



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

Comprehensive Annual Financial Report

For Fiscal Year Ending June 30, 2014



TOWN OF VINTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

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

TOWN OF VINTON, VIRGINIA

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INTRODUCTORY SECTION

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Town of Vinton

311 S. Pollard Street
Vinton, VA 24179
Phone (540) 983-0608
Fax (540) 985-3105

Barry W. Thompson
Finance Director/Treasurer

November 26, 2014

***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, 2014 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 2013 Water Quality Report, the Town had no water quality violations. The Virginia Department of Environmental Quality reported statewide recycling rates for calendar year 2013. The Town of Vinton's rate was 48.9% and was ranked sixth out of all of the 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 working closely with Roanoke County on development opportunities and promoting a shared industrial park. The Town also partners with community groups to hold two major festivals and several smaller community events throughout the year. In 2014 the Town will also partner with the Vinton Area Chamber of Commerce for economic development and business retention, recruitment and promotion.

The Town also participates in the Greenway Commission, the purpose of which is to identify possible greenway locations in the Roanoke Valley area. Through this the Town is building a greenway that will connect the downtown business district with Roanoke City's greenway system. This will allow for an individual to travel from Vinton to Salem on the greenway system. Vinton is also partnering with the Roanoke-Alleghany Regional Commission to promote a Blueways Trail on the Roanoke River.

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.

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 Community Development Block Grant in the amount of \$700,000. The CDBG award was the product of the Business District Revitalization Planning Grant awarded to the Town. The grant will enable the Town to do Façade improvement to 12 downtown businesses, upgrade the farmer's market infrastructure, do streetscape improvements, improve street lighting, administer and a \$100,000 Revolving Loan Fund and design a marketing and branding strategy for the Town. The program is being administered by the Town of Vinton with the help of a Project Management Team consisting of community stakeholders and a Revolving Loan Committee to screen and administer loans to current or potential downtown businesses. The Town has two years to complete the revitalization work which commenced in the summer of 2013.

The budget maintains the Cigarette Tax, which was passed four years ago at \$0.20 per pack of cigarettes. This revenue generated an additional \$296,000. 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 \$215,000 for paving and milling of streets throughout the Town.

Major Initiatives

The Town of Vinton began working on a \$700,000 CDBG Program for its Downtown District. The improvements include streetlights with underground wiring, façade improvements to twelve (12) buildings, improvements to the Farmers' Market area and stage and downtown intersection improvements. The Town also initiated a new Branding Program for the Town called "InVinton". This program was quickly accepted by the citizens and the Vinton Area Chamber of Commerce.

Major Initiatives (Continued)

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.

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, 2014 to serve as counsel for the Town's other legal matters.

In June 2013, the Town issued bonds to amounting to \$1,968,875. The new bond money was designated to be used for the following projects:

- \$939,785 Upgrade project at the Western Virginia Water Authority Wastewater Treatment Plant.
- \$323,480 Water line projects on Cleveland, Jackson and Jefferson Streets in the Town of Vinton next to the downtown revitalization corridor.
- \$500,000 Glade Creek/Tinker Creek Wastewater Trunk Line which replaced 750 feet 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 was in severely deteriorated condition and needed to be replaced immediately.
- \$205,610 Equipment Purchases within the Public Works Department

The town and the County of Roanoke entered into an agreement pursuant to the acquisition of real estate at 304 Pollard Street in the downtown corridor for the construction of a future Roanoke County Public Library. The Town's portion of the \$1,255,000 real estate transaction was \$625,000. The Town agreed to pay \$100,000 at closing with the balance of \$525,000 paid over a period of ten (10) annual installments.

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. In January 2012, the Town implemented an agreement with ACS Enterprise, Inc. for Application Hosting and Technology Support Systems and Services for the Financial Applications. They 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. The Town is continuously updating its electronic payment options to improve efficiency and better serve its customers.

Prospects for the Future

The Town of Vinton is currently working with Roanoke County to market two surplus schools that are located within the Town's boundaries. These schools have the potential to add the first mixed-use developments to the Town.

Roanoke County Library Vinton Branch - Roanoke County is building its first urban library in Downtown Vinton. The current library is outdated and too small for the patrons who use it. The library will serve more than 200,000 people a year who will also visit stores, shops and restaurants in the renovated downtown area. This will also be the only County Library on a mass transit route.

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

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 over 8,000 and a land mass slightly larger than 3 square miles is a diversified 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.

Change of Use Grant - . In conjunction with the Façade Program the Town also offers a Change of Use Grant that helps property owners' change zoning from Residential to Business. The grant helps with expenses such as architectural renderings, ISO standards and other code compliance issues. The grant offers the participant up to \$5,000 in assistance and is a 50% reimbursement of expenses.

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.

Accounting System and Budgetary Controls (Continued)

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

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

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

Cash Management

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

Risk Management

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

Independent Audit

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

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial reporting to the Town for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. 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.

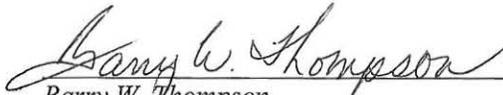
Acknowledgements

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



Government Finance Officers Association

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

Presented to

**Town of Vinton
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

TOWN OF VINTON, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2014

TOWN COUNCIL

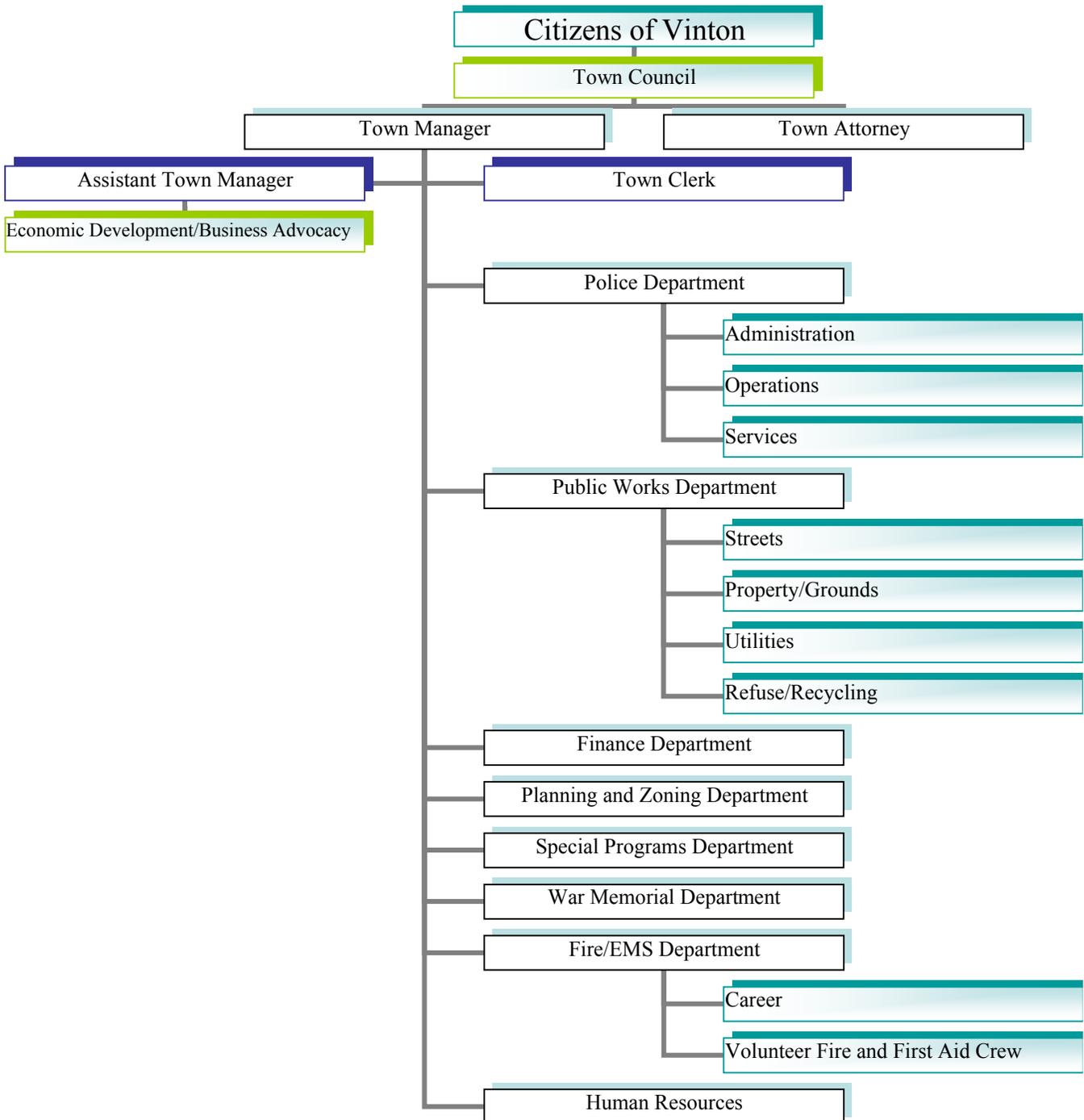
Bradley E. Grose, Mayor
William S. Nance, Vice Mayor
I. Douglas Adams, Jr.
Robert R. Altice
Matthew S. Hare

APPOINTED OFFICIALS

Christopher S. Lawrence..... Town Manager
Barry W. Thompson..... Finance Director/Treasurer
Susan Johnson Town Clerk
Ben Cook Chief of Police

INDEPENDENT AUDITORS

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



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change In Accounting Principle

As described in Note 16 to the financial statements, in 2014, the Town adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Prior Period Adjustments

As described in Note 16 to the financial statements, beginning balances as of June 30, 2013 have been restated to adjust for the correction of an error and for the effects of GASB 65 implementation. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Report on Summarized Comparative Information

We have previously audited the Town's 2013 financial statements, and on our report dated November 1, 2013 expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, and each major fund. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 26, 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i through vi of this report.

Financial Highlights

- The total assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$13,153,992 (net position). Of this amount, \$2,702,480 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$60,484. This increase is largely due to total expenses of \$10,881,491 being less than total revenues of \$10,941,975. In addition, a decrease of \$828,460 (11.6%) in current and other assets occurred. Capital assets decreased by \$397,507 (1.9%) with the final result being a decrease of 4.3% in total assets.

On the other hand, long-term liabilities decreased by \$1,270,882 (9.2%) due to payments on bonds, while other liabilities decreased by \$41,506 (4.2%) which was an offset of a decrease in accounts payable and related liabilities and an increase in accrued payroll and related liabilities.

Both deferred outflows and inflows experienced minimal changes during the year.

The final result of all these effects is a 0.5% increase in net position.

- As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$3,170,176, an increase of \$221,597 in comparison with the prior year. This is mostly due to an increase of \$177,992 (4.2%) in total assets particularly due from cash and cash equivalents as well as an increase in other current assets. In addition to this positive effect, total liabilities decreased by \$80,740 (15.1%) in particular accounts payable and accrued liabilities, and deferred inflows of resources increased \$37,135 (4.6%).
- Approximately 92.1% of the ending governmental fund balance, \$2,919,657 is available for spending at the Town's discretion (unassigned fund balance), and represents 39.3% of the governmental fund's expenditures.

Overview of the Financial Statements

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town, the net position was \$13,153,992 at the close of the most recent fiscal year.

