THE TOWN OF
VINTON
VIRGINIA

Comprehensive Annual Financial Report

For Fiscal Year Ending June 30, 2016

TOWN OF VINTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

Prepared by the Town of Vinton

Finance Department/Treasurer's Office

TOWN OF VINTON, VIRGINIA

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INTRODUCTORY SECTION

TOWN OF VINTON

311 S. POLLARD STREET
VINTON, VIRGINIA 24179

PHONE (540) 983-0608
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November 18, 2016

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

We are pleased to present the Town of Vinton, Virginia (the Town) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016 in accordance with Section 15.1-167 of the 1950 *Code of Virginia*, (1950 as amended). The *Code* requires that the Town issues an annual report on its financial accounts and records. In addition, the report must be audited. The report was prepared by the Treasurer's Office and audited independently by the accounting firm Brown, Edwards & Company, L.L.P.

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

The Reporting Entity and Services Provided

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

The Town of Vinton provides a full range of municipal services. These services include police protection, fire and first aid services, refuse and recycling functions, general public improvements, street and right-of-way maintenance, recreational and cultural activities, and planning and zoning. The Town also provides potable water distribution, wastewater collection, maintenance and service of line, meters, and other components related to its utility system. Based on the latest Water Quality Report, the water system meets all state and federal requirements administered by the Office of Drinking Water under the Virginia Department of Health. According to the 2015 Water Quality Report, the Town had no water quality violations. The Virginia Department of Environmental Quality reported statewide recycling rates for calendar year 2015. The Town of Vinton's rate was 58.7% 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.

The Town of Vinton is full of a depth of history in the region. Vinton Motors operated in the Town from 1931 – 2008, and was considered the oldest auto dealership in the Roanoke Valley and the second oldest in the State. The oldest running business to date is Southern States, which began operations in the Town limits during the year 1935.

Vinton is proud of its small size in relation to the surrounding dense urban areas. The Town 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 2016, the Town also partnered with the Vinton Area Chamber of Commerce for economic development through business retention, recruitment, and promotion.

The Town also participates in the Greenway Commission, to assist in identifying possible greenway locations in the Roanoke Valley area. The Town is currently building a greenway that will connect the downtown business district with Roanoke City's greenway system. The new greenway connect will allow for an individual to travel from Vinton to Salem on the greenway system. In 2016, Botetourt County petitioned to join the Greenway Commission and was accepted by all participating members, which expands the economic development opportunities thus promoting regional partnerships. Vinton is also partnering with the Roanoke Valley Alleghany Regional Commission (RVARC) to promote a Blueways Trail on the Roanoke River.

Over the years, Vinton has maintained stable property tax rates, while continuing to provide high quality municipal services and responsive government. The combined real estate and personal property tax collections for fiscal year 2016 generate approximately $638,000 or 7.7% of total revenue in the general fund.

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

Long-term Financial Planning

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

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

The Town received notification of the $700,000 Community Development Block Grant (CDBG) Award in 2012 to assist with revitalization of our downtown. The grant is funded through a Federal Government and administered through the Virginia Department of Housing and Community Development with a deadline for completion in next fiscal year. The Town utilized its commitment to assist with the purchase of property for the relocation of the Vinton Branch Library to leverage the CDBG funds.

The revitalization efforts focus on four key areas: (1) streetscape improvements, (2) business facade improvements, (3) branding and marketing of the downtown, and (4) a revolving loan fund to support business development. The grant is managed by the Assistant Town Manager, with guidance provided by a Project Management Team comprised of Town Officials and Community Stakeholders.

Multiple aspects of the initial planning and administration of the project has been completed to date, to include creating the necessary contracts and other guiding documents and conducting the various required environmental and historic reviews. In addition, $100,000 has been issued through four revolving loans for building renovations and job creation, the "In-Vinton" brand was developed along with the associated downtown shopping guide, as well as the completion of sidewalk improvements and the replacement of the street lamps on Pollard and Lee Streets.

Several key aspects remain for the revitalization project and are set to be completed by next fiscal year. The remaining projects include as many as seven business facades to be renovated, downtown park bench and trash receptacle replacements, interior way-finding sign fabrication and installation, and the Farmers Market Stage restoration and expansion.

The Town continues to commit to the improvement of the highways, streets, and roads by including approximately $374,984 for paving and milling of streets throughout the Town in the upcoming budget year.

Major Initiatives

The Town of Vinton continues to work on a $700,000 CDBG Program for its Downtown District, as mentioned above. The improvements include streetlights with underground wiring, façade improvements to 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 well received and 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. Currently, there are plans to market the business center with a realtor in partnership with Roanoke County.

The Roanoke County Commonwealth Attorney's Office continues to represent the Town's interests in the prosecution of criminal charges. Attorney Theresa Fontana of Guynn & Waddell, P.C. was re-appointed by the Town Council on July 1, 2015 to serve as counsel for the Town's other legal matters.

In June 2013, the Town issued bonds amounting to $1,968,875. Currently, there is only one project still awaiting completion:

- $939,785 upgrade project at the Western Virginia Water Authority Wastewater Treatment Plant, remaining amount of $96,853.76.

Along with the County of Roanoke, the Town continues to update the Real Estate Tax and Personal Property Tax Software with its current vendor and billing on said software has been successfully implemented The Town bills Real Estate taxes twice a year, in April for a June 5th collection date and in October for a December 5th collection date. Personal Property is billed in April for a May 31st collection date. Roanoke County/Town of Vinton has also implemented and continues to update an Appraisal System which is used to update property appraisals and send appraisal notifications annually to all taxpayers in January. DMV imports have been automated and set-off debts have been automated and have improved delinquent collections. The Town has an agreement with Xerox Corporation - 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 looking to partner with Roanoke County to issue a request for proposal on 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. Both schools have been approved for re-zoning as mixed-use developments. The former Roland E. Cook building is under construction to be renovated into loft apartments, with future renovation potential for the former William Byrd High School building. The former Vinton Branch of the Roanoke County Library has been sold, with plans to develop into a Macado's Restaurant.

Roanoke County Library Vinton Branch – Roanoke County built its first urban library in Downtown Vinton. The former library was outdated and deemed too small for the patrons who used it, and has been sold and rezoned as mixed-use development. The current library serves more than 200,000 people a year who will also visit stores, shops and restaurants in the renovated downtown area. The new Vinton Library is the only County Library on a mass transit route.

Prospects for the Future (Continued)

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. Funding for this review has been approved in the fiscal year 2016-2017 budget.

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 assist with 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, International Organization for Standardization (ISO) guidelines and other code compliance issues. The grant offers the participant up to $5,000 in assistance and is a 50% reimbursement of expenses.

Urban Development Areas (UDAs) – On July 8, 2015, the Town received $65,000 in grant funding from the Virginia Department of Transportation (VDOT) Office of Intermodal Planning and Investment (OIPI). This grant is to establish Urban Development Areas (UDAs) within the Town. Four meetings were held from November 2015 through June 2016 by the UDA Planning Grant Steering Grant Committee which was comprised of members of the Town Council, Planning Commission, Board of Appeals, property/business owners, and staff members from the Town, Roanoke County, and the Roanoke Valley Alleghany Regional Commission (RVARC) An Open House for the public was held on June 28, 2016 at the War Memorial.

Eight (8) UDA boundaries were identified by the UDA Planning Grant Committee:
1. Downtown
2. Hardy Road East Gateway
3. Mid-Town: Bypass Road/Hardy Road
4. Mid-Washington: Avenue corridor
5. Virginia Avenue: West Gateway
6. Virginia Avenue/Hardy Road Corridor
7. Walnut Avenue West Gateway
8. Washington Avenue East Gateway

Prospects for the Future (Continued)

Council will hold a Public Hearing early next fiscal year and consider an ordinance to amend the **Town of Vinton 2004-2024 Comprehensive Plan**, Chapter III Community Facilities and Services, and Chapter V. Land Use and Transportation Plan of the Comprehensive Plan including the Future Land Use and Transportation Map; dated September 7, 2004; and Vinton Area Corridors Plan, Map 31 **Vinton Area Corridor Plan**; Future Land Use Scenario 4 Map; dated February 16, 2010, by incorporating and designating by reference, **Urban Development Areas (UDA)** sections and boundaries; goals and strategies; population projections data; and Traditional Neighborhood Design (TND) principles.

Accounting System and Budgetary Controls

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

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

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

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

Cash Management

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

Risk Management

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

Independent Audit

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

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial reporting to the Town for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. 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, and the Town submitted the fiscal year 2016-2017 budget document for consideration of the GFOA Distinguished Budget Presentation Award for the first time and was selected for the award.

Acknowledgements

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

Respectfully submitted,

Barry W. Thompson
Town Manager/Treasurer

Anne W. Cantrell
Interim 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, 2015

Jeffrey R. Emer

Executive Director/CEO

TOWN OF VINTON, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2016

TOWN COUNCIL

Bradley E. Grose, Mayor
Matthew S. Hare, Vice Mayor
Keith N. Liles
Sabrina McCarty
Janet Schneid

