.00%	-	98,948	-	

Fiscal Year	Business-type Activities			Total		
	General Bonded Debt	Revenue Bonds		Primary Government	Percentage of Personal Income	
		Per Capita	Per Capita			
2011	\$ 4,258,808	\$ 2,555,000	\$ 11,141,403	244.23%	1,376	
2010	4,558,026	2,655,000	11,801,122	258.69%	1,510	
2009	4,848,160	2,750,000	12,439,755	272.69%	1,579	
2008	5,129,491	2,750,000	12,962,671	272.85%	1,640	
2007	5,393,625	-	10,457,709	242.99%	1,320	
2006	4,730,228	-	8,903,333	215.67%	1,144	
2005	3,143,925	-	6,710,238	169.62%	862	
2004	1,772,906	-	1,870,835	48.66%	240	
2003	881,868	-	1,038,923	28.31%	134	
2002	945,348	-	1,044,296	28.58%	134	

TOWN OF VINTON, VIRGINIA

PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2011	\$ 2,948,965	\$ 3,002,964	\$ (53,999)	\$ 399,218	\$ 225,689	(0.09)
2010	2,741,776	3,219,466	(477,690)	385,135	195,038	(0.82)
2009	2,569,544	3,164,227	(594,683)	281,331	213,792	(1.20)
2008	2,621,349	3,134,236	(512,887)	272,788	222,032	(1.04)
2007	2,536,072	3,035,847	(499,775)	150,660	172,534	(1.55)
2006	2,272,898	2,380,728	(107,830)	123,952	94,285	(0.49)
2005	1,968,790	2,174,939	(206,149)	69,590	42,347	(1.84)
2004	1,878,240	2,197,396	(319,156)	75,091	23,886	(3.22)
2003	N/A	N/A	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A	N/A	N/A

Notes: Details regarding the Town's outstanding debt can be found in the Notes to Financial Statements.
N/A - The Town does not have this information available prior to fiscal year 2004.

TOWN OF VINTON, VIRGINIA
 DEMOGRAPHIC STATISTICS
 Last Ten Fiscal Years

Fiscal Year Ended (1)	Population (2)	Total Personal Income (3)		Per Capita Personal Income (3)	Public School Enrollment (3)	Unemployment Rate (3)
		Income (\$)	Income (\$)			
2011	8,098	\$ 4,561,791	\$ 39,315	14,259	5.70%	
2010	7,814	4,561,791	39,315	14,474	6.30%	
2009	7,876	4,561,791	39,315	14,650	4.60%	
2008	7,905	4,750,916	41,019	14,802	2.80%	
2007	7,922	4,303,761	37,324	14,777	2.60%	
2006	7,782	4,128,137	35,978	14,728	2.80%	
2005	7,782	3,955,970	34,823	14,365	3.10%	
2004	7,782	3,844,855	34,296	14,279	2.70%	
2003	7,782	3,669,268	32,860	14,127	2.50%	
2002	7,782	3,654,128	32,887	13,930	3.40%	

Sources:

- (1) From VaStat, a service of the Weldon Cooper Center for Public Service.
- (2) Personal Income and Per Capita Personal Income from the Bureau of Economic Analysis. Latest information available is for 2009.
- (3) Roanoke County Public Schools Budget and Salary Scales 2011-2012 March 2011 ADM totals.
- (4) Virginia Employment Commission and the U.S. Bureau of Labor Statistics.