By far the largest portion of the Town’s net position (78.0%) reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment less any related debt used to acquire those assets that are still outstanding). The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town’s net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town’s Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 4,467,233	\$ 4,289,241	\$ 1,876,774	\$ 2,883,226	\$ 6,344,007	\$ 7,172,467
Capital assets	9,251,545	9,757,009	11,376,159	11,268,202	20,627,704	21,025,211
Total assets	<u>13,718,778</u>	<u>14,046,250</u>	<u>13,252,933</u>	<u>14,151,428</u>	<u>26,971,711</u>	<u>28,197,678</u>
Deferred outflows of resources	149,512	163,981	-	-	149,512	163,981
Current and other liabilities	512,637	566,432	437,205	424,916	949,842	991,348
Long-term liabilities	4,905,705	5,177,286	7,570,909	8,570,210	12,476,614	13,747,496
Total liabilities	<u>5,418,342</u>	<u>5,743,718</u>	<u>8,008,114</u>	<u>8,995,126</u>	<u>13,426,456</u>	<u>14,738,844</u>
Deferred inflows of resources	540,775	529,307	-	-	540,775	529,307
Net position						
Net investment in capital assets	5,427,254	5,626,290	4,834,097	4,761,326	10,261,351	10,387,616
Restricted	190,161	91,676	-	-	190,161	91,676
Unrestricted	<u>2,291,758</u>	<u>2,219,240</u>	<u>410,722</u>	<u>394,976</u>	<u>2,702,480</u>	<u>2,614,216</u>
Total net position	<u>\$ 7,909,173</u>	<u>\$ 7,937,206</u>	<u>\$ 5,244,819</u>	<u>\$ 5,156,302</u>	<u>\$ 13,153,992</u>	<u>\$ 13,093,508</u>

Unrestricted net position of \$2,702,480 may be used to meet the Town’s ongoing obligations to citizens and creditors.

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

Government-wide Financial Analysis (Continued)

Governmental activities – Governmental activities decreased the Town’s net position by \$28,033.

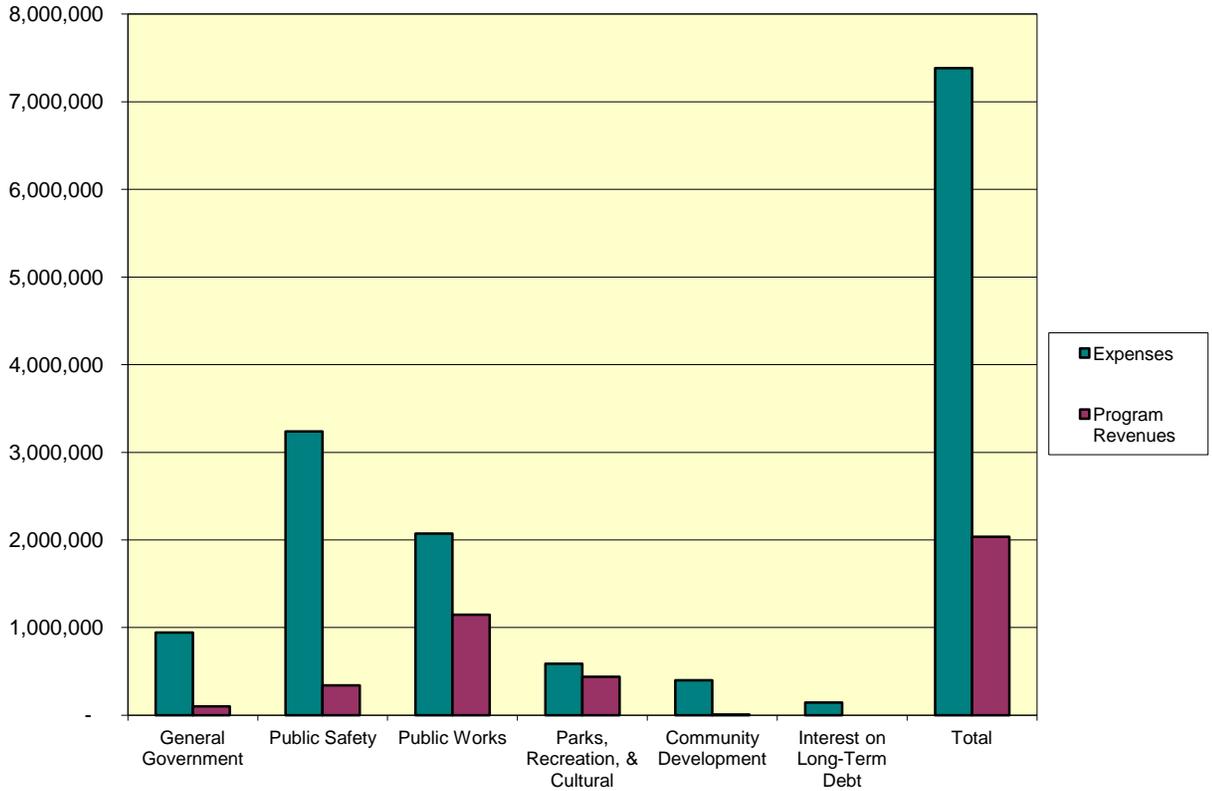
For the most part, revenues closely paralleled inflation and conditions represented in the economy and growth in the demand for services. Revenues from operating grants and contributions showed an increase over the prior year. Investment earnings also showed an increase because of the Town’s investments and bond proceeds being invested in higher yields. However, there was a decrease in gain sharing revenue due to onetime capital expenditures in Fire and EMS in the County which has an adverse effect on the gain sharing formula.

The Town’s Changes in Net Position

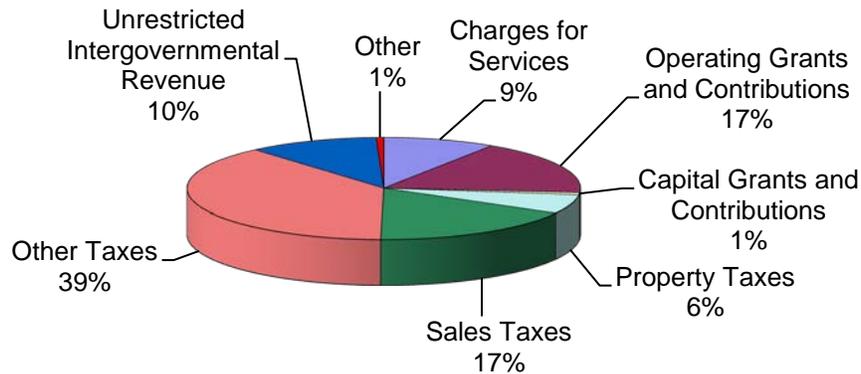
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	\$ 753,455	\$ 694,363	\$ 3,002,970	\$ 2,754,147	\$ 3,756,425	\$ 3,448,510
Operating grants and contributions	1,382,744	1,287,108	-	-	1,382,744	1,287,108
Capital grants and contributions	114,966	53,749	-	-	114,966	53,749
General revenues						
Property taxes	448,349	453,135	-	-	448,349	453,135
Other taxes	4,120,413	4,166,901	-	-	4,120,413	4,166,901
Intergovernmental unrestricted	756,199	807,117	-	-	756,199	807,117
Investment earnings	74,168	4,434	5,308	828	79,476	5,262
Other	28,268	41,418	255,135	261,934	283,403	303,352
Total revenues	<u>7,678,562</u>	<u>7,508,225</u>	<u>3,263,413</u>	<u>3,016,909</u>	<u>10,941,975</u>	<u>10,525,134</u>
Expenses						
General government	962,341	942,315	-	-	962,341	942,315
Public safety	3,339,148	3,238,361	-	-	3,339,148	3,238,361
Public works	1,993,713	2,074,464	-	-	1,993,713	2,074,464
Parks, recreation, and cultural	635,252	588,649	-	-	635,252	588,649
Community development	575,557	398,517	-	-	575,557	398,517
Interest on long-term debt	200,584	163,767	-	-	200,584	163,767
Water and sewer	-	-	3,174,896	2,941,797	3,174,896	2,941,797
Total expenses	<u>7,706,595</u>	<u>7,406,073</u>	<u>3,174,896</u>	<u>2,941,797</u>	<u>10,881,491</u>	<u>10,347,870</u>
Change in net position	(28,033)	102,152	88,517	75,112	60,484	177,264
Net position – July 1, as restated	<u>7,937,206</u>	<u>7,835,054</u>	<u>5,156,302</u>	<u>5,081,190</u>	<u>13,093,508</u>	<u>12,916,244</u>
Net position – June 30	<u>\$ 7,909,173</u>	<u>\$ 7,937,206</u>	<u>\$ 5,244,819</u>	<u>\$ 5,156,302</u>	<u>\$ 13,153,992</u>	<u>\$ 13,093,508</u>

Government-wide Financial Analysis (Continued)

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



Business-type activities – Business-type activities increased the Town’s net position by \$88,517. The Town increased water and sewer rates 8.7% effective July 1, 2013 with an anticipated 8.9% rate increase for July 1, 2014 and July 1, 2015.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$3,170,176, an increase of \$221,597 in comparison with the prior year. This is largely due to an increase in total assets of \$177,992 (4.1%) particularly an increase in cash and cash equivalents of \$106,301 (2.9%) and a decrease in restricted cash and cash equivalents of \$19,705 (47.3%). Accounts payable and accrued liabilities, accrued payroll and related liabilities, and unearned revenue decreased by \$80,740 (15.1%). This decrease was due to payables in the prior year for the bond refunding, street paving, 911 wireless reimbursement, and boiler repair at the Fire Department, and a partial offset due to one more day on the payroll accrual than in prior year.

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

Unrestricted net position of the Water and Sewer Department at the end of the year amounted to \$410,722. 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 \$203,569 primarily due to an increase in Categorical Aid by \$124,913 (9.4%) and Charges for Services by \$47,872 (12.1%).

Differences between the original budget and the final amended budget for expenditures were \$273,747 with the majority being primarily due to increases on expenses for capital projects.

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 102.8% of the budget due to budgeting too low and collections being higher on current property taxes. Cigarette tax was 82.7% of the budget due to a rate increase from \$.20 per pack to \$.40 per pack which decreased revenue as a result of decreased cigarette sales in the Town. This rate was decreased to \$.25 per pack in March 2014 as a result of working with local merchants to regain their sales.

On the other hand, there were also favorable variances on certain expenditures. These were due to a concerted effort to control and minimize expenditures.

Variances in the governmental fund are in the highway streets account salaries and wages (14.67%) due to a reclassification of a position to the enterprise fund. Contracted resale items in the War Memorial account was established to track expenditures for caterers in which there is also an offset revenue account. In Economic Development, CBDG match expenditures reflect an increase of \$6,855 which is the Downtown Improvement Grant expenditures.

General Fund Budgetary Highlights (Continued)

Significant variances in the enterprise fund are in the salaries and wages in the water treatment account. This increase of 18.7% reflects a reclassified position from the general fund. Contractual services in the current year were separated in to three expense accounts. Audit services were placed into a separate account as well as services for rate studies and engineering work, and legal services. This segregation allows for better tracking of actual expenses. Material and supplies expense decreased over 34.6% primarily due to inventory purchases. Wastewater treatment costs increased over the prior year by 42.7% as a result of a 19% rate increase in December 2013, which was retroactive back to July 2013. This retroactive amount for wastewater amounted to \$69,731. The remainder of the increase was attributable to treatable consumption.

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 4.4% due to the corresponding decrease in the bulk water sale. Expenditures which can be held off without affecting services and operations caused positive variances on contractual services (54.9%) and materials and supplies expense (40.1%). Wastewater treatment costs increased 10.2% in the budget due to the projection not factoring in the 19% higher treatment cost which was passed on by the WVWA in December 2013, which was retroactively applied to July 2013. The unfavorable variance in the salaries and wage category in water was partially offset by the favorable salaries and wage category in sewer due to different actual cost allocation for expenditures than what was budgeted.

Capital Asset and Debt Administration

Capital assets – The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$20,627,704 (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 1.9% (a 5.2% decrease for governmental activities and a 1.0% increase for business-type activities). Additional information on the Town’s capital assets can be found in Note 5 of this report.