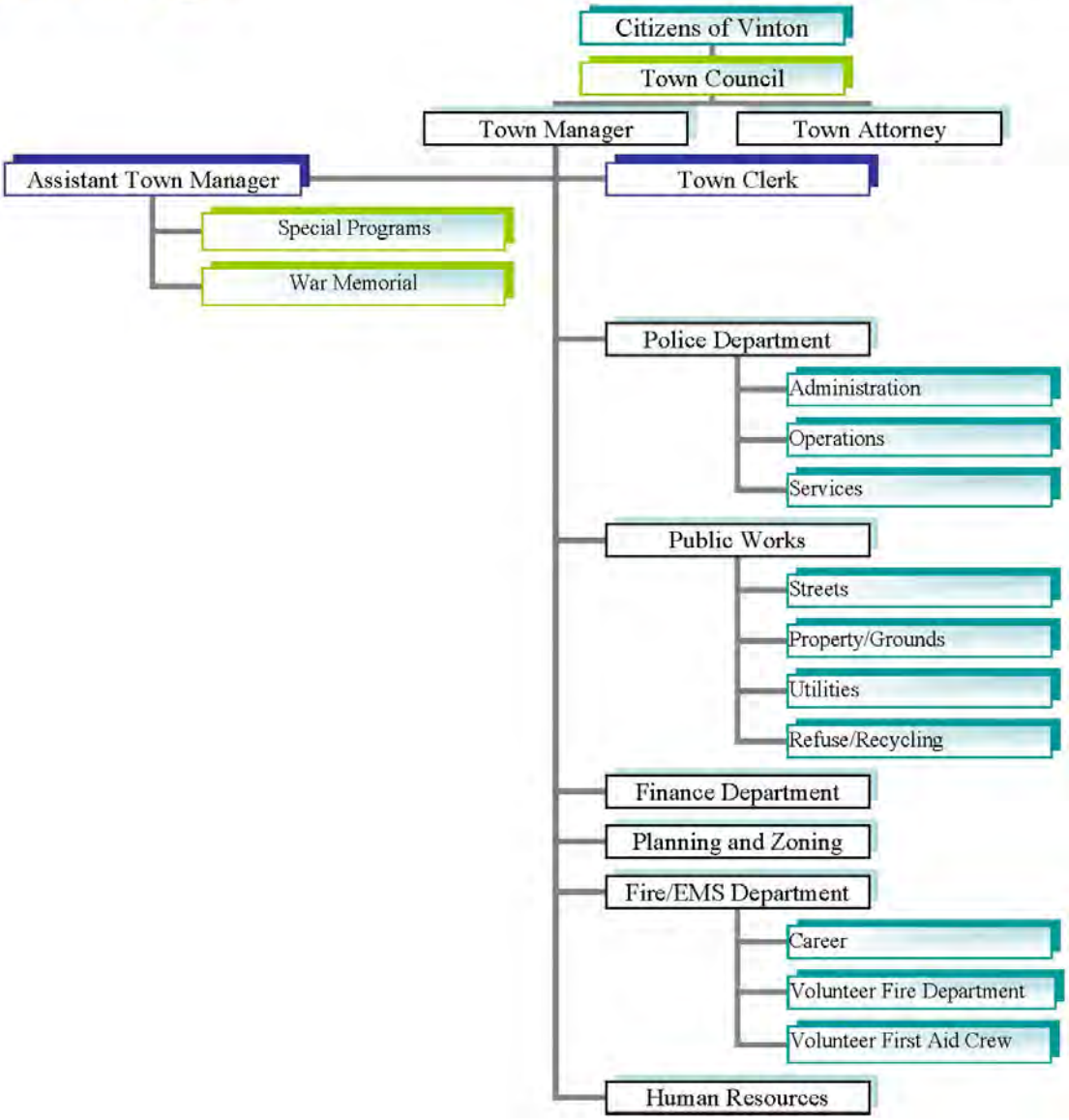
APPOINTED OFFICIALS

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

INDEPENDENT AUDITORS

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

Town of Vinton
Organization Chart



FINANCIAL SECTION

BROWNEDWARDS
certified public accountants

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, 2016, 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, 2016, 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.

Your Success is Our Focus
319 McClanahan Street, S.W. • Roanoke, VA 24014-7705 • 540-345-0936 • Fax: 540-342-6181 • www.BEcpas.com

Report on Summarized Comparative Information

We have previously audited the Town's 2015 financial statements, and in our report dated November 9, 2015, we expressed unmodified opinions on those financial statements. The 2015 financial information is provided for comparative purposes only. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016 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 18, 2016

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, 2016. 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 vii 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 $13,153,051 (net position). Of this amount, $1,837,459 (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 $1,187,236. This increase is largely due to total expenses of $10,637,682 being less than total revenues of $11,824,918. In addition, an increase of $665,929 (11.0%) in current and other assets occurred. Capital assets decreased by $219,750 (1.0%) with the final result being an increase of 1.6% in total assets.

  On the other hand, long-term liabilities decreased by $125,636 (0.9%) which has a small variance from the prior year. GASB 68 was implemented in fiscal year 2015. Other liabilities increased by $104,766 (9.7%) which was an increase in accounts payable and related liabilities and an increase in accrued payroll and related liabilities due to end of year timing.

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

  The final result of all these effects is a 9.9% increase in net position.

- As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of $2,879,221, an increase of $222,722 in comparison with the prior year. This is mostly due to a decrease of $154,458 (12.2%) in deferred inflows of resources, in particular unavailable/unearned revenue. In addition, total liabilities increased by $66,904 (10.1%), with a slight decrease in accounts payable and an increase in accrued payroll and related liabilities.

- Approximately 90.6% of the ending governmental fund balance, $2,607,524 is available for spending at the Town's discretion (unassigned fund balance), and represents 31.8% 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.

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.

Overview of the Financial Statements (Continued)

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, the net position was $13,153,051 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (84.4%) 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	$ 4,719,105	$ 4,583,937	$ 1,989,351	$ 1,458,590	$ 6,708,456	$ 6,042,527
Capital assets	9,555,472	9,442,948	11,652,540	11,984,814	21,208,012	21,427,762
Total assets	14,274,577	14,026,885	13,641,891	13,443,404	27,916,468	27,470,289
Deferred outflows of resources	547,349	470,314	232,417	80,543	779,766	550,857
Current and other liabilities	747,092	696,139	437,272	383,459	1,184,364	1,079,598
Long-term liabilities	5,858,376	5,752,569	7,443,531	7,674,974	13,301,907	13,427,543
Total liabilities	6,605,468	6,448,708	7,880,803	8,058,433	14,486,271	14,507,141
Deferred inflows of resources	979,560	1,384,094	77,352	164,096	1,056,912	1,548,190
Net position						
Net investment in capital assets	6,225,603	5,929,925	4,880,340	5,184,003	11,105,943	11,113,928
Restricted	209,649	235,246	-	-	209,649	235,246
Unrestricted	801,646	499,226	1,035,813	117,415	1,837,459	616,641
Total net position	$ 7,236,898	$ 6,664,397	$ 5,916,153	$ 5,301,418	$ 13,153,051	$ 11,965,815

Unrestricted net position of $1,837,459 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 increased the Town's net position by $572,501.

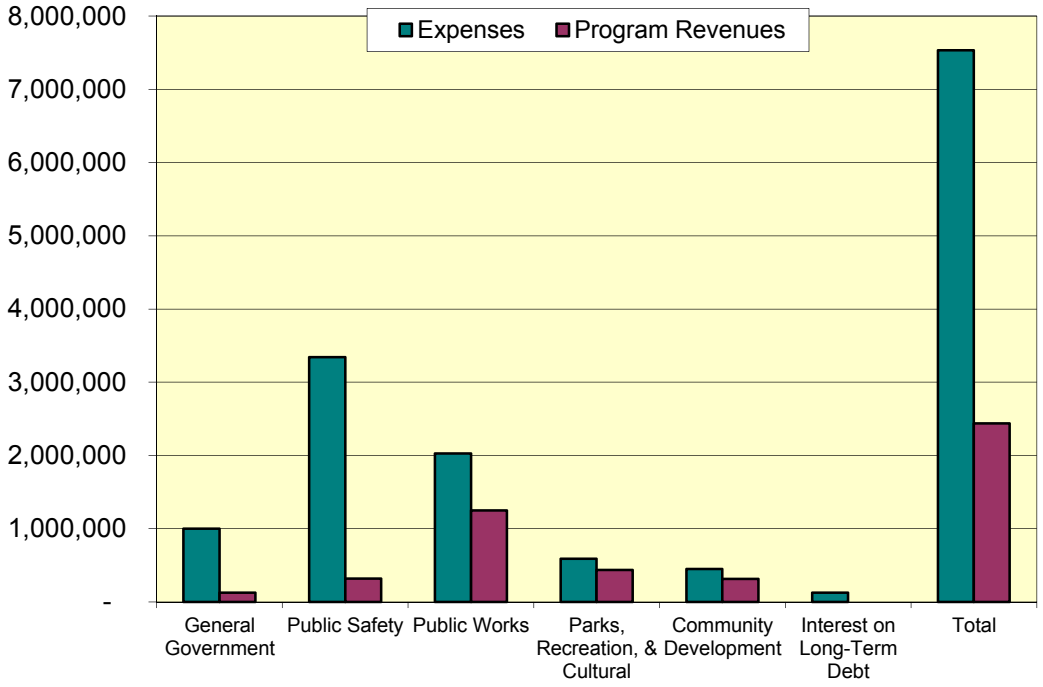
For the most part, revenues closely paralleled inflation and conditions represented in the economy and growth in the demand for services. Revenues from operating grants and contributions, capital grants and contributions, and various taxes showed an increase over the prior year. Investment earnings also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

The Town's Changes in Net Position

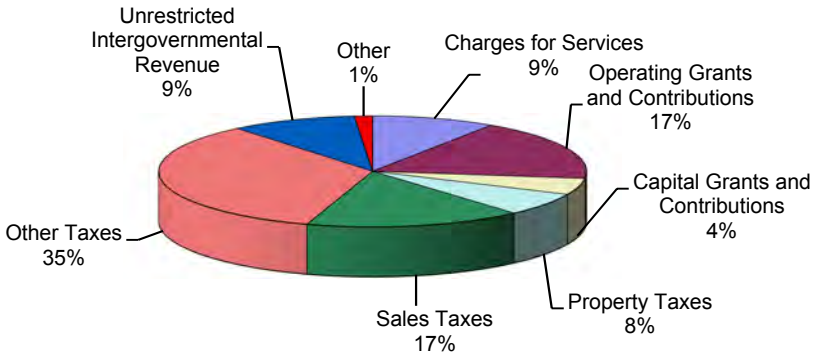
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	$ 733,005	$ 753,110	$ 3,437,535	$ 3,195,850	$ 4,170,540	$ 3,948,960
Operating grants and contributions	1,389,380	1,426,127	-	-	1,389,380	1,426,127
Capital grants and contributions	317,643	384,074	-	-	317,643	384,074
General revenues						
Property taxes	640,391	539,764	-	-	640,391	539,764
Other taxes	4,157,323	4,067,111	-	-	4,157,323	4,067,111
Intergovernmental unrestricted	744,247	768,956	-	-	744,247	768,956
Investment earnings	17,709	76,184	1,318	1,353	19,027	77,537
Other	106,706	34,446	279,661	250,562	386,367	285,008
Total revenues	8,106,404	8,049,772	3,718,514	3,447,765	11,824,918	11,497,537
Expenses						
General government	1,001,560	927,954	-	-	1,001,560	927,954
Public safety	3,340,624	3,418,566	-	-	3,340,624	3,418,566
Public works	2,026,305	2,021,994	-	-	2,026,305	2,021,994
Parks, recreation, and cultural	591,342	621,897	-	-	591,342	621,897
Community development	447,908	427,409	-	-	447,908	427,409
Interest on long-term debt	126,164	193,242	-	-	126,164	193,242
Water and sewer	-	-	3,103,779	2,994,485	3,103,779	2,994,485
Total expenses	7,533,903	7,611,062	3,103,779	2,994,485	10,637,682	10,605,547
Change in net position	572,501	438,710	614,735	453,280	1,187,236	891,990
Net position – July 1,	6,664,397	6,225,687	5,301,418	4,848,138	11,965,815	11,073,825
Net position – June 30	$ 7,236,898	$ 6,664,397	$ 5,916,153	$ 5,301,418	$ 13,153,051	$ 11,965,815

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 $614,735. The Town increased water and sewer rates 8.9% effective July 1, 2015, with no increase in 2016.