TOWN OF VINTON, VIRGINIA
 PRINCIPAL EMPLOYERS
 Current Year and Nine Years Ago

Employer	Fiscal Year 2011			Fiscal Year 2002		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Precision Fabrics Group, Inc.	223	1	6.23%	382	1	10.77%
Berkshire	195	2	5.44%	167	2	4.71%
Kroger	179	3	5.00%	145	3	4.09%
Roanoke County School Board	124	4	3.46%	167	4	4.71%
Town of Vinton	110	5	3.07%	122	5	3.44%
McDonalds	90	6	2.51%	N/A	N/A	N/A
Aramark Uniform Services	70	7	1.95%	90	6	2.54%
Famous Anthony's	55	8	1.54%	N/A	N/A	N/A
Lancerlot	54	9	1.51%	N/A	N/A	N/A
Super Dollar	32	10	0.89%	N/A	N/A	N/A
	<u>1,132</u>		<u>31.60%</u>	<u>1,073</u>		<u>30.26%</u>

Source: Total TOV Employment – Roanoke Valley Regional Commission (Planning)

TABLE 14

TOWN OF VINTON, VIRGINIA

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

<u>Function/Program</u>	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General government										
Management services	4	4	4	3	4	4	4	4	4	4
Finance	5	5	5	5	5	5	6	5	5	5
Planning	3	3	3	3	3	3	3	3	3	3
Police										
Officers	25	24	24	24	25	21	23	17	20	19
Civilians	2	10	10	10	7	11	11	12	10	10
Fire										
Firefighters and officers	9	9	9	9	9	9	9	10	9	7
Other public works	34	33	33	32	34	31	32	31	30	32
Parks, recreation, and cultural	3	3	3	2	2	5	13	12	10	10
Total	85	91	91	88	89	89	101	94	91	90

TABLE 15

TOWN OF VINTON, VIRGINIA

OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General government										
Fleet equipment	117	117	117	62	62	60	60	72	72	72
Pieces of equipment maintained	117	117	117	62	62	60	60	60	60	60
Public safety										
Police										
Arrests	546	531	658	598	504	600	744	517	445	511
Parking violations	82	139	84	62	16	135	156	78	103	144
Traffic violations	1,933	2,431	3,088	3,034	3,087	2,743	2,725	1,319	1,522	2,022
EMS										
Emergency responses	2,319	2,219	2,369	2,397	2,459	1,536	2,095	2,007	2,010	1,895
Fire										
Emergency responses	514	476	764	1,038	673	1,900	2,831	2,650	2,706	2,586
Public works										
Refuse collection										
Refuse collected (tons per day)	12.70	14.00	15.90	18.10	19.00	17.30	17.30	16.80	15.30	14.50
Recyclables collected (tons per day)	2.00	1.60	1.60	1.70	1.30	1.80	1.50	N/A	N/A	N/A
Other public works										
Street resurfacing (miles)	1.80	1.90	3.50	11.10	-	-	2.20	N/A	N/A	N/A
Parks, recreation, and cultural										
Parks and recreation - attendees										
Vinton Dogwood Festival (4-day)	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Vinton Bluegrass Festival (4-day)	Closed	Closed	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
4th of July	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Enchanted Eve (Co-Sponsor Roanoke County)	Closed	5,000	5,000	5,000	5,000	5,000	5,000	5,000	-	-
Vinton Fall Festival (Co-Sponsor Chamber of Commerce)	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Water										
Number of customer accounts	5,044	5,040	5,022	4,985	4,984	4,916	4,793	4,763	4,704	4,619
Miles of distribution lines	61	61	61	60	60	56	56	56	56	56
Volume pumped (million gallons per day average)	1.26	1.47	1.04	1.29	1.26	1.30	1.30	1.20	1.30	1.40
Sewer										
Number of customer accounts	4,610	4,609	4,600	4,571	4,573	4,511	4,460	4,430	4,371	4,286
Miles of collection lines	60	60	60	59	57	54	54	53	53	53
Waste/Water treated (million gallons per day)	1.09	1.27	1.04	1.24	1.20	1.20	1.49	1.50	1.57	1.38

N/A - Not available.