The Town’s Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,706,089	\$ 1,706,089	\$ 80,752	\$ 80,752	\$ 1,786,841	\$ 1,786,841
Buildings and systems	5,532,485	5,819,107	7,732,845	8,201,314	13,265,330	14,020,421
Infrastructure	1,440,659	1,532,812	-	-	1,440,659	1,532,812
Improvements other than buildings	-	-	2,527,672	2,657,790	2,527,672	2,657,790
Machinery and equipment	485,270	611,959	631,614	250,199	1,116,884	862,158
Construction in progress	87,042	87,042	403,276	78,147	490,318	165,189
Total	<u>\$ 9,251,545</u>	<u>\$ 9,757,009</u>	<u>\$ 11,376,159</u>	<u>\$ 11,268,202</u>	<u>\$ 20,627,704</u>	<u>\$ 21,025,211</u>

Capital Asset and Debt Administration (Continued)

Long-term debt – At the end of the current fiscal year, the Town had total debt outstanding of \$11,836,624. Of this amount, \$9,402,362 comprises debt backed by the full faith and credit of the government, \$2,225,000 is related to revenue bond obligations, and \$209,262 is related to capital leases.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 3,724,405	\$ 4,176,641	\$ 5,235,409	\$ 5,941,895	\$ 8,959,814	\$ 10,118,536
Revenue bonds	-	-	2,225,000	2,340,000	2,225,000	2,340,000
Other obligations	442,548	425,000	-	-	442,548	425,000
Capital leases	209,262	257,549	-	-	209,262	257,549
	<u>\$ 4,376,215</u>	<u>\$ 4,859,190</u>	<u>\$ 7,460,409</u>	<u>\$ 8,281,895</u>	<u>\$ 11,836,624</u>	<u>\$ 13,141,085</u>

The Town’s total debt decreased by \$1,304,461, or 9.9%, during the fiscal year. This decrease is due to the payment of principal payment on outstanding debt.

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

Economic Factors and Next Year’s Budgets and Rates

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

- The unemployment rate for Roanoke County (no statistics are available for the Town individually) as of June 30, 2014 is 5.50%, which is lower than last year’s rate of 5.70%. This compares favorably to the state’s average unemployment rate as of June 30, 2014 of 5.30% and to the national average rate of 6.10%.
- 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 unassigned fund balance in the general fund increased by \$81,855. The general fund remains strong with an increase in ending total fund balance of \$221,597. 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.

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**BASIC
FINANCIAL STATEMENTS**

TOWN OF VINTON, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-type Activities	Totals	
			2014	(For Comparison Only) 2013
ASSETS				
Cash and cash equivalents (Note 2)	\$ 3,756,008	\$ 214,518	\$ 3,970,526	\$ 3,949,645
Receivables, net (Note 3)	283,787	571,540	855,327	788,821
Due from other governmental units (Note 4)	345,109	-	345,109	313,435
Inventories	3,525	80,425	83,950	44,199
Prepays	56,833	19,223	76,056	15,517
Cash and cash equivalents, restricted (Note 2)	21,971	991,068	1,013,039	2,060,850
Capital assets: (Note 5)				
Nondepreciable	1,793,131	484,028	2,277,159	1,952,030
Depreciable, net	7,458,414	10,892,131	18,350,545	19,073,181
Total assets	13,718,778	13,252,933	26,971,711	28,197,678
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	149,512	-	149,512	163,981
LIABILITIES				
Accounts payable and accrued liabilities	251,309	294,977	546,286	711,236
Accrued payroll and related liabilities	207,258	29,545	236,803	156,424
Accrued interest payable	33,594	87,283	120,877	113,088
Customer security deposits	-	25,400	25,400	10,600
Unearned revenue	20,476	-	20,476	-
Long-term liabilities: (Note 6)				
Due within one year	525,790	480,440	1,006,230	1,528,870
Due in more than one year	4,379,915	7,090,469	11,470,384	12,218,626
Total liabilities	5,418,342	8,008,114	13,426,456	14,738,844
DEFERRED INFLOWS OF RESOURCES				
Property taxes	540,775	-	540,775	529,307
NET POSITION				
Net investment in capital assets	5,427,254	4,834,097	10,261,351	10,387,616
Restricted for:				
Public safety	140,161	-	140,161	41,676
Parks, recreation, and cultural	50,000	-	50,000	50,000
Unrestricted	2,291,758	410,722	2,702,480	2,614,216
Total net position	\$ 7,909,173	\$ 5,244,819	\$ 13,153,992	\$ 13,093,508

TOWN OF VINTON, VIRGINIA

EXHIBIT 2

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2014	(For Comparison Only) 2013
Governmental activities								
General government administration	\$ 962,341	\$ 103,437	\$ -	\$ -	\$ (858,904)		\$ (858,904)	\$ (840,751)
Public safety	3,339,148	88,364	317,133	55,099	(2,878,552)		(2,878,552)	(2,898,839)
Public works	1,993,713	110,425	1,065,611	-	(817,677)		(817,677)	(927,648)
Parks, recreation, and cultural	635,252	446,603	-	-	(188,649)		(188,649)	(147,966)
Community development	575,557	4,626	-	59,867	(511,064)		(511,064)	(391,882)
Interest on long-term debt	200,584	-	-	-	(200,584)		(200,584)	(159,437)
Total governmental activities	7,706,595	753,455	1,382,744	114,966	(5,455,430)		(5,455,430)	(5,366,523)
Business-type activities								
Water and sewer	3,174,896	3,002,970	-	-		\$ (171,926)	(171,926)	(191,980)
Total business-type activities	3,174,896	3,002,970	-	-		(171,926)	(171,926)	(191,980)
Total	\$ 10,881,491	3,756,425	1,382,744	114,966	(5,455,430)	(171,926)	(5,627,356)	(5,558,503)
General revenues								
					448,349	-	448,349	453,135
					1,287,437	-	1,287,437	1,284,455
					900,591	-	900,591	912,226
					787,097	-	787,097	785,555
					517,111	-	517,111	491,996
					266,367	-	266,367	321,976
					361,810	-	361,810	370,693
					756,199	-	756,199	807,117
					14,540	7	14,547	4,500
					59,628	5,301	64,929	762
					28,268	255,135	283,403	303,352
					5,427,397	260,443	5,687,840	5,735,767
					(28,033)	88,517	60,484	177,264
					7,937,206	5,156,302	13,093,508	12,916,244
					NET POSITION AT JULY 1, AS RESTATED (NOTE 16)			
					\$ 7,909,173	\$ 5,244,819	\$ 13,153,992	\$ 13,093,508

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

TOWN OF VINTON, VIRGINIA

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2014

	General Fund	
	(For Comparison Only)	
	2014	2013
ASSETS		
Cash and cash equivalents	\$ 3,756,008	\$ 3,649,707
Receivables, net	283,787	265,322
Due from other governmental units	345,109	313,435
Inventories	3,525	3,584
Prepays	56,833	15,517
Cash and cash equivalents, restricted	21,971	41,676
Total assets	<u>\$ 4,467,233</u>	<u>\$ 4,289,241</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 227,708	\$ 400,391
Accrued payroll and related liabilities	207,258	135,791
Unearned revenue	20,476	-
Total liabilities	<u>455,442</u>	<u>536,182</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable/unearned revenue	<u>841,615</u>	<u>804,480</u>
FUND BALANCES		
Nonspendable	60,358	19,101
Restricted	190,161	91,676
Unassigned	2,919,657	2,837,802
Total fund balances	<u>3,170,176</u>	<u>2,948,579</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,467,233</u>	<u>\$ 4,289,241</u>

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014**

	General Fund	
	2014	(For Comparison Only) 2013
Total Fund Balances – Governmental Fund	\$ 3,170,176	\$ 2,948,579
 Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 17,953,227	
Less: accumulated depreciation	(8,701,682)	
	9,251,545	9,757,009
Bond premiums are reported as revenues in the governmental funds, but are amortized over the life of the debt obligation in the statement of net position:		
Bond premiums total \$(65,279) and accumulated amortization is \$25,143.	(40,136)	(43,742)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
	300,840	275,173
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds, including unamortized deferred amounts	(3,574,893)	
Obligations payable – Roanoke County and RCACP	(442,548)	
Capital lease obligations	(209,262)	
Bank stock payable	(23,601)	
Accrued interest payable	(33,594)	
Compensated absences	(432,075)	
Other postemployment benefits	(57,279)	
	(4,773,252)	(4,999,813)
Total Net Position – Governmental Activities	\$ 7,909,173	\$ 7,937,206

TOWN OF VINTON, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2014

	General Fund	
	2014	(For Comparison Only) 2013
REVENUES		
General property taxes	\$ 445,931	\$ 430,968
Other local taxes	4,116,702	4,166,914
Permits, privilege fees, and regulatory licenses	9,085	10,861
Fines and forfeitures	75,059	73,107
Revenues from use of money and property	177,605	105,998
Charges for services	428,920	387,049
Other	33,207	72,337
Gain sharing	542,676	594,173
Recovered costs	132,990	146,157
Non-categorical aid	402,617	401,898
Categorical aid	1,281,587	1,097,764
Total revenues	<u>7,646,379</u>	<u>7,487,226</u>
EXPENDITURES		
Current:		
General government administration	645,071	632,136
Public safety	3,201,533	3,005,917
Public works	1,795,602	1,892,656
Parks, recreation, and cultural	620,636	547,604
Community development	468,678	386,592
Capital projects	140,478	542,235
Debt service:		
Principal retirement	372,923	335,766
Interest and fiscal charges	186,377	174,699
Bond issuance costs	-	36,638
Total expenditures	<u>7,431,298</u>	<u>7,554,243</u>
Excess (deficiency) of revenues over expenditures	<u>215,081</u>	<u>(67,017)</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from issuance of long-term debt	-	2,228,409
Payments to refunded bond escrow agent	-	(2,190,889)
Proceeds from capital lease	-	313,315
Proceeds from sale of uncapitalized items	6,516	-
Total other financing sources	<u>6,516</u>	<u>350,835</u>
Net change in fund balance	221,597	283,818
FUND BALANCE AT JULY 1, AS RESTATED (NOTE 16)	<u>2,948,579</u>	<u>2,664,761</u>
FUND BALANCE AT JUNE 30	<u>\$ 3,170,176</u>	<u>\$ 2,948,579</u>

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

	<u>General Fund</u>	
		(For Comparison Only)
	<u>2014</u>	<u>2013</u>
Net change in fund balance governmental fund	\$ 221,597	\$ 283,818
Amounts reported for governmental activities in the statement of activities are different because:		
The net effect of the change in accrued interest expense is not reflected in the fund statements.	(3,344)	33,463
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 \$(554,422) exceeded capital outlays \$48,958 in the current period.	(505,464)	(184,943)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	25,667	20,999
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of those differences.	288,880	(962)
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 an increase in compensated absences of \$(16,210), an increase in other postemployment benefits of \$(15,558), and the recording of a bank stock payable \$(23,601).	(55,369)	(50,223)
Change in net position of governmental activities	<u>\$ (28,033)</u>	<u>\$ 102,152</u>