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 $2,879,221, an increase of $222,722 in comparison with the prior year. This is largely due to a decrease in deferred inflows of $154,458 (12.2%) and an increase in total liabilities of $66,904 (10.1%) particularly a decrease in accounts payable and accrued liabilities of $7,639 (1.5%) and an increase in accrued payroll and related liabilities of $71,943 (54.5%). Accounts payable and accrued liabilities, accrued payroll and related liabilities, and unearned revenue increased by $66,904 (10.1%); this increase was due to timing of the first payroll in July 2016 and the accrual to June 2016.

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

Unrestricted net position of the Water and Sewer Department at the end of the year amounted to $1,035,813. 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 $197,925 primarily due to an increase in Categorical Aid by $19,805 (0.9%), Recovered Costs by $30,221 (76.5%), and Other Revenue by $147,699 (121.3%).

Differences between the original budget and the final amended budget for expenditures were $338,969 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 general property taxes collected was 92.09% of the budgeted amount. The real tax rate did not change from $0.07 per $100 of assessed value, which resulted in a regular collection because of the relationship between classifying the current year tax collection as deferred revenue.

Cigarette tax collection continues to decrease as a result of $0.20 increase in tax rate effective July 2013. Although the tax rate was reduced by $0.15 in March 2014 to encourage buyers, the market has not recovered. In addition to this negative impact, there has been a loss of two (2) retailers and a cigarette outlet opened outside of the Town limits. Another effect on this revenue is the sale of vapors, which are not currently included in cigarette tax sales.

Fines and forfeitures were under budget estimates by 34.40% primarily due to court fines being down by $27,069. In reviewing this area, we have found that more community service versus fines is being sentenced by the Court thus having an impact on this type of revenue. Another factor is turnover within the department during the fiscal year, which increased the training time for officers which reduced total hours enforcing safety.

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

General Fund Budgetary Highlights (Continued)

All expenditures by budget functions have favorable variances due to concerted efforts of all departments to control and minimize expenditures except for Interest and Fiscal Charges and Bond Issuance Costs where the budget was understated.

The substantial favorable variance on Community Development is mainly due to $653,497 forecast for CDBG downtown revitalization project for which only $241,769 (37%) was expended.

Of the $585,291 budget on Capital Projects, only $437,389 was spent. Main projects such as VDOT Revenue Sharing Glade Creek were not purchased during the FY 2016 but will be pursued in FY 2017.

The 2.85% increase in total operating revenue was affected primarily by a real estate tax rate increase on effective 2015 resulting to 18.64% increase in property tax revenue from last fiscal year.

There was an increase of the sewage treatment cost ($71,997 or 21.26%) for fiscal year 2016 due to a change in the billing calculation from the Western Virginia Water Authority (WVWA). Previously, the WVWA was billing based on an estimated usage, now the flow is metered and billed directly on consumption. The change in methods increased the sewage treatment costs to the Town of Vinton.

Significant variances in the enterprise fund expenses are in salaries and benefits. Salaries decreased 9.44% while benefits were up 5.20%. This was caused by labor distribution of employees working in different cost centers thus shifting salaries and benefits to the general fund. Maintenance expense decrease was partly caused by various repairs and maintenance on well houses and pumps in the previous year that were not needed in the current year. Positive variances in water purchased from the Western Virginia Water Authority were caused by variations in the volume of bulk water purchased by industry.

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, 2016, amounts to $21,208,012 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure, machinery, and equipment. The total increase in the Town's investment in capital assets for the current fiscal year was resulted in a decrease of 1.02% (a 1.2% increase for governmental activities and a 2.8% decrease 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	
	2016	2015	2016	2015	2016	2015
Land	$ 1,832,033	$ 1,706,089	$ 80,752	$ 80,752	$ 1,912,785	$ 1,786,841
Buildings and systems	5,303,005	5,570,041	7,457,516	7,275,787	12,760,521	12,845,828
Infrastructure	1,413,942	1,369,223	-	-	1,413,942	1,369,223
Improvements other than buildings	-	-	2,560,925	2,692,070	2,560,925	2,692,070
Machinery and equipment	555,879	503,136	570,176	567,575	1,126,055	1,070,711
Construction in progress	450,613	294,459	983,171	1,368,630	1,433,784	1,663,089
Total	$ 9,555,472	$ 9,442,948	$ 11,652,540	$ 11,984,814	$ 21,208,012	$ 21,427,762

Capital Asset and Debt Administration (Continued)

Long-term debt – At the end of the current fiscal year, the Town had total debt outstanding of $10,772,261. Of this amount, $8,365,292 comprises debt backed by the full faith and credit of the government, $2,176,000 is related to revenue bond obligations, and $230,969 is related to capital leases.

	The Town's Outstanding Debt General Obligation and Capital Leases					
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	$ 3,217,540	$ 3,451,877	$ 4,539,723	$ 4,892,861	$ 7,757,263	$ 8,344,738
Revenue bonds	-	-	2,176,000	2,105,000	2,176,000	2,105,000
Other obligations	327,424	385,080	280,605	294,516	608,029	679,596
Capital leases	230,969	159,415	-	-	230,969	159,415
	$ 3,775,933	$ 3,996,372	$ 6,996,328	$ 7,292,377	$ 10,772,261	$ 11,288,749

The Town's total debt decreased by $516,488, or 4.6%, 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, 2016 is 3.70%, which is lower than last year's rate of 4.50%. This is comparable to the state's average unemployment rate as of June 30, 2016 of 3.70% and to the national average rate of 4.90%.
- 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 $246,088. The general fund remains strong with an ending unassigned fund balance of $2,607,524. It is intended that this available fund balance will be used for future needs of the Town.

Requests for Information

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

BASIC
FINANCIAL STATEMENTS

TOWN OF VINTON, VIRGINIA

STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business-type Activities	Totals 2016	Totals (For Comparison Only) 2015
ASSETS				
Cash and cash equivalents (Note 2)	$ 3,762,852	$ 1,101,786	$ 4,864,638	$ 3,975,338
Receivables, net (Note 3)	365,784	627,692	993,476	1,028,528
Due from other governmental units (Note 4)	409,592	-	409,592	600,152
Inventories	5,772	71,255	77,027	73,356
Prepaids	56,276	53,728	110,004	68,714
Loans receivable	95,524	-	95,524	-
Cash and cash equivalents, restricted (Note 2)	23,305	134,890	158,195	296,439
Capital assets: (Note 5)				
Nondepreciable	2,282,646	1,063,923	3,346,569	3,449,930
Depreciable, net	7,272,826	10,588,617	17,861,443	17,977,832
Total assets	14,274,577	13,641,891	27,916,468	27,470,289
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	143,129	135,309	278,438	135,043
Differences between expected and actual experience (Note 7)	75,284	18,087	93,371	-
Pension contributions subsequent to measurement date (Note 7)	328,936	79,021	407,957	415,814
Total deferred outflows of resources	547,349	232,417	779,766	550,857
LIABILITIES				
Accounts payable and accrued liabilities	506,612	322,032	828,644	753,255
Accrued payroll and related liabilities	203,845	28,477	232,322	155,281
Accrued interest payable	17,194	48,363	65,557	122,721
Customer security deposits	-	38,400	38,400	31,500
Unearned revenue	19,441	-	19,441	16,841
Long-term liabilities:				
Net pension liability (Note 7)	1,549,973	372,358	1,922,331	1,479,900
Due within one year (Note 6)	565,533	556,903	1,122,436	1,028,860
Due in more than one year (Note 6)	3,742,870	6,514,270	10,257,140	10,918,783
Total liabilities	6,605,468	7,880,803	14,486,271	14,507,141
DEFERRED INFLOWS OF RESOURCES				
Property taxes	657,574	-	657,574	636,548
Net difference between projected and actual investment earnings on pension plan investments (Note 7)	321,986	77,352	399,338	911,642
Total deferred inflows of resources	979,560	77,352	1,056,912	1,548,190
NET POSITION				
Net investment in capital assets	6,225,603	4,880,340	11,105,943	11,113,928
Restricted for:				
Public safety	209,649	-	209,649	185,246
Parks, recreation, and cultural	-	-	-	50,000
Unrestricted	801,646	1,035,813	1,837,459	616,641
Total net position	$ 7,236,898	$ 5,916,153	$ 13,153,051	$ 11,965,815

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

TOWN OF VINTON, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
							Totals	
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**2016**	**(For Comparison Only) 2015**
Governmental activities								
General government administration	$ 1,001,560	$ 124,180	$ -	$ -	$ (877,380)		$ (877,380)	$ (823,441)
Public safety	3,340,624	63,735	250,685	5,000	(3,021,204)		(3,021,204)	(2,843,061)
Public works	2,026,305	110,099	1,138,695	-	(777,511)		(777,511)	(816,801)
Parks, recreation, and cultural	591,342	428,716	-	5,635	(156,991)		(156,991)	(134,611)
Community development	447,908	6,275	-	307,008	(134,625)		(134,625)	(236,595)
Interest on long-term debt	126,164	-	-	-	(126,164)		(126,164)	(193,242)
Total governmental activities	7,533,903	733,005	1,389,380	317,643	(5,093,875)		(5,093,875)	(5,047,751)
Business-type activities								
Water and sewer	3,103,779	3,437,535	-	-		$ 333,756	333,756	201,365
Total business-type activities	3,103,779	3,437,535	-	-		333,756	333,756	201,365
Total	$ 10,637,682	$ 4,170,540	$ 1,389,380	$ 317,643	(5,093,875)	333,756	(4,760,119)	(4,846,386)
		General revenues						
		Property taxes (Note 10)			640,391	-	640,391	539,764
		Sales tax			1,348,456	-	1,348,456	1,320,700
		Meals tax			955,488	-	955,488	912,713
		Utilities tax			767,736	-	767,736	782,869
		Business license tax			508,747	-	508,747	489,749
		Cigarette tax			178,127	-	178,127	196,383
		Other local taxes			398,769	-	398,769	364,697
		Unrestricted intergovernmental revenue			744,247	-	744,247	768,956
		Unrestricted investment earnings			17,709	989	18,698	15,438
		Restricted investment earnings			-	329	329	62,099
		Other			106,706	279,661	386,367	285,008
		Total general revenues			5,666,376	280,979	5,947,355	5,738,376
		Change in net position			572,501	614,735	1,187,236	891,990
		NET POSITION AT JULY 1			6,664,397	5,301,418	11,965,815	11,073,825
		NET POSITION AT JUNE 30			$ 7,236,898	$ 5,916,153	$ 13,153,051	$ 11,965,815