TABLE 16

TOWN OF VINTON, VIRGINIA

CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Function/Program										
Public safety										
Law enforcement vehicles	27	27	29	27	19	20	18	16	11	11
Fire stations	1	1	1	1	1	1	1	1	1	1
Public works										
Primary streets (lane miles)	21.62	21.62	21.62	21.62	18.28	18.78	18.78	16.50	16.50	16.50
Secondary streets (lane miles)	66.32	66.32	66.32	66.32	68.78	65.96	65.96	64.40	64.40	64.40
Streetlights	500	500	500	500	500	500	500	500	500	500
Parks, recreation, and cultural										
Community centers										
Vinton Senior Program (No. of Events/Attendance)	174/3396	1/18	240/4236	180/3600	180/3600	180/3600	180/3600	180/3600	180/3600	180/3600
Charles R. Hill Center (Rentals)	218	295	351	205	257	227	227	227	227	227
Skate Park	Closed	Closed	Closed	2,400	2,400	2,400	2,400	2,400	1,800	-
Vinton War Memorial	202	271	277	151	-	-	449	616	480	524
Parks/athletic fields										
Gearhart Park (TOV owned-Leased to Rke County)	N/A	N/A	37/3000	N/A						
Jaycee Field (Seasonal ballgames)	Closed	Closed	Closed	Closed	Closed	Closed	56	56	56	56
Greenway (3/4 Mile) Cinder Surface	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Lawfit Course (5 Fitness Stations)	1,120	1,120	1,120	1,120	-	1,120	-	-	-	-
War Memorial Playground	6,000	6,000	6,000	6,000	5,000	6,000	6,000	4,000	4,000	4,000
Vinton Municipal Pool	12,246	11,270	11,000	11,000	7,100	7,147	6,763	7,531	7,147	7,147
Water and sewer										
Water mains (miles)	61	61	61	60	60	56	56	56	56	56
Sanitary sewers (miles)	60	60	60	59	59	54	54	53	53	53
Stormwater										
Storm sewers (miles)	12	12	12	12	12	11	11	11	11	11
Signalized Street Intersections										
Traffic Signals (each)	11	11	11	11	11	11	11	11	11	10

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COMPLIANCE SECTION

**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**

Honorable Members of Town Council
Town of Vinton, Virginia

We have audited the financial statements of the governmental activities, business-type activities, and each major fund of the Town of Vinton, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the Town of Vinton, Virginia's basic financial statements and have issued our report thereon dated November 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design of 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. **We consider the deficiency described as 07-1 in the accompanying schedule of findings and responses to be a material weakness in internal control over financial reporting.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 11-1 and 11-2.**

We noted certain matters that we reported to management of the Town in a separate letter dated November 3, 2011.

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, state and federal awarding agencies, pass-through entities, and Town Council, and is not intended to be, and should not be, used by anyone other than these specified parties.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 3, 2011

TOWN OF VINTON, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2011

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

STATE COMPLIANCE MATTERS

Code of Virginia:

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

State Agency Requirements:

- Highway Maintenance Funds

LOCAL COMPLIANCE MATTERS

Town Charter

TOWN OF VINTON, VIRGINIA

**SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

A. FINDINGS – FINANCIAL STATEMENT AUDIT

07-1: Segregation of Duties (Material Weakness)

Condition:

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

Recommendation:

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

Management's Response:

Management noted this finding. The Finance Director has segregated duties, where practical, and ensured that the same person does not have complete control or conflicting duties on the different functions in the department.

B. FINDINGS – COMMONWEALTH OF VIRGINIA

11-1: Highway Maintenance Finding

Condition:

Costs were incurred for the maintenance of an ineligible street.

Recommendation:

Steps should be taken to ensure that work is only done on eligible streets included on the Department of Transportation's annual listing of eligible streets for the Town.

Management's Response:

The auditee concurs.

11-2: Public Works Budget Appropriations

Condition:

Public works expenditures exceeded budgeted appropriations.

Recommendation:

Steps should be taken to ensure that an excess expenditures over budgeted appropriations be approved by Town Council and the budget amended accordingly.

Management's Response:

Any excess expenditures over budgeted appropriations will be recommended for budget amendment to Town Council for approval at a regularly scheduled Town Council meeting.