TOWN OF VINTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
GENERAL FUND
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 498,264	\$ 498,264	\$ 445,931	\$ (52,333)
Other local taxes	4,256,056	4,256,056	4,116,702	(139,354)
Permits, privilege fees, and regulatory licenses	11,500	11,500	9,085	(2,415)
Fines and forfeitures	82,125	82,125	75,059	(7,066)
Revenues from use of money and property	104,150	104,150	177,605	73,455
Charges for services	394,950	442,822	428,920	(13,902)
Other	5,000	30,348	33,207	2,859
Gain sharing	635,000	635,000	542,676	(92,324)
Recovered costs	150,650	156,086	132,990	(23,096)
Non-categorical aid	400,639	400,639	402,617	1,978
Categorical aid	1,329,533	1,454,446	1,281,587	(172,859)
Total revenues	<u>7,867,867</u>	<u>8,071,436</u>	<u>7,646,379</u>	<u>(425,057)</u>
EXPENDITURES				
Current:				
General government administration	671,320	674,933	645,071	29,862
Public safety	3,130,717	3,154,952	3,201,533	(46,581)
Public works	2,037,160	2,041,982	1,795,602	246,380
Parks, recreation, and cultural	575,811	621,482	620,636	846
Community development	665,536	665,536	468,678	196,858
Non-departmental	60,575	32,575	-	32,575
Capital projects	256,837	454,078	140,478	313,600
Debt service:				
Principal retirement	334,847	359,847	372,923	(13,076)
Interest and fiscal charges	173,064	174,229	186,377	(12,148)
Total expenditures	<u>7,905,867</u>	<u>8,179,614</u>	<u>7,431,298</u>	<u>748,316</u>
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	3,000	3,000	6,516	3,516
Total other financing sources	<u>3,000</u>	<u>3,000</u>	<u>6,516</u>	<u>3,516</u>
Net change in fund balance	<u>\$ (35,000)</u>	<u>\$ (105,178)</u>	<u>\$ 221,597</u>	<u>\$ 326,775</u>

TOWN OF VINTON, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2014

	Business-type Activities – Enterprise Fund Water and Sewer	
	2014	(For Comparison Only) 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 214,518	\$ 299,938
Receivables, net	571,540	523,499
Inventories	80,425	40,615
Prepays	19,223	-
Cash and cash equivalents, restricted	991,068	2,019,174
Total current assets	<u>1,876,774</u>	<u>2,883,226</u>
Noncurrent assets:		
Capital assets:		
Nondepreciable	484,028	158,899
Depreciable, net	10,892,131	11,109,303
Total noncurrent assets	<u>11,376,159</u>	<u>11,268,202</u>
Total assets	<u>13,252,933</u>	<u>14,151,428</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	294,977	310,845
Accrued payroll and related liabilities	29,545	20,633
Accrued interest payable	87,283	82,838
Customer security deposits	25,400	10,600
Current portion of noncurrent liabilities	480,440	1,020,738
Total current liabilities	<u>917,645</u>	<u>1,445,654</u>
Noncurrent liabilities:		
Due in more than one year	7,090,469	7,549,472
Total noncurrent liabilities	<u>7,090,469</u>	<u>7,549,472</u>
Total liabilities	<u>8,008,114</u>	<u>8,995,126</u>
NET POSITION		
Net investment in capital assets	4,834,097	4,761,326
Unrestricted	410,722	394,976
Total net position	<u>\$ 5,244,819</u>	<u>\$ 5,156,302</u>

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

	Business-type Activities – Enterprise Fund Water and Sewer	
	2014	(For Comparison Only) 2013
OPERATING REVENUES		
Water service charges and fees	\$ 1,359,126	\$ 1,250,580
Sewer service charges and fees	1,590,870	1,452,410
Water/sewer penalties	52,974	51,157
Other revenue	255,135	261,934
Total operating revenues	<u>3,258,105</u>	<u>3,016,081</u>
OPERATING EXPENSES		
Salaries	838,728	773,781
Fringe benefits	271,468	265,366
Contractual services	39,466	84,610
Maintenance	73,095	93,288
Rent, utilities, and insurance	284,829	273,443
Materials and supplies	38,875	95,739
Equipment repairs and rentals	50,710	34,395
Sewage treatment	384,255	269,249
Purchase of water	119,976	106,505
Other	160,127	133,257
Depreciation	655,671	605,004
Total operating expenses	<u>2,917,200</u>	<u>2,734,637</u>
Operating income	<u>340,905</u>	<u>281,444</u>
NON-OPERATING REVENUE (EXPENSE)		
Interest income	5,308	828
Interest expense	(257,696)	(207,160)
Net non-operating expense	<u>(252,388)</u>	<u>(206,332)</u>
Change in net position	88,517	75,112
NET POSITION AT JULY 1, AS RESTATED (NOTE 16)	<u>5,156,302</u>	<u>5,081,190</u>
NET POSITION AT JUNE 30	<u>\$ 5,244,819</u>	<u>\$ 5,156,302</u>

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2014**

	Business-type Activities – Enterprise Fund Water and Sewer	
	(For Comparison Only)	
	2014	2013
OPERATING ACTIVITIES		
Receipts from customers	\$ 2,969,729	\$ 2,754,227
Receipts from other sources	255,135	261,934
Payments to suppliers	(1,269,078)	(957,124)
Payments to employees	(1,092,198)	(1,033,455)
Net cash provided by operating activities	<u>863,588</u>	<u>1,025,582</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(720,784)	(919,265)
Principal paid on long-term liabilities	(1,004,718)	(428,247)
Proceeds from long-term liabilities	-	2,493,152
Debt issuance costs	-	(30,526)
Interest paid	(256,920)	(215,281)
Net cash provided by (used in) capital and related financing activities	<u>(1,982,422)</u>	<u>899,833</u>
INVESTING ACTIVITIES		
Interest received on investments	5,308	828
Net increase (decrease) in cash and cash equivalents	<u>(1,113,526)</u>	<u>1,926,243</u>
CASH AND CASH EQUIVALENTS		
Beginning at July 1, as restated	2,319,112	392,869
Ending at June 30	<u>\$ 1,205,586</u>	<u>\$ 2,319,112</u>
RECONCILIATION TO EXHIBIT 8		
Cash and cash equivalents	\$ 214,518	\$ 299,938
Cash and cash equivalents, restricted	991,068	2,019,174
	<u>\$ 1,205,586</u>	<u>\$ 2,319,112</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 340,905	\$ 277,114
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	655,671	609,334
Change in certain assets and liabilities:		
(Increase) decrease in:		
Receivables, net	(48,041)	(10,520)
Inventories	(39,810)	7,725
Prepays	(19,223)	10,730
Increase in:		
Accounts payable and accrued liabilities	(58,712)	114,907
Accrued payroll and related liabilities	8,912	4,854
Customer security deposits	14,800	10,600
Compensated absences	7,168	551
Other post employment benefits	1,918	287
Net cash provided by operating activities	<u>\$ 863,588</u>	<u>\$ 1,025,582</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital asset purchases included in accounts payable	<u>\$ 83,853</u>	<u>\$ 41,009</u>

TOWN OF VINTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

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

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

Jointly Governed Organizations

Roanoke Valley Resource Authority:

The Town of Vinton, Roanoke County, and the City of Roanoke jointly participate in the Roanoke Valley Resource Authority, which operates a regional solid waste disposal system that includes a sanitary landfill, waste collection, and transfer station. The Authority is governed by a board composed of seven members appointed by the governing bodies of participating jurisdictions. Town Council appoints one member. The Town has control over the budget and financing of the Authority only to the extent of representation by the board member appointed. The participating localities are each responsible for their pro-rata share, based on population, of any year-end operating deficit. For the current year, the Town remitted \$183,478 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 \$52,740 for the current year. Separate financial statements are not available.

Roanoke County Emergency Communications Center:

The Town participates in an intergovernmental agreement with the County of Roanoke for the operation of a E-911 dispatch center. All personnel of the Center are employees of Roanoke County. The Director of Communications & Information Technology in coordination with the Emergency Communications Center Advisory Board is responsible for oversight of the Center. The Assistant Director for Communications and Information Technology is responsible for the day-to-day operational management of the Center. The Town and County contribute to the operational cost of the Center based on the pro rata share of call volume. The Town's share of the operating cost was approximately \$475,643 in the current year. Separate financial statements are not available.

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

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Jointly Governed Organizations (Continued)

Western Virginia Regional Industrial Facility Authority:

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

Joint Venture

Regional Fire Training Facility:

The Town participates in an intergovernmental agreement with the County of Roanoke and the Cities of Roanoke and Salem for the operation of a regional fire training facility. The Roanoke Valley Regional Fire Training Academy Board is responsible for overseeing the management, operation, and administration of the Academy. Each participating jurisdiction maintains a leasehold interest in the project and shares costs of operation and maintenance equal to the jurisdiction's payment percentage as defined in the agreement. The Town's participating interest is 4%. The Town's share of the operating cost was approximately \$5,694 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.

TOWN OF VINTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-Wide and Fund Financial Statements

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

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

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

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary 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.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting (Continued)

- 3) Prior to June 30, the budgets for the general and enterprise funds are legally enacted through passage of an appropriations ordinance. Town Council may, from time to time, amend the budget providing for additional expenditures and the means for financing them. Town Council approved additional general fund appropriations of approximately \$273,747 during the fiscal year ended June 30, primarily for capital projects deferred from the prior year and additional operating expenditures.
- 4) The appropriations ordinance places legal restrictions on expenditures at the department or function level. Management can over-expend at the line item level without approval of Town Council. The appropriation for each department or function can be revised only by Town Council. The Town Manager is authorized to transfer budget amounts within departments. All budget data presented in Exhibit 7 is at the legal level of budgetary control.
- 5) Formal budgetary integration is employed as a management control device during the year for the general and enterprise funds.
- 6) Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 7) Appropriations lapse on June 30.
- 8) All budget data presented in the accompanying financial statements are revised as of June 30.

F. Cash and Cash Equivalents

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

G. Allowance for Uncollectible Accounts

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

H. Inventories

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

TOWN OF VINTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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

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

J. Deferred Outflows/Inflows of Resources

In addition to assets, statements that present financial position also report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding of debt.

In addition to liabilities, statements that present financial position also report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has two items that qualify for reporting in this category. The first item occurs only under a modified accrual basis of accounting. The item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 45 days of year-end and property taxes levied to fund future years. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item relates to unearned property taxes including taxes received in advance of the year in which they are intended to fund operations. This item is a deferred inflow in both the governmental fund balance sheet and the entity-wide statement of net position.

TOWN OF VINTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

K. Capitalization of Interest

The Town capitalizes net interest costs on funds borrowed to finance the construction of proprietary capital assets. Interest is not capitalized on the construction of assets used in governmental activities. There was \$8,405 of interest capitalized in the current year.

L. 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.

M. Long-Term Obligations

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

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

N. Fund Balances

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

The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.
- **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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

N. Fund Balances (Continued)

The classifications are as follows: (Continued)

- **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.

O. Estimates

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

P. 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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

Q. 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.

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.

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

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Credit Risk: (Continued)

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

Interest Rate Risk:

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

Custodial Credit Risk:

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

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

Deposits	<u>\$ 4,980,860</u>
Reconciliation of deposits to Exhibit 1:	
Cash and cash equivalents, excluding \$2,705 cash on hand	\$ 3,967,821
Cash and cash equivalents, restricted	<u>1,013,039</u>
Total deposits	<u>\$ 4,980,860</u>

Restricted cash and cash equivalents consists of \$967,868 of unspent bond proceeds, \$23,200 of utility deposits, \$20,207 of evidence found, and \$1,764 of flex benefit spending that can only be used for specific purposes.