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

TOWN OF VINTON, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2016

	General Fund	
	2016	(For Comparison Only) 2015
ASSETS		
Cash and cash equivalents	$ 3,762,852	$ 3,483,614
Receivables, net	365,784	417,816
Due from other governmental units	409,592	600,152
Inventories	5,772	2,947
Prepaids	56,276	56,870
Loans receivable	95,524	-
Cash and cash equivalents, restricted	23,305	22,538
Total assets	$ 4,719,105	$ 4,583,937
LIABILITIES		
Accounts payable and accrued liabilities	$ 506,612	$ 514,251
Accrued payroll and related liabilities	203,845	131,902
Unearned revenue	19,441	16,841
Total liabilities	729,898	662,994
DEFERRED INFLOWS OF RESOURCES		
Unavailable/unearned revenue	1,109,986	1,264,444
FUND BALANCES		
Nonspendable	62,048	59,817
Restricted	209,649	235,246
Unassigned	2,607,524	2,361,436
Total fund balances	2,879,221	2,656,499
Total liabilities, deferred inflows of resources, and fund balances	$ 4,719,105	$ 4,583,937

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

TOWN OF VINTON, VIRGINIA

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016

		General Fund	
		2016	(For Comparison Only) 2015
Total Fund Balances – Governmental Fund		$ 2,879,221	$ 2,656,499
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	$ 18,862,973		
Less: accumulated depreciation	(9,307,501)		
		9,555,472	9,442,948
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 $40,790.		(24,489)	(36,774)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		452,412	627,896
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.			
Deferred outflows of resources for differences between expected and actual and 2016 employer contributions	404,220		
Deferred inflows of resources for the net differences between projected and actual investment earnings on pension plan investments	(321,986)		
Net pension liability	(1,549,973)		
		(1,467,739)	(1,625,794)
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	(3,074,411)		
Obligations payable – Roanoke County and RCACP	(327,424)		
Capital lease obligations	(230,969)		
Accrued interest payable	(17,194)		
Compensated absences	(377,499)		
Other postemployment benefits	(130,482)		
		(4,157,979)	(4,400,378)
Total Net Position – Governmental Activities		$ 7,236,898	$ 6,664,397

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

TOWN OF VINTON, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2016

	General Fund	
		(For Comparison Only)
	2016	2015
REVENUES		
General property taxes	$ 637,659	$ 456,952
Other local taxes	4,207,695	4,012,871
Permits, privilege fees, and regulatory licenses	9,788	12,403
Fines and forfeitures	51,631	56,503
Revenues from use of money and property	141,889	197,241
Charges for services	452,903	438,558
Other	138,589	129,124
Gain sharing	536,023	549,213
Recovered costs	237,421	21,301
Non-categorical aid	402,244	401,902
Categorical aid	1,436,509	1,439,204
Total revenues	8,252,351	7,715,272
EXPENDITURES		
Current:		
General government administration	710,412	668,082
Public safety	3,304,624	3,313,099
Public works	1,942,260	1,918,439
Parks, recreation, and cultural	594,550	617,934
Community development	687,006	604,476
Capital projects	437,389	551,936
Debt service:		
Principal retirement	404,038	379,843
Interest and fiscal charges	115,486	182,584
Bond issuance costs	15,920	-
Total expenditures	8,211,685	8,236,393
Excess (deficiency) of revenues over expenditures	40,666	(521,121)
OTHER FINANCING SOURCES (USES)		
Proceeds from issuance of long-term debt	702,000	-
Payments to refunded bond escrow agent	(686,080)	-
Proceeds from capital lease	136,599	-
Proceeds from sale of capital assets	29,537	7,444
Total other financing sources	182,056	7,444
Net change in fund balance	222,722	(513,677)
FUND BALANCE AT JULY 1	2,656,499	3,170,176
FUND BALANCE AT JUNE 30	$ 2,879,221	$ 2,656,499

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

TOWN OF VINTON, VIRGINIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	General Fund	
		(For Comparison Only)
	2016	2015
Net change in fund balance governmental fund	$ 222,722	$ (513,677)
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.	15,951	449
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 capital outlays $684,480 exceeded depreciation $(571,956) in the current period.	112,524	67,785
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(175,484)	327,056
Governmental funds report employer pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which employer pension contributions $328,936 exceed pension expense $170,881 in the current period.	158,055	181,310
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.	240,810	368,736
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of a decrease in compensated absenses of $34,531 and an increase in other postemployment benefits of $(36,608).	(2,077)	7,051
Change in net position of governmental activities	$ 572,501	$ 438,710

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

TOWN OF VINTON, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
General property taxes	$ 692,458	$ 692,458	$ 637,659	$ (54,799)
Other local taxes	4,145,200	4,145,200	4,207,695	62,495
Permits, privilege fees, and regulatory licenses	11,000	11,000	9,788	(1,212)
Fines and forfeitures	78,700	78,700	51,631	(27,069)
Revenues from use of money and property	220,520	220,520	141,889	(78,631)
Charges for services	404,500	404,500	452,903	48,403
Other	121,750	269,449	138,589	(130,860)
Gain sharing	550,000	550,000	536,023	(13,977)
Recovered costs	39,500	69,721	237,421	167,700
Non-categorical aid	402,440	402,440	402,244	(196)
Categorical aid	2,257,910	2,277,715	1,436,509	(841,206)
Total revenues	8,923,978	9,121,703	8,252,351	(869,352)
EXPENDITURES				
Current:				
General government administration	721,261	717,125	710,412	6,713
Public safety	3,377,705	3,392,756	3,304,624	88,132
Public works	2,093,676	2,101,197	1,942,260	158,937
Parks, recreation, and cultural	583,103	610,268	594,550	15,718
Community development	1,417,897	1,380,924	687,006	693,918
Capital projects	254,950	585,291	437,389	147,902
Debt service:				
Principal retirement	413,670	413,670	404,038	9,632
Interest and fiscal charges	115,056	115,056	115,486	(430)
Bond issuance costs	-	-	15,920	(15,920)
Total expenditures	8,977,318	9,316,287	8,211,685	1,104,602
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	-	702,000	702,000
Payments to refunded bond escrow agent	-	-	(686,080)	(686,080)
Proceeds from capital lease	-	-	136,599	136,599
Proceeds from sale of capital assets	3,000	20,000	29,537	9,537
Total other financing sources	3,000	20,000	182,056	162,056
Net change in fund balance	$ (50,340)	$ (174,584)	$ 222,722	$ 397,306

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

TOWN OF VINTON, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2016

	Business-type Activities – Enterprise Fund Water and Sewer	
	2016	(For Comparison Only) 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,101,786	$ 491,724
Receivables, net	627,692	610,712
Inventories	71,255	70,409
Prepaids	53,728	11,844
Cash and cash equivalents, restricted	134,890	273,901
Total current assets	1,989,351	1,458,590
Noncurrent assets:		
Capital assets:		
Nondepreciable	1,063,923	1,449,382
Depreciable, net	10,588,617	10,535,432
Total noncurrent assets	11,652,540	11,984,814
Total assets	13,641,891	13,443,404
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	135,309	-
Differences between expected and actual experience	18,087	-
Pension contributions subsequent to measurement date	79,021	80,543
Total deferred outflows of resources	232,417	80,543
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	322,032	239,004
Accrued payroll and related liabilities	28,477	23,379
Accrued interest payable	48,363	89,576
Customer security deposits	38,400	31,500
Current portion of noncurrent liabilities	556,903	502,440
Total current liabilities	994,175	885,899
Noncurrent liabilities:		
Net pension liability	372,358	266,381
Due in more than one year	6,514,270	6,906,153
Total noncurrent liabilities	6,886,628	7,172,534
Total liabilities	7,880,803	8,058,433
DEFERRED INFLOWS OF RESOURCES		
Net difference between projected and actual investment earnings on pension plan investments	77,352	164,096
NET POSITION		
Net investment in capital assets	4,880,340	5,184,003
Unrestricted	1,035,813	117,415
Total net position	$ 5,916,153	$ 5,301,418

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

TOWN OF VINTON, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2016

	Business-type Activities – Enterprise Fund	
	Water and Sewer	
		(For Comparison Only)
	2016	2015
OPERATING REVENUES		
Water service charges and fees	$ 1,576,460	$ 1,454,106
Sewer service charges and fees	1,804,869	1,686,890
Water/sewer penalties	56,206	54,854
Other revenue	279,661	250,562
Total operating revenues	3,717,196	3,446,412
OPERATING EXPENSES		
Salaries	665,050	734,363
Fringe benefits	277,276	263,571
Contractual services	73,523	28,939
Maintenance	108,917	120,441
Rent, utilities, and insurance	284,019	271,555
Materials and supplies	88,615	100,487
Equipment repairs and rentals	54,304	21,661
Sewage treatment	410,718	338,721
Purchase of water	113,040	104,653
Other	166,475	131,345
Depreciation	687,384	674,615
Total operating expenses	2,929,321	2,790,351
Operating income	787,875	656,061
NON-OPERATING REVENUE (EXPENSE)		
Interest income	1,318	1,353
Interest expense	(174,458)	(204,134)
Net non-operating expense	(173,140)	(202,781)
Change in net position	614,735	453,280
NET POSITION AT JULY 1	5,301,418	4,848,138
NET POSITION AT JUNE 30	$ 5,916,153	$ 5,301,418

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

TOWN OF VINTON, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2016

	Business-type Activities – Enterprise Fund Water and Sewer	
	2016	(For Comparison Only) 2015
OPERATING ACTIVITIES		
Receipts from customers	$ 3,427,455	$ 3,162,778
Receipts from other sources	279,661	250,562
Payments to suppliers	(1,242,508)	(1,142,429)
Payments to employees	(938,117)	(1,041,463)
Net cash provided by operating activities	1,526,491	1,229,448
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(314,155)	(950,257)
Principal paid on long-term liabilities	(2,082,049)	(462,548)
Proceeds from long-term liabilities	1,786,000	-
Interest paid	(446,554)	(257,957)
Net cash used in capital and related financing activities	(1,056,758)	(1,670,762)
INVESTING ACTIVITIES		
Interest received on investments	1,318	1,353
Net increase (decrease) in cash and cash equivalents	471,051	(439,961)
CASH AND CASH EQUIVALENTS		
Beginning at July 1	765,625	1,205,586
Ending at June 30	$ 1,236,676	$ 765,625
RECONCILIATION TO EXHIBIT 8		
Cash and cash equivalents	$ 1,101,786	$ 491,724
Cash and cash equivalents, restricted	134,890	273,901
	$ 1,236,676	$ 765,625
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 787,875	$ 656,061
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	687,384	674,615
Pension expense net of employer contributions	2,668	(46,747)
Change in certain assets and liabilities:		
(Increase) decrease in:		
Receivables, net	(16,980)	(39,172)
Inventories	(846)	10,016
Prepaids	(41,884)	7,379
Increase (decrease) in:		
Accounts payable and accrued liabilities	99,833	(42,022)
Accrued payroll and related liabilities	5,098	(6,166)
Customer security deposits	6,900	6,100
Compensated absences	(6,842)	4,505
Other post employment benefits	3,285	4,879
Net cash provided by operating activities	$ 1,526,491	$ 1,229,448
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital asset purchases included in accounts payable	$ 53,097	$ 69,902
Increase in WVWA Sewage Treatment Plant and Interceptor rights	$ -	$ 294,516
Capitalized interest	$ 57,760	$ 52,448

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

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 $187,972 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 $46,840 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 $421,741 in the current year. Separate financial statements are not available.

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Jointly Governed Organizations (Continued)

Western Virginia Regional Industrial Facility Authority:

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

Joint Venture

Regional Fire Training Facility:

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

B. Individual Component Unit Disclosures

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

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.

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.

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 $338,969 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.

I. Prepaid Items

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

Note 1. Summary of Significant Accounting Policies (Continued)

I. Prepaid Items (Continued)

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

J. Capital Assets

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town has three items that qualify for reporting in this category. The first 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. The second item consists of contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year. The third item consists of the differences between expected and actual expense for economic/demographic factors in the measurement of the total pension liability. This difference will be recognized in pension expense over the closed five year period.

Note 1. Summary of Significant Accounting Policies (Continued)

K. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, statements which present financial position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has three 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 fund balance sheet. The governmental fund reports 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. The third item is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period.

L. Capitalization of Interest

The Town capitalizes net interest costs on funds borrowed to finance the construction of proprietary capital assets. Interest is not capitalized on the construction of assets used in governmental activities. There was $57,760 of interest capitalized in the current year.

M. Compensated Absences

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

N. Pensions

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

Note 1. Summary of Significant Accounting Policies (Continued)

O. Long-Term Obligations

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

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

P. Fund Balances

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

P. Fund Balances (Continued)

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

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

Minimum Fund Balance Policy

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

Q. Estimates

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

R. Comparative Information

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

S. Reclassifications

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

Note 2. Deposits and Investments

Deposits

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

Investments

Investment Policy:

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

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	$ 5,020,561
Reconciliation of deposits to Exhibit 1:	
Cash and cash equivalents, excluding $2,272 cash on hand	$ 4,862,366
Cash and cash equivalents, restricted	158,195
Total deposits	$ 5,020,561

Restricted cash and cash equivalents consists of $96,855 of unspent bond proceeds, $37,900 of utility deposits, $20,774 of evidence found, and $2,666 of flex benefit spending that can only be used for specific purposes.

Note 3. Receivables

Receivables consist of the following:

	Governmental Activities	Business-type Activities	Total
Receivables			
Taxes	$ 504,147	$ -	$ 504,147
Accounts	12,578	696,907	709,485
Gross receivables	516,725	696,907	1,213,632
Less allowance for uncollectibles	150,941	69,215	220,156
Receivables, net	$ 365,784	$ 627,692	$ 993,476

Note 4. Due from Other Governmental Units

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

Commonwealth of Virginia	
Communication taxes	$ 53,720
Miscellaneous non-categorical aid	136
	53,856
Federal Government	
CDBG	81,698
Other	304
	82,002
County of Roanoke	
Local sales taxes	229,257
Transport fees	39,845
Other	4,632
	273,734
	$ 409,592

Note 5. Capital Assets

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not depreciated					
Land	$ 1,706,089	$ 125,944	$ -	$ -	$ 1,832,033
Construction in progress	294,459	156,154	-	-	450,613
Total capital assets, not depreciated	2,000,548	282,098	-	-	2,282,646
Capital assets, depreciated					
Buildings and improvements	9,501,969	22,997	(37,202)	-	9,487,764
Machinery and equipment	4,604,980	237,436	(345,192)	-	4,497,224
Infrastructure	2,453,390	141,949	-		2,595,339
Total capital assets, depreciated	16,560,339	402,382	(382,394)	-	16,580,327
Less accumulated depreciation for:					
Buildings and improvements	3,931,928	290,033	(37,202)	-	4,184,759
Machinery and equipment	4,101,844	184,693	(345,192)	-	3,941,345
Infrastructure	1,084,167	97,230	-	-	1,181,397
Total accumulated depreciation	9,117,939	571,956	(382,394)	-	9,307,501
Total capital assets, depreciated, net	7,442,400	(169,574)	-	-	7,272,826
Governmental activities capital assets, net	$ 9,442,948	$ 112,524	$ -	$ -	$ 9,555,472

Note 5. Capital Assets (Continued)

Business-type activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	$ 80,752	$ -	$ -	$ 80,752
Construction in progress	1,368,630	202,514	(587,973)	983,171
Total capital assets, not depreciated	1,449,382	202,514	(587,973)	1,063,923
Capital assets, depreciated				
Utility plant	18,794,362	667,599	-	19,461,961
Sewage treatment contract	4,111,373	-	-	4,111,373
Machinery and equipment	1,558,299	72,970	-	1,631,269
Total capital assets, depreciated	24,464,034	740,569	-	25,204,603
Less accumulated depreciation for:				
Utility plant	11,518,575	485,870	-	12,004,445
Sewage treatment contract	1,419,303	131,145	-	1,550,448
Machinery and equipment	990,724	70,369	-	1,061,093
Total accumulated depreciation	13,928,602	687,384	-	14,615,986
Total capital assets, depreciated, net	10,535,432	53,185	-	10,588,617
Business-type activities capital assets, net	$ 11,984,814	$ 255,699	$ (587,973)	$ 11,652,540

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

Governmental activities	
General government administration	$ 300,138
Public safety	150,842
Public works	120,976
	$ 571,956
Business-type activities	
Water and sewer	$ 687,384

Construction Commitments

The Town's active construction projects as of June 30 are as follows:

Project	Total Remaining Commitment
Mason Road / Bexhill Drive Water Line	$ 8,500
Downtown Revitalization Project	109,121
	$ 117,621

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 construction in progress balance related to this project at June 30, 2016 is $970,696.

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

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

Note 6. Long-Term Liabilities

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	$ 3,451,877	$ 702,000	$ (936,337)	$ 3,217,540	$ 298,394
Obligation payable – Roanoke County	325,000	-	(50,000)	275,000	55,000
Obligation payable – RCACP	60,080	-	(7,656)	52,424	7,848
Bond premiums	36,774	-	(12,285)	24,489	-
Capital leases	159,415	136,599	(65,045)	230,969	79,717
Compensated absences	412,030	101,440	(135,971)	377,499	124,574
Other postemployment benefits	93,874	48,813	(12,205)	130,482	-
	$ 4,539,050	$ 988,852	$ (1,219,499)	$ 4,308,403	$ 565,533
Business-type Activities					
General obligation bonds	$ 4,892,861	$ -	$ (353,138)	$ 4,539,723	$ 364,079
Revenue bonds	2,105,000	1,786,000	(1,715,000)	2,176,000	165,000
Obligation payable – WVWA	294,516	-	(13,911)	280,605	14,241
Bond Premiums	45,851	-	(37,814)	8,037	-
Compensated absences	59,081	8,519	(15,361)	52,239	13,583
Other postemployment benefits	11,284	4,380	(1,095)	14,569	-
	$ 7,408,593	$ 1,798,899	$ (2,136,319)	$ 7,071,173	$ 556,903

Note 6. Long-Term Liabilities (Continued)

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

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

	Governmental Activities					
	General Obligation Bonds		Capital Leases		Obligations Payable Roanoke County and RCACP	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 298,394	$ 78,710	$ 79,717	$ 5,293	$ 62,848	$ 1,217
2018	301,332	70,296	81,847	3,162	63,040	1,023
2019	306,059	63,083	27,430	970	63,240	823
2020	326,522	55,643	27,857	543	63,444	619
2021	330,638	47,801	14,118	109	74,852	618
2022-2026	1,525,545	115,523	-	-	-	-
2027	129,000	3,426	-	-	-	-
	$ 3,217,540	$ 434,482	$ 230,969	$ 10,077	$ 327,424	$ 4,300

	Business-type Activities					
	General Obligation Bonds		Revenue Bonds		Obligation Payable WVWA	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 364,079	$ 134,296	$ 165,000	$ 37,397	$ 14,241	$ 6,470
2018	375,330	123,045	159,000	43,496	14,578	6,134
2019	348,217	112,013	165,000	37,591	14,922	5,789
2020	358,028	101,202	174,000	32,800	15,275	5,437
2021	369,176	90,055	175,000	29,223	-	-
2022-2026	1,891,244	272,686	935,000	90,046	81,964	21,593
2027-2031	603,845	71,965	403,000	8,292	92,120	11,437
2032-2033	229,804	6,598	-	-	47,505	1,522
	$ 4,539,723	$ 911,860	$ 2,176,000	$ 278,845	$ 280,605	$ 58,382

Note 6. Long-Term Liabilities (Continued)

The revenue bond has been issued in accordance with the terms of an indenture agreement with the Virginia Municipal League/Virginia Association of Counties. The indenture agreement requires the Town to pledge its Water and Sewer Fund Revenues as collateral for the revenue bond and to maintain revenues in the Water and Sewer Fund equal to at least 1.20 of all debt service payments which exclude any refunded principal payments. The pledged revenue coverage ratio for the year ended June 30, 2016 was 1.85. Statistical Section Table 11 presents the pledged revenue coverage ratio.