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

Note 3. Receivables

Receivables consist of the following:

	Governmental Activities	Business-type Activities	Total
Receivables			
Taxes	\$ 409,602	\$ -	\$ 409,602
Accounts	12,508	635,040	647,548
Gross receivables	422,110	635,040	1,057,150
Less allowance for uncollectibles	138,323	63,500	201,823
Receivables, net	\$ 283,787	\$ 571,540	\$ 855,327

Note 4. Due from Other Governmental Units

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

Commonwealth of Virginia	
Communication taxes	\$ 57,613
CDBG	27,475
Miscellaneous non-categorical aid	4,134
	89,222
County of Roanoke	
Local sales taxes	215,924
Transport fees	33,314
Other	6,649
	255,887
	\$ 345,109

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

Note 5. Capital Assets

Capital asset activity for the year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated				
Land	\$ 1,706,089	\$ -	\$ -	\$ 1,706,089
Construction in progress	87,042	-	-	87,042
Total capital assets, not depreciated	<u>1,793,131</u>	<u>-</u>	<u>-</u>	<u>1,793,131</u>
Capital assets, depreciated				
Buildings and improvements	9,280,710	-	-	9,280,710
Machinery and equipment	4,397,754	48,958	-	4,446,712
Infrastructure	2,432,674	-	-	2,432,674
Total capital assets, depreciated	<u>16,111,138</u>	<u>48,958</u>	<u>-</u>	<u>16,160,096</u>
Less accumulated depreciation for:				
Buildings and improvements	3,461,603	286,622	-	3,748,225
Machinery and equipment	3,785,795	175,647	-	3,961,442
Infrastructure	899,862	92,153	-	992,015
Total accumulated depreciation	<u>8,147,260</u>	<u>554,422</u>	<u>-</u>	<u>8,701,682</u>
Total capital assets, depreciated, net	<u>7,963,878</u>	<u>(505,464)</u>	<u>-</u>	<u>7,458,414</u>
Governmental activities capital assets, net	<u>\$ 9,757,009</u>	<u>\$ (505,464)</u>	<u>\$ -</u>	<u>\$ 9,251,545</u>

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

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	78,147	325,129	-	403,276
Total capital assets, not depreciated	<u>158,899</u>	<u>325,129</u>	<u>-</u>	<u>484,028</u>
Capital assets, depreciated				
Utility plant	18,753,606	17,456	-	18,771,062
Sewage treatment contract	3,816,857	-	-	3,816,857
Machinery and equipment	1,137,156	421,043	-	1,558,199
Total capital assets, depreciated	<u>23,707,619</u>	<u>438,499</u>	<u>-</u>	<u>24,146,118</u>
Less accumulated depreciation for:				
Utility plant	10,552,292	485,925	-	11,038,217
Sewage treatment contract	1,159,067	130,118	-	1,289,185
Machinery and equipment	886,957	39,628	-	926,585
Total accumulated depreciation	<u>12,598,316</u>	<u>655,671</u>	<u>-</u>	<u>13,253,987</u>
Total capital assets, depreciated, net	<u>11,109,303</u>	<u>(217,172)</u>	<u>-</u>	<u>10,892,131</u>
Business-type activities capital assets, net	<u>\$ 11,268,202</u>	<u>\$ 107,957</u>	<u>\$ -</u>	<u>\$ 11,376,159</u>

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

Governmental activities	
General government administration	\$ 291,064
Public safety	120,925
Public works	142,432
Parks, recreation, and cultural	1
	<u>\$ 554,422</u>
Business-type activities	
Water and sewer	<u>\$ 655,671</u>

Construction Commitments

The Town has no active construction projects as of June 30, 2014. The Town does have partially completed construction-in-progress in governmental activities, but there are no outstanding construction commitments related to these activities. 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 associated with the outstanding construction commitments discussed below under sewage treatment contract, and a street water project that is in the engineering phase.

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

Note 5. Capital Assets (Continued)

Sewage Treatment Contract

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

The plant is upgrading its facilities to improve compliance with DEQ peak flow requirements. Modifications costing approximately \$17 million are currently under construction. The Town's share will be approximately 5.5% or \$987,000, which is being funded with general obligation bonds issued 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. The Town has made the annual required contribution since the formation of the Authority in 2005.

Note 6. Long-Term Liabilities

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 3,993,409	\$ -	\$ (269,004)	\$ 3,724,405	\$ 272,529
Obligation payable – Roanoke County	425,000	-	(50,000)	375,000	50,000
Obligation payable – RCACP	-	73,180	(5,632)	67,548	7,468
Bond premiums	43,742	-	(3,606)	40,136	3,362
Capital leases	257,549	-	(48,287)	209,262	49,847
Compensated absences	415,865	153,445	(137,235)	432,075	142,584
Other postemployment benefits	41,721	35,678	(20,120)	57,279	-
	<u>\$ 5,177,286</u>	<u>\$ 262,303</u>	<u>\$ (533,884)</u>	<u>\$ 4,905,705</u>	<u>\$ 525,790</u>
Business-type Activities					
General obligation bonds	\$ 6,125,127	\$ -	\$ (889,718)	\$ 5,235,409	\$ 342,583
Revenue bonds	2,340,000	-	(115,000)	2,225,000	120,000
Bond Premiums	53,190	-	(3,671)	49,519	3,668
Compensated absences	47,406	19,496	(12,326)	54,576	14,189
Other postemployment benefits	4,487	4,398	(2,480)	6,405	-
	<u>\$ 8,570,210</u>	<u>\$ 23,894</u>	<u>\$ (1,023,195)</u>	<u>\$ 7,570,909</u>	<u>\$ 480,440</u>

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

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

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		Capital Leases		Obligations Payable Roanoke County and RCACP		General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 272,529	\$ 113,793	\$ 49,847	\$ 6,762	\$ 57,468	\$ 1,593	\$ 342,583	\$ 155,792	\$ 120,000	\$ 101,925
2016	281,336	105,149	51,458	5,151	57,656	1,408	353,167	145,208	120,000	97,125
2017	283,394	97,635	53,120	3,489	62,848	1,217	364,081	134,295	125,000	92,538
2018	290,332	90,000	54,837	1,772	63,040	1,023	375,330	123,045	130,000	87,750
2019	297,059	81,443	-	-	63,240	823	348,217	112,013	135,000	82,450
2020-2024	1,674,858	263,941	-	-	138,296	1,236	1,905,146	391,009	795,000	303,125
2025-2029	624,897	41,596	-	-	-	-	1,100,013	125,571	800,000	82,500
2030-2033	-	-	-	-	-	-	446,872	25,927	-	-
	<u>\$ 3,724,405</u>	<u>\$ 793,557</u>	<u>\$ 209,262</u>	<u>\$ 17,174</u>	<u>\$ 442,548</u>	<u>\$ 7,300</u>	<u>\$ 5,235,409</u>	<u>\$ 1,212,860</u>	<u>\$ 2,225,000</u>	<u>\$ 847,413</u>

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-type Activities
General Obligation Bonds:						
Virginia Resources Authority Taxable:						
G.O. Public Improvement Bonds	2.38-4.48%	11/04/04	11/01/14	\$ 1,015,000	\$ 50,000	\$ -
G.O. Public Improvement Bonds	3.64-4.96%	06/01/06	10/01/26	755,000	560,000	-
Virginia Revolving Loan Fund:						
G.O. Water and Sewer Bonds	3.30%	07/24/03	07/01/24	1,250,704	-	771,017
G.O. Water and Sewer Bonds	3.10%	10/01/04	10/01/26	2,479,000	-	1,754,250
G.O. Water and Sewer Bonds	3.10%	01/12/06	03/01/26	1,210,000	-	827,947
Virginia Association of Counties:						
G.O. Public Improvement Bonds	2.50-4.38%	12/15/04	08/01/14	2,500,000	120,000	-
G.O. Public Improvement Bonds	3.75-5.25%	02/08/07	02/01/27	1,045,000	800,000	-
Capital One Public Funding:						
G.O. Public Improvement Bonds	2.85%	06/27/13	11/01/32	1,993,152	-	1,882,195
Carter Bank and Trust:						
G.O. Refunding Bonds	2.05%	06/27/13	11/01/24	2,228,409	2,194,405	-
					3,724,405	5,235,409
				Plus bond premium, net of amortization	40,136	-
					<u>\$ 3,764,541</u>	<u>\$ 5,235,409</u>

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

Note 6. Long-Term Liabilities (Continued)

	<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>
<u>Revenue Bonds:</u>						
Virginia Association of Counties:						
Revenue Water and Sewer Bonds	3.50-5.00%	12/19/07	08/01/27	2,750,000	\$ -	\$ 2,225,000
		Plus bond premium, net of amortization			-	49,519
					<u>\$ -</u>	<u>\$ 2,274,519</u>
<u>Capital Lease:</u>						
Kansas State Bank	3.23%	09/06/12	10/06/17	\$ 313,315	\$ 209,262	\$ -
<u>Obligations Payable:</u>						
Roanoke County	0.00%	07/01/11	07/01/20	\$ 625,000	\$ 375,000	\$ -
RCACP	2.46	12/31/13	09/30/22	73,180	67,548	-
					<u>\$ 442,548</u>	<u>\$ -</u>

Prior Year Defeasance of Debt

In 2013, the Town defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service on the refunded bonds through their maturity date. The deferred costs are being amortized over the life of the new bonds as a component of interest expense. As a result, the liability for those bonds has been removed from the financial statements. At June 30, \$2,065,000 of these bonds remains outstanding.

Note 7. Defined Benefit Pension Plan

Plan Description

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

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

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

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

VRS PLAN 1

About VRS Plan 1 – VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Hybrid Opt-In Election – VRS non-hazardous duty covered plan members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan were not eligible to elect the Hybrid Retirement Plan and remain as plan members or ORP.

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

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

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

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

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

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

VRS PLAN 1 (Continued)

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

Service Retirement Multiplier – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

Normal Retirement Age – Age 65.

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

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

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

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).

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

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

VRS PLAN 1 (Continued)

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: (Continued)

- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

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

VRS PLAN 2

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

Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Average Final Compensation – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

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

Normal Retirement Age – Normal Social Security retirement age.

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

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

VRS PLAN 2 (Continued)

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

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

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

Disability Coverage – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

HYBRID RETIREMENT PLAN

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

About the Hybrid Retirement Plan – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window.

- The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

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

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

Eligible Members – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees*
- School division employees
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1 – April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014

***Non-Eligible Members**

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers’ Retirement System (SPORS)
- Members of the Virginia Law Officers’ Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

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

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

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

Creditable Service

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

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

Vesting

Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

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

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

Calculating the Benefit

Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation – Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

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

Normal Retirement Age

Defined Benefit Component: Same as VRS Plan 2.

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

Earliest Unreduced Retirement Eligibility

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

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

Earliest Reduced Retirement Eligibility

Defined Benefit Component: Members may retire with a reduced benefit as early as age 60 with at least five years of creditable service.

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

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

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component: Same as VRS Plan 2.

Defined Contribution Component: Not applicable.

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

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

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended June 30, 2014 was 8.48% of the annual covered payroll.

TOWN OF VINTON, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

Note 7. Defined Benefit Pension Plan (Continued)

Annual Pension Cost

For the fiscal year ended June 30, 2014, the Town's annual pension cost of \$258,832 for VRS was equal to the required and actual contributions.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 313,691	100%	\$ -
June 30, 2013	286,777	100	-
June 30, 2012	442,672	100	-

The fiscal year 2014 required contribution was determined as part of the June 30, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2013 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for local general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%.

The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued liability (UAAL) was 30 years.

Funded Status and Funding Progress

For the Town employees, as of June 30, 2013, the most recent actuarial valuation date, the plan was 79.80% funded. The actuarial accrued liability for benefits was \$15,624,580, and the actuarial value of assets was \$12,467,943, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,156,637. The covered payroll (annual payroll of active employees covered by the plan) was \$3,305,685, and the ratio of the UAAL to the covered payroll was 95.49%.

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

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

Note 8. Other Postemployment Benefits

Plan Description

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

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

The plan does not provide audited financial statements.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The components of the Town’s annual OPEB cost (expense) are discussed below. The Annual Required Contribution (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 2014, the Town’s pay-as-you-go funding totaled \$22,600 and resulted in a Net OPEB obligation of \$63,684. The pay-as-you-go funding includes the Town’s contribution towards retiree health care premiums of \$7,000, and an implicit subsidy of the retiree health care premiums created through the blending of active employee and retiree insurance rates.