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	3.64-4.96%	06/01/06	10/01/26	$ 755,000	$ 495,000	$ -
Virginia Revolving Loan Fund:						
G.O. Water and Sewer Bonds	3.30%	07/24/03	07/01/24	1,250,704	-	643,833
G.O. Water and Sewer Bonds	3.10%	10/01/04	10/01/26	2,479,000	-	1,516,860
G.O. Water and Sewer Bonds	3.10%	01/12/06	03/01/26	1,210,000	-	710,279
Virginia Association of Counties:						
G.O. Public Improvement Bonds	3.75-5.25%	02/08/07	02/01/27	1,045,000	50,000	-
G.O. Refunding Bonds	2.05%	05/25/16	02/01/27	702,000	702,000	-
Capital One Public Funding:						
G.O. Public Improvement Bonds	2.85%	06/27/13	11/01/32	1,993,152	-	1,668,751
Carter Bank and Trust:						
G.O. Refunding Bonds	2.05%	06/27/13	11/01/24	2,228,409	1,970,540	-
					3,217,540	4,539,723
		Plus bond premium, net of amortization			24,489	-
					$ 3,242,029	$ 4,539,723
Revenue Bonds:						
Virginia Association of Counties:						
Revenue Water and Sewer Bonds	2.05%	05/25/16	08/01/27	$1,786,000	$ -	$ 1,786,000
Revenue Water and Sewer Bonds	3.50-5.00%	12/19/07	08/01/27	2,750,000	-	390,000
						2,176,000
		Plus bond premium, net of amortization			-	8,037
					$ -	$ 2,184,037
Capital Lease:						
Kansas State Bank	3.23%	09/06/12	10/06/17	$ 313,315	$ 107,958	$ -
Carter Bank & Trust	1.55%	02/26/16	12/10/20	136,599	123,011	-
					$ 230,969	$ -
Obligations Payable:						
Roanoke County	0.00%	07/01/11	07/01/20	$ 625,000	$ 275,000	$ -
RCACP	2.46	12/31/13	09/30/22	73,180	52,424	-
WVWA	2.35	03/01/15	09/01/32	294,516	-	280,605
					$ 327,424	$ 280,605

Note 6. Long-Term Liabilities (Continued)

Current Year Debt Issuance and Defeasances of Debt

On May 25, 2016, the Town issued $702,000 in series 2016A general obligation bonds and $1,786,000 in series 2016B revenue bonds with an interest rate of 2.05%. $2,488,000 of this issuance was used to advance refund $2,250,000 of outstanding 2006C and 2007E series general obligation and revenue bonds with interest rates of 3.50% - 5.25%. The net proceeds of $2,450,862 were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 2006C and 2007E series general obligation and revenue bonds. As a result, $655,000 of the 2006C, and $1,595,000 of the 2007E series general obligation and revenue bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $158,777. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being amortized over the remaining life of the old bonds as a component of interest expense through the year 2027. The Town completed the advance refunding to reduce its total debt service payments by $269,013 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $236,664.

Note 7. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the Town of Vinton, Virginia, (the "Political Subdivision") are automatically covered by VRS Retirement Plan upon employment. This plan is an agent multiple-employer plan administered by the Virginia Retirement System (the "System") along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. The *Code of Virginia*, as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly. The System issues a publicly available comprehensive annual financial report for VRS. A copy of that report may be downloaded from the VRS website at *http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf.*

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

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

- **Hybrid Opt-In Election –** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions –** Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- **Creditable Service –** Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
- **Vesting –** Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit –** The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
- **Average Final Compensation –** A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Service Retirement Multiplier –** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier 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 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age –** Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility –** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service, for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility –** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement –** The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
- **Disability Coverage** for members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

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

- **Hybrid Opt-In Election –** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 (Continued)

- **Retirement Contributions –** Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **Creditable Service –** Same as Plan 1.
- **Vesting –** Same as Plan 1.
- **Calculating the Benefit –** See definition under Plan 1.
- **Average Final Compensation –** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier –** Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age –** Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility –** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility –** Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement –** The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
- **Disability Coverage –** Same as Plan 1 except that the retirement multiplier is 1.65%.

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

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 political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- **Non-Eligible Members –** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees and those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
- **Retirement Contributions –** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
- **Creditable Service –**
  - **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service and is generally subject to the same terms as in Plans 1 and 2.
  - **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
- **Vesting –**
  - **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Vesting – (Continued)**
  - **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
- **Calculating the Benefit –**
  - **Defined Benefit Component:** See definition under Plan 1.
  - **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation –** Same as Plan 2 for the defined benefit component of the plan.
- **Service Retirement Multiplier –** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age –**
  - **Defined Benefit Component:** Same as Plan 2, however, not applicable for hazardous duty employees.
  - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility –**
  - **Defined Benefit Component:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Earliest Unreduced Retirement Eligibility –**
  - **Defined Benefit Component:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
  - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement**
  - **Defined Benefit Component:** Same as Plan 2.
- **Disability Coverage –** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service –** As with Plans 1 and 2, members may choose to purchase prior service credits subject to the Plan provisions.

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	58
Inactive members:	
Vested inactive members	19
Non-vested inactive members	31
Inactive members active elsewhere in VRS	56
Total inactive members	106
Active members	81
Total covered employees	245

Note 7. Defined Benefit Pension Plan (Continued)

Contributions

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

The political subdivision's contractually required contribution rate for the year ended June 30, 2016 was 12.40% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were $407,957 and $415,814 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

Note 7. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

Mortality rates: General employees – 14% of deaths are assumed to be service related. Public Safety Employees – 60% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2000 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year.

Public Safety Employees – Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; adjustment to rates of service retirement for females (Non 10 Largest); decrease in rates of male disability (Largest 10, only); decrease in male and female rates of disability (Non 10 Largest) increase in rates of withdrawal, and reduce rates of salary increase by 0.25% per year.

Long-Term Expected Rate of Return

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

Note 7. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return (Continued)

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

Discount Rate

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

Note 7. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2014	$ 16,307,617	$ 14,827,717	$ 1,479,900
Changes for the year:			
Service cost	450,265	-	450,265
Interest	1,112,256	-	1,112,256
Differences between expected and actual experience	139,140	-	139,140
Contributions – employer	-	413,851	(413,851)
Contributions – employee	-	181,194	(181,194)
Net investment income	-	673,666	(673,666)
Benefit payments, including refunds of employee contributions	(836,477)	(836,477)	-
Administrative expenses	-	(9,337)	9,337
Other changes	-	(144)	144
Net changes	865,184	422,753	442,431
Balances at June 30, 2015	$ 17,172,801	$ 15,250,470	$ 1,922,331

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Political subdivision's net pension liability	$ 4,129,876	$ 1,922,331	$ 88,531

Note 7. Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2016, the political subdivision recognized pension expense of $250,608. At June 30, 2016, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 93,371	$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Employer contributions subsequent to the measurement date	407,957	399,338
Total	$ 501,328	$ 399,338

The $407,957 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2017	$ (111,042)
2018	(111,042)
2019	(154,984)
2020	71,100
2021	-
Thereafter	-

Payables to the Pension Plan

At June 30, 2016, approximately $51,785 was payable to the Virginia Retirement System for the legally required contributions related to June 2016 payroll.

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 2016, the Town's pay-as-you-go funding totaled $13,300 and resulted in a Net OPEB obligation of $145,051. The pay-as-you-go funding includes the Town's contribution towards retiree health care premiums of $2,400, and an implicit subsidy of the retiree health care premiums created through the blending of active employee and retiree insurance rates.

Annual required contribution	$	53,400
Interest on net OPEB obligation		3,681
Adjustment to annual required contribution		(3,888)
Annual OPEB cost		53,193
Less funding		(13,300)
Increase in net OPEB obligation		39,893
Net OPEB obligation-beginning of year		105,158
Net OPEB obligation-end of year	$	145,051

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 2016, 2015, and 2014 are as follows:

Fiscal Year Ended	OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	$ 53,193	25.0%	$ 145,051
June 30, 2015	50,374	17.7%	105,158
June 30, 2014	40,076	56.4%	63,684

Funded Status and Funding Progress

As of January 1, 2015, the Town's most recent actuarial valuation date, the unfunded actuarial accrued liability (UAAL) for benefits was $304,700, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $3,281,500, and the ratio of the UAAL to the covered payroll was 9.29%.

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.

Note 8. Other Postemployment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

Methods and Assumptions (Continued)

In the January 1, 2015 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 3.50% discount rate, and an initial annual healthcare cost trend of 6.60% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 4.50%. The unfunded accrued liability is being amortized over 30 years. The Town has selected an open amortization method. The amortization amount is determined as a level percentage of payroll. The remaining amortization period at June 30, 2016 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.

Note 10. Property Taxes (Continued)

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

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

Note 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 2015-2016, total premiums paid were approximately $99,000. 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 2015-2016, total premiums paid were approximately $105,000. General liability and business automobile have a $1,000,000 limit per occurrence. Boiler and machinery coverage and property insurance are covered per statement of values. The Town maintains an additional $4,000,000 umbrella policy over all forms of liability insurance. Police professional liability and public officials' liability insurance with a $1,000,000 limit are covered through a policy with the Commonwealth of Virginia.

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

Healthcare

The Town provides healthcare coverage for employees through a policy with Anthem Blue Cross Blue Shield. The Town contributes the required premium amount for single coverage for each employee. Dependents of employees are also covered by the policy provided they pay the additional premium to the Town. During 2015-2016, total premiums paid were approximately $645,000.

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.

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 $55,500 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 2016, approximately 5.6% of the Town's business-type revenues were generated by one industrial customer.

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	$ 5,772
Prepaids	56,276
Total nonspendable	62,048
Restricted for:	
Public safety	209,649
Total restricted	209,649
Unassigned	2,607,524
Total fund balance	$ 2,879,221

Note 16. Subsequent Events

In July 2016, the Town was awarded a $417,710 grant for Glade Creek Phase II from VDOT, which requires a match from the Town of $180,000.

In August 2016, the Town awarded the contract for the construction of Phase I of the Glade Creek Greenway to a contractor in the amount of $173,091.

Note 17. New Accounting Standards

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

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

Note 17. New Accounting Standards (Continued)

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

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement does not consider issues related to recognition. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 78*, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This Statement will be effective for the year ending June 30, 2017.

Note 17. New Accounting Standards (Continued)

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2017, except for certain provisions regarding assumptions for plans with a measurement date that differs from the employer's reporting date – those provisions are effective for the year ending June 30, 2018.

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

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF VINTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2016

	Plan Year	
	2015	2014
Total Pension Liability		
Service cost	$ 450,265	$ 430,229
Interest on total pension liability	1,112,256	1,065,284
Difference between expected and actual experience	139,140	-
Benefit payments, including refunds of employee contributions	(836,477)	(812,476)
Net change in total pension liability	865,184	683,037
Total pension liability - beginning	16,307,617	15,624,580
Total pension liability - ending	17,172,801	16,307,617
Plan Fiduciary Net Position		
Contributions - employer	413,851	307,429
Contributions - employee	181,194	184,601
Net investment income	673,666	2,045,884
Benefit payments, including refunds of employee contributions	(836,477)	(812,476)
Administrative expenses	(9,337)	(11,195)
Other	(144)	108
Net change in plan fiduciary net position	422,753	1,714,351
Plan fiduciary net position - beginning	14,827,717	13,113,366
Plan fiduciary net position - ending	15,250,470	14,827,717
Net pension liability - ending	$ 1,922,331	$ 1,479,900
Plan fiduciary net position as a percentage of total pension liability	89%	91%
Covered employee payroll	$ 3,353,343	$ 3,699,186
Net pension liability as a percentage of covered employee payroll	57%	40%

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

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

TOWN OF VINTON, VIRGINIA

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2016

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
Primary Government					
2016	$ 407,958	$ 407,958	$ -	$ 3,289,982	12.40%
2015	415,814	415,814	-	3,353,343	12.40%

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

The Notes to Required Supplementary Information are an integral part of this statement.

TOWN OF VINTON, VIRGINIA

SCHEDULE OF FUNDING PROGRESS – OPEB
June 30, 2016

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, 2015	$ -	$ 304,700	$ 304,700	0.00%	$ 3,281,500	9.29%
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

The Notes to Required Supplementary Information are an integral part of this statement.

TOWN OF VINTON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

Note 2. Changes of Assumptions

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

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Teacher cost-sharing pool
- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

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.

Contents **Table**

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

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

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

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

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

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

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

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TABLE 1

TOWN OF VINTON, VIRGINIA

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities										
Net investment in capital assets	$ 6,225,603	$ 5,929,925	$ 5,427,254	$ 5,704,050	$ 5,919,643	$ 6,316,937	$ 6,760,474	$ 7,365,632	$ 7,763,470	$ 7,500,994
Restricted	209,649	235,246	190,161	91,676	-	20,053	20,000	20,000	20,000	20,000
Unrestricted	801,646	499,226	2,291,758	2,219,240	1,972,859	1,491,375	1,362,770	1,650,476	2,451,898	3,431,442
Total governmental activities net position	$ 7,236,898	$ 6,664,397	$ 7,909,173	$ 8,014,966	$ 7,892,502	$ 7,828,365	$ 8,143,244	$ 9,036,108	$ 10,235,368	$ 10,952,436
Business-type activities										
Net investment in capital assets	$ 4,880,340	$ 5,184,003	$ 4,834,097	$ 4,853,969	$ 4,838,640	$ 5,019,517	$ 5,437,639	$ 5,342,230	$ 5,497,604	$ 5,555,583
Unrestricted	1,035,813	117,415	410,722	394,976	339,523	661,273	297,150	968,176	1,255,035	1,837,429
Total business-type activities net position	$ 5,916,153	$ 5,301,418	$ 5,244,819	$ 5,248,945	$ 5,178,163	$ 5,680,790	$ 5,734,789	$ 6,310,406	$ 6,752,639	$ 7,393,012
Primary government										
Net investment in capital assets	$ 11,105,943	$ 11,113,928	$ 10,261,351	$ 10,558,019	$ 10,758,283	$ 11,336,454	$ 12,198,113	$ 12,707,862	$ 13,261,074	$ 13,056,577
Restricted	209,649	235,246	190,161	91,676	-	20,053	20,000	20,000	20,000	20,000
Unrestricted	1,837,459	616,641	2,702,480	2,614,216	2,312,382	2,152,648	1,659,920	2,618,652	3,706,933	5,268,871
Total primary government net position	$ 13,153,051	$ 11,965,815	$ 13,153,992	$ 13,263,911	$ 13,070,665	$ 13,509,155	$ 13,878,033	$ 15,346,514	$ 16,988,007	$ 18,345,448

Note: GASB Statement No. 68 was adopted in fiscal year 2015

TABLE 2

TOWN OF VINTON, VIRGINIA

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental activities										
General government	$ 1,001,560	$ 927,954	$ 962,341	$ 942,315	$ 948,803	$ 934,388	$ 1,023,227	$ 1,037,073	$ 906,072	$ 1,842,084
Public safety	3,340,624	3,418,566	3,339,148	3,238,361	3,214,622	3,397,562	3,446,746	3,593,946	3,407,536	3,454,713
Public works	2,026,305	2,021,994	1,993,713	2,074,464	2,062,430	2,243,111	2,457,832	2,455,754	2,905,249	2,058,379
Parks, recreation, and cultural	591,342	621,897	635,252	588,649	553,866	583,569	617,778	610,756	575,895	300,854
Community development	447,908	427,409	575,557	398,517	1,034,510	339,983	393,160	339,304	227,303	218,941
Interest on long-term debt	126,164	193,242	200,584	143,455	183,672	194,159	203,787	211,189	220,551	188,966
Total governmental activities	7,533,903	7,611,062	7,706,595	7,385,761	7,997,903	7,692,772	8,142,530	8,248,022	8,242,606	8,063,937
Business-type activities										
Water and sewer	3,103,779	2,994,485	3,174,896	2,946,127	3,044,342	3,002,964	3,238,927	3,189,315	3,148,236	3,035,847
Total business-type activities expense	3,103,779	2,994,485	3,174,896	2,946,127	3,044,342	3,002,964	3,238,927	3,189,315	3,148,236	3,035,847
Total primary government expenses	$ 10,637,682	$ 10,605,547	$ 10,881,491	$ 10,331,888	$ 11,042,245	$ 10,695,736	$ 11,381,457	$ 11,437,337	$ 11,390,842	$ 11,099,784
Program Revenues										
Governmental activities										
Charges for services										
Public safety	$ 63,735	$ 72,356	$ 88,364	$ 89,115	$ 91,196	$ 119,870	$ 108,187	$ 172,357	$ 128,216	$ 231,207
Public works	110,099	110,295	110,425	110,115	110,460	110,380	110,175	132,382	114,274	110,220
Other activities	559,171	570,459	554,666	495,133	440,883	466,306	489,901	436,835	450,338	370,838
Operating grants and contributions	1,389,380	1,426,127	1,382,744	1,287,108	1,281,998	1,318,394	1,366,971	1,454,813	1,691,163	1,282,244
Capital grants and contributions	317,643	384,074	114,966	53,749	66,545	75,188	8,034	2,146	91,590	1,337,016
Total governmental activities program revenues	2,440,028	2,563,311	2,251,165	2,035,220	1,991,082	2,090,138	2,083,268	2,198,533	2,475,581	3,331,525
Business-type activities										
Charges for services										
Water and sewer	3,437,535	3,195,850	3,002,970	2,754,147	2,753,851	2,672,156	2,439,634	2,289,754	2,255,505	2,274,224
Capital grants and contributions	-	-	-	-	-	-	-	303,556	-	48,540
Total business-type activities program revenues	3,437,535	3,195,850	3,002,970	2,754,147	2,753,851	2,672,156	2,439,634	2,593,310	2,255,505	2,322,764
Total primary government program revenues	$ 5,877,563	$ 5,759,161	$ 5,254,135	$ 4,789,367	$ 4,744,933	$ 4,762,294	$ 4,522,902	$ 4,791,843	$ 4,731,086	$ 5,654,289
Net (expense) revenue										
Governmental activities	$ (5,093,875)	$ (5,047,751)	$ (5,455,430)	$ (5,350,541)	$ (6,006,821)	$ (5,602,634)	$ (6,059,262)	$ (6,049,489)	$ (5,767,025)	$ (4,732,412)
Business-type activities	333,756	201,365	(171,926)	(191,980)	(290,491)	(330,808)	(799,293)	(596,005)	(892,731)	(713,083)
Total primary government net expense	$ (4,760,119)	$ (4,846,386)	$ (5,627,356)	$ (5,542,521)	$ (6,297,312)	$ (5,933,442)	$ (6,858,555)	$ (6,645,494)	$ (6,659,756)	$ (5,445,495)

(Continued)

TABLE 2
(Continued)

TOWN OF VINTON, VIRGINIA

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	$ 640,391	$ 539,764	$ 448,349	$ 453,135	$ 510,558	$ 429,409	$ 419,401	$ 434,176	$ 467,806	$ 411,866
Sales tax	1,348,456	1,320,700	1,287,437	1,284,455	1,247,566	1,171,590	1,113,322	1,132,519	1,132,083	1,148,136
Business license tax	508,747	489,749	517,111	491,996	460,638	454,636	456,536	437,797	452,672	413,400
Meals tax	955,488	912,713	900,591	912,226	909,814	864,448	842,384	861,286	860,961	806,916
Other taxes	576,896	561,080	628,177	692,669	698,412	734,316	755,808	386,703	338,292	397,014
Utilities tax	767,736	782,869	787,097	785,555	782,487	801,264	803,044	795,268	804,812	790,308
Intergovernmental revenue not restricted	744,247	768,956	756,199	807,117	773,617	748,815	664,975	631,320	679,009	755,599
Investment earnings not restricted	17,709	15,438	14,540	4,434	3,020	1,904	3,187	28,917	112,672	210,193
Restricted investment earnings	-	60,746	59,628	-	-	-	-	187	11,087	145,554
Gain on disposal of property	-	7,444	6,516	-	-	-	-	-	-	-
Other	106,706	27,002	21,752	41,418	184,846	81,373	29,275	16,038	77,077	48,702
Transfers	-	-	-	-	500,000	-	78,466	126,018	113,486	61,900
Total governmental activities	5,666,376	5,486,461	5,427,397	5,473,005	6,070,958	5,287,755	5,166,398	4,850,229	5,049,957	5,189,588
Business-type activities:										
Investment earnings not restricted	989	-	7	66	414	1,174	1,824	16,719	67,772	110,024
Restricted investment earnings	329	1,353	5,301	762	91	427	1,727	26,873	47,234	-
Other	279,661	250,562	255,135	261,934	287,359	275,208	298,591	236,198	250,838	103,284
Transfers	-	-	-	-	(500,000)	-	(78,466)	(126,018)	(113,486)	(61,900)
Total business-type activities	280,979	251,915	260,443	262,762	(212,136)	276,809	223,676	153,772	252,358	151,408
Total primary government	$ 5,947,355	$ 5,738,376	$ 5,687,840	$ 5,735,767	$ 5,858,822	$ 5,564,564	$ 5,390,074	$ 5,004,001	$ 5,302,315	$ 5,340,996
Changes in Net Position										
Governmental activities	$ 572,501	$ 438,710	$ (28,033)	$ 122,464	$ 64,137	$ (314,879)	$ (892,864)	$ (1,199,260)	$ (717,068)	$ 457,176
Business-type activities	614,735	453,280	88,517	70,782	(502,627)	(53,999)	(575,617)	(442,233)	(640,373)	(561,675)
Total primary government	$ 1,187,236	$ 891,990	$ 60,484	$ 193,246	$ (438,490)	$ (368,878)	$ (1,468,481)	$ (1,641,493)	$ (1,357,441)	$ (104,499)

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

TABLE 3

TOWN OF VINTON, VIRGINIA

FUND BALANCES – GOVERNMENTAL FUND
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2010	2009	2008	2007
Pre-GASB 54 implementation:				
General Fund				
Reserved	$ 361,090	$ 272,645	$ 314,902	$ 2,835,003
Unreserved	1,322,095	1,698,851	2,439,625	1,747,348
Total general fund	$ 1,683,185	$ 1,971,496	$ 2,754,527	$ 4,582,351

	2016	2015	2014	2013	2012	2011
Post-GASB 54 implementation:						
General Fund						
Nonspendable	$ 62,048	$ 59,817	$ 60,358	$ 19,101	$ 62,746	$ 66,341
Restricted	209,649	235,246	190,161	274,908	17,068	372,271
Assigned	-	-	-	-	-	100,000
Unassigned	2,607,524	2,361,436	2,919,657	2,837,802	2,584,947	1,196,789
Total general fund	$ 2,879,221	$ 2,656,499	$ 3,170,176	$ 3,131,811	$ 2,664,761	$ 1,735,401