Annual required contribution	\$ 40,900
Interest on net OPEB obligation	1,848
Adjustment to annual required contribution	(2,672)
Annual OPEB cost	40,076
Less funding	(22,600)
Increase in net OPEB obligation	17,476
Net OPEB obligation-beginning of year	46,208
Net OPEB obligation-end of year	\$ 63,684

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

Note 8. Other Postemployment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2013, and 2012 are as follows:

Fiscal Year Ended	OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 40,076	55.3%	\$ 63,684
June 30, 2013	39,990	93.2%	46,208
June 30, 2012	67,256	74.7%	43,489

Funded Status and Funding Progress

As of January 1, 2012, the Town's most recent actuarial valuation date, the unfunded actuarial accrued liability (UAAL) for benefits was \$279,700, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,109,500, and the ratio of the UAAL to the covered payroll was 9.00%.

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.

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.

TOWN OF VINTON, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

Note 8. Other Postemployment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

Methods and Assumptions (Continued)

In the January 1, 2012 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 2.50% inflation rate, a 4.00% discount rate, and an initial annual healthcare cost trend of 7.20% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 4.80%. The unfunded accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2014 is 30 years.

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 an agreed upon rate. 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

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

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.

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 2013-2014, total premiums paid were approximately \$69,000. 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 2013-2014, total premiums paid were approximately \$134,000. General liability and business automobile have a \$1,000,000 limit per occurrence. Boiler and machinery coverage and property insurance are covered per statement of values. The Town maintains an additional \$4,000,000 umbrella policy over all forms of liability insurance. Police professional liability and public officials' liability insurance with a \$1,000,000 limit are covered through a policy with the Commonwealth of Virginia.

There were no significant reductions in insurance coverage's 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 2013-2014, total premiums paid were approximately \$579,000.

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, 2014

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 an old landfill site.

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

Gain Sharing Agreement – Vinton Business Center

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

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

Roanoke County/Vinton Branch Library

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

Note 14. Major Customer/Taxpayer

During fiscal year 2014, approximately 7% of the Town's business-type revenues were generated by one industrial customer.

TOWN OF VINTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 fund. The constraints placed on the general fund balance are presented below:

	General Fund
Nonspendable:	
Inventories	\$ 3,525
Prepays	56,833
Total nonspendable	60,358
Restricted for:	
Public safety	140,161
Greenway project	50,000
Total restricted	190,161
Unassigned	2,919,657
Total fund balance	\$ 3,170,176

Note 16. Prior Period Adjustments

	Governmental Activities	General Fund	Water and Sewer Fund
Fund balance/net position, June 30, 2013, as previously stated	\$ 8,014,966	\$ 3,131,811	\$ 5,248,945
To implement GASB 65 and write off bond costs	(77,760)	-	(92,643)
To correct allocation of prior year bond proceeds into the correct fund	-	(183,232)	-
Net prior period adjustments	(77,760)	(183,232)	(92,643)
Fund balance/net position June 30, 2013, as restated	\$ 7,937,206	\$ 2,948,579	\$ 5,156,302

Note 17. Subsequent Events

In August 2014, the Town was notified of a large refund claim for bank stock taxes. The Town owes approximately \$24,000 to a bank as a result of amended tax returns. The amount is recorded as a liability in the government-wide statements as it does not affect current financial resources as repayment terms have not yet been addressed.

TOWN OF VINTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 17. Subsequent Events (Continued)

The Town is in the process of bidding out a \$300,000 renovation project to provide housing and updated facilities for volunteers and new 24 hour fire services to be offered with career staff. The cost of this project will be split equally between the Town and Roanoke County.

Note 18. New Accounting Standards

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

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

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

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

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TOWN OF VINTON, VIRGINIA

ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN

June 30, 2014

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, 2013	\$ 12,467,943	\$ 15,624,580	\$ 3,156,637	79.80%	\$ 3,305,685	95.49%
June 30, 2012	12,232,068	15,312,040	3,079,972	79.89	2,978,778	103.40
June 30, 2011	12,632,410	14,800,513	2,168,103	85.35	3,310,821	65.49
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, 2014

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, 2012	\$ -	\$ 279,700	\$ 279,700	0.00%	\$ 3,109,500	9.00%
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.

TABLE 1

TOWN OF VINTON, VIRGINIA

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Net investment in capital assets	\$ 5,427,254	\$ 5,704,050	\$ 5,919,643	\$ 6,316,937	\$ 6,760,474	\$ 7,365,632	\$ 7,763,470	\$ 7,500,994	\$ 7,237,168	\$ 6,683,653
Restricted	190,161	91,676	-	20,053	20,000	20,000	20,000	20,000	20,000	20,000
Unrestricted	2,291,758	2,219,240	1,972,859	1,491,375	1,362,770	1,650,476	2,451,898	3,431,442	3,238,092	3,355,212
Total governmental activities net position	<u>\$ 7,909,173</u>	<u>\$ 8,014,966</u>	<u>\$ 7,892,502</u>	<u>\$ 7,828,365</u>	<u>\$ 8,143,244</u>	<u>\$ 9,036,108</u>	<u>\$ 10,235,368</u>	<u>\$ 10,952,436</u>	<u>\$ 10,495,260</u>	<u>\$ 10,058,865</u>
Business-type activities										
Net investment in capital assets	\$ 4,834,097	\$ 4,853,969	\$ 4,838,640	\$ 5,019,517	\$ 5,437,639	\$ 5,342,230	\$ 5,497,604	\$ 5,555,583	\$ 6,072,220	\$ 6,042,240
Unrestricted	410,722	394,976	339,523	661,273	297,150	968,176	1,255,035	1,837,429	1,882,467	2,027,777
Total business-type activities net position	<u>\$ 5,244,819</u>	<u>\$ 5,248,945</u>	<u>\$ 5,178,163</u>	<u>\$ 5,680,790</u>	<u>\$ 5,734,789</u>	<u>\$ 6,310,406</u>	<u>\$ 6,752,639</u>	<u>\$ 7,393,012</u>	<u>\$ 7,954,687</u>	<u>\$ 8,070,017</u>
Primary government										
Net investment in capital assets	\$ 10,261,351	\$ 10,558,019	\$ 10,758,283	\$ 11,336,454	\$ 12,198,113	\$ 12,707,862	\$ 13,261,074	\$ 13,056,577	\$ 13,309,388	\$ 12,725,893
Restricted	190,161	91,676	-	20,053	20,000	20,000	20,000	20,000	20,000	20,000
Unrestricted	2,702,480	2,614,216	2,312,382	2,152,648	1,659,920	2,618,652	3,706,933	5,268,871	5,120,559	5,382,989
Total primary government net position	<u>\$ 13,153,992</u>	<u>\$ 13,263,911</u>	<u>\$ 13,070,665</u>	<u>\$ 13,509,155</u>	<u>\$ 13,878,033</u>	<u>\$ 15,346,514</u>	<u>\$ 16,988,007</u>	<u>\$ 18,345,448</u>	<u>\$ 18,449,947</u>	<u>\$ 18,128,882</u>

**TABLE 2
(Continued)**

TOWN OF VINTON, VIRGINIA

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Expenses										
Governmental activities										
General government	\$ 962,341	\$ 942,315	\$ 948,803	\$ 934,388	\$ 1,023,227	\$ 1,037,073	\$ 906,072	\$ 1,842,084	\$ 758,537	\$ 758,738
Public safety	3,339,148	3,238,361	3,214,622	3,397,562	3,446,746	3,593,946	3,407,536	3,454,713	2,973,885	2,678,245
Public works	1,993,713	2,074,464	2,062,430	2,243,111	2,457,832	2,455,754	2,905,249	2,058,379	1,583,537	1,505,832
Parks, recreation, and cultural	635,252	588,649	553,866	583,569	617,778	610,756	575,895	300,854	456,343	544,242
Community development	575,557	398,517	1,034,510	339,983	393,160	339,304	227,303	218,941	206,510	196,075
Interest on long-term debt	200,584	143,455	183,672	194,159	203,787	211,189	220,551	188,966	140,534	148,719
Total governmental activities	<u>7,706,595</u>	<u>7,385,761</u>	<u>7,997,903</u>	<u>7,692,772</u>	<u>8,142,530</u>	<u>8,248,022</u>	<u>8,242,606</u>	<u>8,063,937</u>	<u>6,119,346</u>	<u>5,831,851</u>
Business-type activities										
Water and sewer	3,174,896	2,946,127	3,044,342	3,002,964	3,238,927	3,189,315	3,148,236	3,035,847	2,380,728	2,174,939
Total business-type activities expense	<u>3,174,896</u>	<u>2,946,127</u>	<u>3,044,342</u>	<u>3,002,964</u>	<u>3,238,927</u>	<u>3,189,315</u>	<u>3,148,236</u>	<u>3,035,847</u>	<u>2,380,728</u>	<u>2,174,939</u>
Total primary government expenses	<u>\$ 10,881,491</u>	<u>\$ 10,331,888</u>	<u>\$ 11,042,245</u>	<u>\$ 10,695,736</u>	<u>\$ 11,381,457</u>	<u>\$ 11,437,337</u>	<u>\$ 11,390,842</u>	<u>\$ 11,099,784</u>	<u>\$ 8,500,074</u>	<u>\$ 8,006,790</u>
Program Revenues										
Governmental activities										
Charges for services										
Public safety	\$ 88,364	\$ 89,115	\$ 91,196	\$ 119,870	\$ 108,187	\$ 172,357	\$ 128,216	\$ 231,207	\$ 203,532	\$ 193,264
Public works	110,425	110,115	110,460	110,380	110,175	132,382	114,274	110,220	114,267	113,917
Other activities	554,666	495,133	440,883	466,306	489,901	436,835	450,338	370,838	502,979	544,415
Operating grants and contributions	1,382,744	1,287,108	1,281,998	1,318,394	1,366,971	1,454,813	1,691,163	1,282,244	1,102,340	1,121,561
Capital grants and contributions	114,966	53,749	66,545	75,188	8,034	2,146	91,590	1,337,016	123,240	737,716
Total governmental activities program revenues	<u>2,251,165</u>	<u>2,035,220</u>	<u>1,991,082</u>	<u>2,090,138</u>	<u>2,083,268</u>	<u>2,198,533</u>	<u>2,475,581</u>	<u>3,331,525</u>	<u>2,046,358</u>	<u>2,710,873</u>
Business-type activities										
Charges for services										
Water and sewer	3,002,970	2,754,147	2,753,851	2,672,156	2,439,634	2,289,754	2,255,505	2,274,224	2,143,032	1,873,821
Capital grants and contributions	-	-	-	-	-	303,556	-	48,540	-	-
Total business-type activities program revenues	<u>3,002,970</u>	<u>2,754,147</u>	<u>2,753,851</u>	<u>2,672,156</u>	<u>2,439,634</u>	<u>2,593,310</u>	<u>2,255,505</u>	<u>2,322,764</u>	<u>2,143,032</u>	<u>1,873,821</u>
Total primary government program revenues	<u>\$ 5,254,135</u>	<u>\$ 4,789,367</u>	<u>\$ 4,744,933</u>	<u>\$ 4,762,294</u>	<u>\$ 4,522,902</u>	<u>\$ 4,791,843</u>	<u>\$ 4,731,086</u>	<u>\$ 5,654,289</u>	<u>\$ 4,189,390</u>	<u>\$ 4,584,694</u>
Net (expense) revenue										
Governmental activities	\$ (5,455,430)	\$ (5,350,541)	\$ (6,006,821)	\$ (5,602,634)	\$ (6,059,262)	\$ (6,049,489)	\$ (5,767,025)	\$ (4,732,412)	\$ (4,072,988)	\$ (3,120,978)
Business-type activities	(171,926)	(191,980)	(290,491)	(330,808)	(799,293)	(596,005)	(892,731)	(713,083)	(237,696)	(301,118)
Total primary government net expense	<u>\$ (5,627,356)</u>	<u>\$ (5,542,521)</u>	<u>\$ (6,297,312)</u>	<u>\$ (5,933,442)</u>	<u>\$ (6,858,555)</u>	<u>\$ (6,645,494)</u>	<u>\$ (6,659,756)</u>	<u>\$ (5,445,495)</u>	<u>\$ (4,310,684)</u>	<u>\$ (3,422,096)</u>

(Continued)

**TABLE 2
(Continued)**

TOWN OF VINTON, VIRGINIA

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 448,349	\$ 453,135	\$ 510,558	\$ 429,409	\$ 419,401	\$ 434,176	\$ 467,806	\$ 411,866	\$ 397,200	\$ 397,424
Sales tax	1,287,437	1,284,455	1,247,566	1,171,590	1,113,322	1,132,519	1,132,083	1,148,136	1,065,843	1,177,089
Business license tax	517,111	491,996	460,638	454,636	456,536	437,797	452,672	413,400	403,818	192,344
Meals tax	900,591	912,226	909,814	864,448	842,384	861,286	860,961	806,916	715,267	584,998
Other taxes	628,177	692,669	698,412	734,316	755,808	386,703	338,292	397,014	423,145	410,121
Utilities tax	787,097	785,555	782,487	801,264	803,044	795,268	804,812	790,308	719,289	734,279
Intergovernmental revenue not restricted	756,199	807,117	773,617	748,815	664,975	631,320	679,009	755,599	437,496	334,649
Investment earnings not restricted	14,540	4,434	3,020	1,904	3,187	28,917	112,672	210,193	147,368	80,837
Restricted investment earnings	59,628	-	-	-	-	187	11,087	145,554	113,317	37,903
Gain on disposal of property	6,516	-	-	-	-	-	-	-	51,366	-
Other	21,752	41,418	184,846	81,373	29,275	16,038	77,077	48,702	27,774	45,384
Transfers	-	-	500,000	-	78,466	126,018	113,486	61,900	7,500	-
Total governmental activities	<u>5,427,397</u>	<u>5,473,005</u>	<u>6,070,958</u>	<u>5,287,755</u>	<u>5,166,398</u>	<u>4,850,229</u>	<u>5,049,957</u>	<u>5,189,588</u>	<u>4,509,383</u>	<u>3,995,028</u>
Business-type activities:										
Investment earnings not restricted	7	66	414	1,174	1,824	16,719	67,772	110,024	76,855	42,669
Restricted investment earnings	5,301	762	91	427	1,727	26,873	47,234	-	-	-
Other	255,135	261,934	287,359	275,208	298,591	236,198	250,838	103,284	53,011	52,300
Transfers	-	-	(500,000)	-	(78,466)	(126,018)	(113,486)	(61,900)	(7,500)	-
Total business-type activities	<u>260,443</u>	<u>262,762</u>	<u>(212,136)</u>	<u>276,809</u>	<u>223,676</u>	<u>153,772</u>	<u>252,358</u>	<u>151,408</u>	<u>122,366</u>	<u>94,969</u>
Total primary government	<u>\$ 5,687,840</u>	<u>\$ 5,735,767</u>	<u>\$ 5,858,822</u>	<u>\$ 5,564,564</u>	<u>\$ 5,390,074</u>	<u>\$ 5,004,001</u>	<u>\$ 5,302,315</u>	<u>\$ 5,340,996</u>	<u>\$ 4,631,749</u>	<u>\$ 4,089,997</u>
Changes in Net Position										
Governmental activities	\$ (28,033)	\$ 122,464	\$ 64,137	\$ (314,879)	\$ (892,864)	\$ (1,199,260)	\$ (717,068)	\$ 457,176	\$ 436,395	\$ 874,050
Business-type activities	88,517	70,782	(502,627)	(53,999)	(575,617)	(442,233)	(640,373)	(561,675)	(115,330)	(206,149)
Total primary government	<u>\$ 60,484</u>	<u>\$ 193,246</u>	<u>\$ (438,490)</u>	<u>\$ (368,878)</u>	<u>\$ (1,468,481)</u>	<u>\$ (1,641,493)</u>	<u>\$ (1,357,441)</u>	<u>\$ (104,499)</u>	<u>\$ 321,065</u>	<u>\$ 667,901</u>

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

TABLE 3

TOWN OF VINTON, VIRGINIA

FUND BALANCES - GOVERNMENTAL FUND

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Pre-GASB 54 implementation:						
General Fund						
Reserved	\$ 361,090	\$ 272,645	\$ 314,902	\$ 2,835,003	\$ 4,625,979	\$ 3,999,505
Unreserved	1,322,095	1,698,851	2,439,625	1,747,348	2,927,980	3,011,346
Total general fund	<u>\$ 1,683,185</u>	<u>\$ 1,971,496</u>	<u>\$ 2,754,527</u>	<u>\$ 4,582,351</u>	<u>\$ 7,553,959</u>	<u>\$ 7,010,851</u>
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>		
Post-GASB 54 implementation:						
General Fund						
Nonspendable	\$ 60,358	\$ 19,101	\$ 62,746	\$ 66,341		
Restricted	190,161	274,908	17,068	372,271		
Assigned	-	-	-	100,000		
Unassigned	2,919,657	2,837,802	2,584,947	1,196,789		
Total general fund	<u>\$ 3,170,176</u>	<u>\$ 3,131,811</u>	<u>\$ 2,664,761</u>	<u>\$ 1,735,401</u>		

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

TABLE 4

TOWN OF VINTON, VIRGINIA

CHANGES IN FUND BALANCES - GOVERNMENTAL FUND

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Taxes	\$ 4,562,633	\$ 4,597,882	\$ 4,529,953	\$ 4,467,158	\$ 4,345,947	\$ 4,049,513	\$ 4,084,586	\$ 3,914,205	\$ 3,726,456	\$ 3,488,354
Permits, privilege fees, and regulatory licenses	9,085	10,861	9,273	10,242	12,116	11,321	14,035	10,852	10,029	9,006
Fines and forfeitures	75,059	73,107	75,989	102,566	94,548	116,463	102,720	103,816	93,022	76,294
Revenue from use of money and property	177,605	105,998	105,666	118,560	156,533	201,341	298,369	527,343	436,303	301,240
Charges for services	428,920	387,049	333,832	355,606	328,116	319,293	270,521	190,513	323,882	358,378
Other	33,207	72,337	18,522	16,860	3,562	4,638	4,718	10,740	5,175	954
Intergovernmental	2,359,870	2,239,992	2,303,286	2,303,732	2,170,790	2,230,602	2,590,575	3,491,179	1,903,599	2,463,622
Total revenues	7,646,379	7,487,226	7,376,521	7,374,724	7,111,612	6,933,171	7,365,524	8,248,648	6,498,466	6,697,848
Expenditures										
General government	645,071	632,136	618,951	628,386	641,853	652,359	695,916	660,932	629,650	625,170
Public safety	3,201,533	3,005,917	2,948,155	3,250,590	3,200,859	3,259,980	3,379,924	3,209,720	2,813,661	2,514,263
Public works	1,795,602	1,892,656	1,834,120	1,990,381	2,164,328	2,219,226	2,357,040	1,779,490	1,479,899	1,438,886
Parks, recreation, and cultural	620,636	547,604	518,579	551,240	574,215	571,291	511,481	294,221	445,612	535,139
Community development	468,678	386,592	544,245	333,617	365,366	316,267	221,764	217,263	206,379	222,780
Capital projects	140,478	542,235	160,752	114,309	90,570	384,982	1,962,873	5,899,542	907,147	1,339,795
Debt service:										
Principal retirement	372,923	335,766	267,595	260,501	253,500	241,585	208,404	154,021	148,208	46,616
Interest and fiscal charges	186,377	174,699	185,715	195,608	205,189	212,090	208,912	202,495	157,905	99,758
Bond issuance costs	-	36,638	-	-	-	-	1,856	-	-	-
Total expenditures	7,431,298	7,554,243	7,078,112	7,324,632	7,495,880	7,857,780	9,548,170	12,417,684	6,788,461	6,822,407
Excess (deficiency) of revenues over expenditures	215,081	(67,017)	298,409	50,092	(384,268)	(924,609)	(2,182,646)	(4,169,036)	(289,995)	(124,559)
Other Financing Sources (Uses)										
Proceeds from long-term debt	-	2,411,641	-	-	-	-	-	1,045,000	755,000	3,515,000
Premium on issuance of debt	-	-	-	-	-	-	-	45,554	19,237	6,064
Payments to refunded bond escrow agent	-	(2,190,889)	-	-	-	-	-	-	-	-
Proceeds from capital lease	-	313,315	-	-	-	-	227,500	-	-	-
Proceeds from sale of capital assets	6,516	-	130,951	2,124	17,491	15,560	13,836	4,825	51,366	-
Transfers in	-	-	500,000	-	78,466	126,018	113,486	61,900	7,500	-
Total other financing sources	6,516	534,067	630,951	2,124	95,957	141,578	354,822	1,157,279	833,103	3,521,064
Net change in fund balances	\$ 221,597	\$ 467,050	\$ 929,360	\$ 52,216	\$ (288,311)	\$ (783,031)	\$ (1,827,824)	\$ (3,011,757)	\$ 543,108	\$ 3,396,505
Debt service as a percentage of noncapital expenditures	8.04%	7.21%	6.49%	6.33%	6.19%	6.07%	5.53%	5.47%	5.20%	2.67%

TABLE 5

TOWN OF VINTON, VIRGINIA

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

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Machinery and Tools</u>	<u>Public Service Corporation</u>	<u>Mobile Homes</u>	<u>Total Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Actual Taxable Value</u>	<u>Value as a Percentage of Assessed Value</u>
2014	\$ 455,632,200	\$45,223,230	\$ 6,882,820	\$13,713,107	\$ 45,720	\$521,497,077	\$ 0.06	\$ 521,497,077	100%
2013	456,795,100	43,698,440	7,310,490	14,385,245	47,520	522,236,795	0.06	522,236,795	100
2012	465,957,200	43,682,200	7,232,260	15,347,180	46,800	532,265,640	0.06	532,265,640	100
2011	469,499,100	43,392,270	7,232,700	15,191,110	47,740	535,362,920	0.06	535,362,920	100
2010	468,470,600	42,803,545	7,303,000	15,632,460	48,190	534,257,795	0.06	534,257,795	100
2009	463,014,500	47,556,110	7,191,835	14,933,569	51,675	532,747,689	0.06	532,747,689	100
2008	447,926,300	42,858,012	7,068,115	13,074,644	56,500	510,983,571	0.06	510,983,571	100
2007	429,817,400	40,691,155	7,665,980	14,387,422	60,775	492,622,732	0.06	492,622,732	100
2006	400,424,300	40,889,135	7,231,595	14,041,122	66,340	462,652,492	0.06	462,652,492	100
2005	377,493,200	39,382,275	7,273,105	14,186,848	78,425	438,413,853	0.06	438,413,853	100

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

TABLE 6

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

Customer	Fiscal Year 2014			Fiscal Year 2005		
	Revenue	Rank	Percentage of Total Town Revenue	Revenue	Rank	Percentage of Total Town Revenue
Precision Fabrics Group, Inc.	\$ 227,725	1	7.35%	\$ 108,155	1	6.75%
Aramark	115,008	2	3.71	58,924	2	3.68
Cardinal Glass	85,967	3	2.77	24,792	3	1.55
The Berkshire	56,687	4	1.83	23,232	4	1.45
Blue Ridge Manor Apartments	45,311	5	1.46	19,530	5	1.22
Roanoke County Schools	23,676	6	0.76	11,825	6	0.74
F & W Management Co.	22,029	7	0.71	580	9	0.04
Richard Dickerson/RL Mansard Sq.	20,976	8	0.68	8,929	8	0.56
Clearview Manor	20,951	9	0.68	11,868	7	0.74
Nichols Car Wash	20,104	10	0.65	N/A	N/A	N/A
	<u>\$ 638,434</u>			<u>\$ 267,835</u>		

1) FY 2014 % was based on total water and sewer revenue of \$3,098,809

2) FY 2005 % was based on total water and sewer revenue of \$1,601,658

TABLE 7

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 645,360	\$ 610,294	94.57%	\$ -	\$ 610,294	94.57%
2013	635,711	598,141	94.09%	13,626	611,767	96.23%
2012	637,626	600,406	94.16%	13,528	613,934	96.28%
2011	634,445	591,743	93.27%	11,257	603,000	95.04%
2010	637,392	607,701	95.34%	13,950	621,651	97.53%
2009	609,402	589,069	96.66%	16,229	605,298	99.33%
2008	634,952	623,656	98.22%	5,946	629,602	99.16%
2007	605,599	591,286	97.64%	10,024	601,310	99.29%
2006	593,382	577,065	97.25%	5,765	582,830	98.22%
2005	580,586	568,645	97.94%	4,765	573,410	98.76%

Source: Detailed Town property tax records.

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
2014	\$ 17.31	\$ 25.42	\$ 8.66	\$ 12.71
2013	15.92	23.39	7.97	11.68
2012	15.92	23.39	7.97	11.68
2011	15.92	23.39	7.97	11.68
2010	13.84	20.34	6.93	10.16
2009	12.59	18.49	6.30	9.24
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

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Debt limit	\$ 52,149,708	\$ 51,809,508	\$ 53,226,564	\$ 53,536,292	\$ 53,425,780	\$ 53,274,769	\$ 44,792,630	\$ 42,981,740	\$ 40,042,300	\$ 37,757,163
Total net debt applicable to limit	8,959,814	10,118,536	7,125,222	7,103,808	7,548,025	7,978,160	8,394,491	8,753,625	7,140,228	5,643,925
Legal debt margin	<u>\$ 43,189,894</u>	<u>\$ 41,690,972</u>	<u>\$ 46,101,342</u>	<u>\$ 46,432,484</u>	<u>\$ 45,877,755</u>	<u>\$ 45,296,609</u>	<u>\$ 36,398,139</u>	<u>\$ 34,228,115</u>	<u>\$ 32,902,072</u>	<u>\$ 32,113,238</u>
Total net debt applicable to the limit as a percentage of debt limit	17.18%	19.53%	13.39%	13.27%	14.13%	14.98%	18.74%	20.37%	17.83%	14.95%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value	<u>\$ 521,497,077</u>
Debt limit (10% of assessed value)	\$ 52,149,708
Less debt applicable to limit:	
General obligation bonds	<u>8,959,814</u>
Legal debt margin	<u>\$ 43,189,894</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 of Taxable Property	Per Capita	Capital Leases	Revenue Bonds	Obligations Payable
2014	\$ 3,724,405	0.71%	\$ 457	\$ 209,262	\$ -	\$ 442,548
2013	3,993,409	0.76%	494	257,549	-	425,000
2012	2,700,000	0.51%	332	-	1,360,000	475,000
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	-

Fiscal Year	Business-type Activities				
	General Bonded Debt	Revenue Bonds	Total Primary Government	Percentage of Personal Income	Per Capita
2014	\$ 5,235,409	\$ 2,225,000	\$ 11,836,624	237.47%	\$ 1,452
2013	6,125,127	2,340,000	13,141,085	274.40%	1,624
2012	3,950,222	2,450,000	10,935,222	234.06%	1,345
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

TABLE 11

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	
2014	\$ 3,263,413	\$ 2,917,200	\$ 346,213	\$ 1,004,718	\$ 256,920	0.27
2013	3,016,909	2,734,637	282,272	428,247	215,281	0.44
2012	3,041,715	3,042,495	(780)	413,586	232,992	(0.00)
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)

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

TABLE 12

TOWN OF VINTON, VIRGINIA

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

Fiscal Year Ended	Population (1)	Total Personal Income (2)	Per Capita Personal Income (2)	Public School Enrollment (3)	Unemployment Rate (4)
2014	8,151	\$ 4,984,547	\$ 42,288	14,333	5.50%
2013	8,092	4,789,030	40,688	14,369	5.90%
2012	8,130	4,672,000	39,866	14,454	5.70%
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%

Sources:

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

(2) Personal Income and Per Capita Personal Income from the U.S. Department of Commerce Bureau of Economic Analysis. Latest information available is for 2014 at www.bea.gov/regional/docs/income.

(3) Virginia Department of Education - Membership Reporting www.doe.virginia.gov/statistics

(4) Virginia Employment Commission www.vawc.virginia.gov/analyzer

TABLE 13

TOWN OF VINTON, VIRGINIA

**PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

Employer	Fiscal Year 2014			Fiscal Year 2005		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Berkshire	234	1	2.87%	157	3	2.02%
Precision Fabrics Group, Inc.	194	2	2.38	396	1	5.09
Kroger	149	3	1.83	146	4	1.88
Roanoke County Schools (Vinton)	141	4	1.73	171	2	2.20
McDonalds	90	5	1.10	N/A	N/A	N/A
Town of Vinton	84	6	1.03	115	6	1.48
Aramark Uniform Services	63	7	0.77	140	5	1.80
Lancerlot	51	8	0.63	N/A	N/A	N/A
Famous Anthony's	44	9	0.54	N/A	N/A	N/A
Super Dollar	32	10	0.39	N/A	N/A	N/A
	<u>1,082</u>		<u>13.27%</u>	<u>1,125</u>		<u>14.47%</u>

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

N/A - Not Available

TABLE 14

TOWN OF VINTON, VIRGINIA

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

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General government										
Management services	4	4	4	4	4	4	3	4	4	4
Finance	6	6	6	5	5	5	5	5	5	6
Planning	3	3	3	3	3	3	3	3	3	3
Police										
Officers	24	24	24	25	24	24	24	25	21	23
Civilians	2	2	2	2	10	10	10	7	11	11
Fire										
Firefighters and officers	10	9	9	9	9	9	9	9	9	9
Other public works	32	32	32	34	33	33	32	34	31	32
Parks, recreation, and cultural	3	3	3	3	3	3	2	2	5	13
Total	84	83	83	85	91	91	88	89	89	101

TABLE 15

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

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General government										
Fleet equipment	133	117	117	117	117	117	62	62	60	60
Pieces of equipment maintained	133	117	117	117	117	117	62	62	60	60
Public safety:										
Police										
Arrests	578	582	667	546	531	658	598	504	600	744
Parking violations	64	48	56	82	139	84	62	16	135	156
Traffic violations	1,603	1,408	1,734	1,933	2,431	3,088	3,034	3,087	2,743	2,725
EMS										
Emergency responses	2,735	2,654	2,872	2,319	2,219	2,369	2,397	2,459	1,536	2,095
Fire										
Emergency responses	623	306	677	514	476	764	1,038	673	1,900	2,831
Public works										
Refuse collection										
Refuse collected (tons per day)	12.78	12.92	12.75	12.70	14.00	15.90	18.10	19.00	17.30	17.30
Recyclables collected (tons per day)	0.70	0.68	2.00	2.00	1.60	1.60	1.70	1.30	1.80	1.50
Other public works										
Street resurfacing (miles)	1.30	2.17	1.80	1.80	1.90	3.50	11.10	-	-	2.20
Parks, recreation, and cultural										
Parks and recreation - attendees										
Vinton Dogwood Festival (4-day)	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Vinton Bluegrass Festival (4-day)	Closed	Closed	Closed	Closed	Closed	20,000	20,000	20,000	20,000	20,000
4th of July	5,000	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	Closed	Closed	Closed	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	5,085	5,071	5,051	5,044	5,040	5,022	4,985	4,984	4,916	4,793
Miles of distribution lines	61	61	61	61	61	61	60	60	56	56
Volume pumped (million gallons per day average)	1.14	1.21	1.23	1.26	1.47	1.04	1.29	1.26	1.30	1.30
Sewer										
Number of customer accounts	4,642	4,636	4,607	4,610	4,609	4,600	4,571	4,573	4,511	4,460
Miles of collection lines	60	60	60	60	60	60	59	57	54	54
Waste/Water treated (million gallons per day)	0.92	0.96	0.99	1.09	1.27	1.04	1.24	1.20	1.20	1.49

N/A - Not available.

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

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

TABLE 16

TOWN OF VINTON, VIRGINIA

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Function/Program										
Public safety										
Law enforcement vehicles	25	25	26	27	27	29	27	19	20	18
Fire stations	1	1	1	1	1	1	1	1	1	1
Public works										
Primary streets (lane miles)	21.66	21.62	21.62	21.62	21.62	21.62	21.62	18.28	18.78	18.78
Secondary streets (lane miles)	66.32	66.32	66.32	66.32	66.32	66.32	66.32	68.78	65.96	65.96
Streetlights	500	500	500	500	500	500	500	500	500	500
Parks, recreation, and cultural										
Community centers										
Vinton Senior Program (No. of Events/Attendance)	223/3,965	253/3775	231/4033	174/3396	1/18	240/4236	180/3600	180/3600	180/3600	180/3600
Charles R. Hill Center (Rentals)	289	437	299	218	295	351	205	257	227	227
Skate Park	Closed	Closed	Closed	Closed	Closed	Closed	2,400	2,400	2,400	2,400
Vinton War Memorial	282	301	200	202	271	277	151	-	-	449
Parks/athletic fields										
Gearhart Park (TOV owned-Leased to Rke County)	N/A	N/A	N/A	N/A	N/A	37/3000	N/A	N/A	N/A	N/A
Jaycee Field (Seasonal ballgames)	Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed	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)	N/A	N/A	N/A	1,120	1,120	1,120	1,120	-	1,120	-
War Memorial Playground	6,000	6,000	6,000	6,000	6,000	6,000	6,000	5,000	6,000	6,000
Vinton Municipal Pool	8,458	10,562	10,176	12,246	11,270	11,000	11,000	7,100	7,147	6,763
Water and sewer										
Water mains (miles)	61	61	61	61	61	61	60	60	56	56
Sanitary sewers (miles)	60	60	60	60	60	60	59	59	54	54
Stormwater										
Storm sewers (miles)	12	12	12	12	12	12	12	12	11	11
Signalized Street Intersections										
Traffic Signals (each)	11	11	11	11	11	11	11	11	11	11

COMPLIANCE SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Vinton, Virginia (the “Town”), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements and have issued our report thereon dated November 26, 2014.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. **However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.**

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. **We consider the deficiency described in the accompanying schedule of findings and responses as item 07-1 to be a material weakness.**

Compliance and Other Matters

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

Town of Vinton's Response to Findings

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 26, 2014

TOWN OF VINTON, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2014

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Town's compliance with certain provisions of 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, 2014**

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 information technology.

Recommendation:

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

Management's Response:

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

B. FINDINGS – COMMONWEALTH OF VIRGINIA

14-1: Budget Appropriations

Condition:

After audit adjustments, expenditures exceeded budgeted appropriations in the public safety and debt service categories.

Recommendation:

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

Management's Response:

Town Council met in June 2014 and additional budget appropriations were approved for known expenditures at that time.