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

TABLE 4

TOWN OF VINTON, VIRGINIA

CHANGES IN FUND BALANCES – GOVERNMENTAL FUND
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Taxes	$ 4,845,354	$ 4,469,823	$ 4,562,633	$ 4,597,882	$ 4,529,953	$ 4,467,158	$ 4,345,947	$ 4,049,513	$ 4,084,586	$ 3,914,205
Permits, privilege fees, and regulatory licenses	9,788	12,403	9,085	10,861	9,273	10,242	12,116	11,321	14,035	10,852
Fines and forfeitures	51,631	56,503	75,059	73,107	75,989	102,566	94,548	116,463	102,720	103,816
Revenue from use of money and property	141,889	197,241	198,625	105,998	105,666	118,560	156,533	201,341	298,369	527,343
Charges for services	452,903	438,558	407,900	387,049	333,832	355,606	328,116	319,293	270,521	190,513
Other	138,589	129,124	149,957	72,337	18,522	16,860	3,562	4,638	4,718	10,740
Intergovernmental	2,612,197	2,411,620	2,243,120	2,239,992	2,303,286	2,303,732	2,170,790	2,230,602	2,590,575	3,491,179
Total revenues	8,252,351	7,715,272	7,646,379	7,487,226	7,376,521	7,374,724	7,111,612	6,933,171	7,365,524	8,248,648
Expenditures										
General government	710,412	668,082	645,071	632,136	618,951	628,386	641,853	652,359	695,916	660,932
Public safety	3,304,624	3,313,099	3,201,533	3,005,917	2,948,155	3,250,590	3,200,859	3,259,980	3,379,924	3,209,720
Public works	1,942,260	1,918,439	1,795,602	1,892,656	1,834,120	1,990,381	2,164,328	2,219,226	2,357,040	1,779,490
Parks, recreation, and cultural	594,550	617,934	620,636	547,604	518,579	551,240	574,215	571,291	511,481	294,221
Community development	687,006	604,476	468,678	386,592	544,245	333,617	365,366	316,267	221,764	217,263
Capital projects	437,389	551,936	140,478	542,235	160,752	114,309	90,570	384,982	1,962,873	5,899,542
Debt service:										
Principal retirement	404,038	379,843	372,923	335,766	267,595	260,501	253,500	241,585	208,404	154,021
Interest and fiscal charges	115,486	182,584	186,377	174,699	185,715	195,608	205,189	212,090	208,912	202,495
Bond issuance costs	15,920	-	-	36,638	-	-	-	-	1,856	-
Total expenditures	8,211,685	8,236,393	7,431,298	7,554,243	7,078,112	7,324,632	7,495,880	7,857,780	9,548,170	12,417,684
Excess (deficiency) of revenues over expenditures	40,666	(521,121)	215,081	(67,017)	298,409	50,092	(384,268)	(924,609)	(2,182,646)	(4,169,036)
Other Financing Sources (Uses)										
Proceeds from long-term debt	702,000	-	-	2,411,641	-	-	-	-	-	1,045,000
Premium on issuance of debt	-	-	-	-	-	-	-	-	-	45,554
Payments to refunded bond escrow agent	(686,080)	-	-	(2,190,889)	-	-	-	-	-	-
Proceeds from capital lease	136,599	-	-	313,315	-	-	-	-	227,500	-
Proceeds from sale of capital assets	29,537	7,444	6,516	-	130,951	2,124	17,491	15,560	13,836	4,825
Transfers in	-	-	-	-	500,000	-	78,466	126,018	113,486	61,900
Total other financing sources	182,056	7,444	6,516	534,067	630,951	2,124	95,957	141,578	354,822	1,157,279
Net change in fund balances	$ 222,722	$ (513,677)	$ 221,597	$ 467,050	$ 929,360	$ 52,216	$ (288,311)	$ (783,031)	$(1,827,824)	$(3,011,757)
Debt service as a percentage of noncapital expenditures	6.90%	7.50%	7.58%	7.21%	6.49%	6.33%	6.19%	6.07%	5.53%	5.47%

TABLE 5

TOWN OF VINTON, VIRGINIA

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

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

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

	Fiscal Year 2016			Fiscal Year 2007		
Customer	Revenue	Rank	Percentage of Total Town Revenue	Revenue	Rank	Percentage of Total Town Revenue
Precision Fabrics Group, Inc.	$ 206,263	1	5.55 %	$ 162,198	1	6.82 %
Aramark	141,033	2	3.80	69,683	2	2.93
Cardinal Glass	140,019	3	3.77	38,312	3	1.61
The Berkshire	61,064	4	1.64	27,614	4	1.16
Blue Ridge Manor Apartments	50,964	5	1.37	-	-	-
Roanoke County Schools	32,393	6	0.87	11,072	7	0.47
Clearview Manor	28,273	7	0.76	25,542	5	1.07
Richard Dickerson/RL Mansard Sq	22,085	8	0.59	-	-	-
RGM	20,825	9	0.56	14,556	6	0.61
F & W Management	19,952	10	0.54	-	-	-
	$ 722,871			$ 348,977		

Source: Town of Vinton Finance Department
1) FY 2016 % was based on total water and sewer revenue of $3,714,104
2) FY 2007 % was based on total water and sewer revenue of $2,377,508

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
2016	$ 853,737	$ 785,340	91.99%	$ -	$ 785,340	91.99%
2015	736,979	650,501	88.27	13,365	663,866	90.08
2014	645,360	610,294	94.57	12,010	622,304	94.57
2013	635,711	598,141	94.09	13,626	611,767	96.23
2012	637,626	600,406	94.16	13,528	613,934	96.28
2011	634,445	591,743	93.27	11,257	603,000	95.04
2010	637,392	607,701	95.34	13,950	621,651	97.53
2009	609,402	589,069	96.66	16,229	605,298	99.33
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

Source: Detailed Town property tax records.
Note: The Town increased the real estate tax rate from $0.03 to $0.07 in 2015

TABLE 8

TOWN OF VINTON, VIRGINIA

WATER AND SEWER RATES
Last Ten Fiscal Years

Fiscal Year	Residential [1] First 3,000 Gallons or Less Water	Residential [1] First 3,000 Gallons or Less Sewer	Commercial [2] First 1,500 Gallons or Less Water	Commercial [2] First 1,500 Gallons or Less Sewer
2016	$ 18.85	$ 27.68	$ 9.43	$ 13.84
2015	18.85	27.68	9.43	13.84
2014	17.31	25.42	8.66	12.71
2013	15.92	23.39	7.97	11.68
2012	15.92	23.39	7.97	11.68
2011	15.92	23.39	7.97	11.68
2010	13.84	20.34	6.93	10.16
2009	12.59	18.49	6.30	9.24
2008	12.59	18.49	6.30	9.24
2007	11.77	15.84	5.89	7.92

Note: Minimum charge for water and sewer resiential and commerical 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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Debt limit	$ 53,190,940	$ 52,817,194	$ 52,149,708	$ 51,809,508	$ 53,226,564	$ 53,536,292	$ 53,425,780	$ 53,274,769	$ 44,792,630	$ 42,981,740
Total net debt applicable to limit	7,757,263	8,344,738	8,959,814	10,118,536	7,125,222	7,103,808	7,548,025	7,978,160	8,394,491	8,753,625
Legal debt margin	$ 45,433,677	$ 44,472,456	$ 43,189,894	$ 41,690,972	$ 46,101,342	$ 46,432,484	$ 45,877,755	$ 45,296,609	$ 36,398,139	$ 34,228,115
Total net debt applicable to the limit as a percentage of debt limit	14.58%	15.80%	17.18%	19.53%	13.39%	13.27%	14.13%	14.98%	18.74%	20.37%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	$ 531,909,401
Debt limit (10% of assessed value)	$ 53,190,940
Less debt applicable to limit:	
General obligation bonds	7,757,263
Legal debt margin	$ 45,433,677

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

TOWN OF VINTON, VIRGINIA

TABLE 10

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

	Governmental Activities					Business Type Activities			
Fiscal Year	General Obligation Bonds[1]	Revenue Bonds[1]	Capital Leases	Obligations Payable	Total	General Obligation Bonds[1]	Revenue Bonds[1]	Obligations Payable	Total
2016	$ 3,242,029	$ -	$ 230,969	$ 327,424	$ 3,800,422	$ 4,539,723	$ 2,184,037	$ 280,605	$ 7,004,365
2015	3,488,651	-	159,415	385,080	4,033,146	4,892,861	2,150,851	294,516	7,338,228
2014	3,724,405	-	209,262	442,548	4,376,215	5,235,409	2,225,000	-	7,460,409
2013	3,993,409	-	257,549	425,000	4,675,958	6,125,127	2,340,000	-	8,465,127
2012	2,700,000	1,360,000	-	475,000	4,535,000	3,950,222	2,450,000	-	6,400,222
2011	2,845,000	1,435,000	47,595	-	4,327,595	4,258,808	2,555,000	-	6,813,808
2010	2,990,000	1,505,000	93,096	-	4,588,096	4,558,026	2,655,000	-	7,213,026
2009	3,130,000	1,575,000	136,595	-	4,841,595	4,848,160	2,750,000	-	7,598,160
2008	3,265,000	1,640,000	178,180	-	5,083,180	5,129,491	2,750,000	-	7,879,491
2007	3,360,000	1,700,000	4,084	-	5,064,084	5,393,625	-	-	5,393,625

Fiscal Year	Total Primary Government	Total Taxable Assessed Value	Net General Bonded Debt to Estimated Actual Value of Taxable Property	Population	Bonded Debt Per Capita	Per Capita Personal Income	Net General Bonded Debt Per Capita to Per Capita Personal Income
2016	$ 7,781,752	$ 531,909,401	1.46%	8,231	$ 945	$ 45,577	2.07%
2015	8,381,512	528,171,940	1.59	8,151	1,028	43,418	2.37
2014	8,959,814	521,497,080	1.72	8,151	1,099	42,288	2.60
2013	10,118,536	518,095,080	1.95	8,092	1,250	40,688	3.07
2012	6,650,222	532,265,640	1.25	8,130	818	39,866	2.05
2011	7,103,808	535,362,920	1.33	8,098	877	39,315	2.23
2010	7,548,026	534,257,800	1.41	7,814	966	39,315	2.46
2009	7,978,160	532,747,690	1.50	7,876	1,013	39,315	2.58
2008	8,394,491	447,926,300	1.87	7,905	1,062	41,019	2.59
2007	8,753,625	429,817,400	2.04	7,922	1,105	37,324	2.96

Note: Assessed value of property can be found in Table 5.
Note: Population and Personal Income can be found in Table 12.
[1] Includes bond premiums

TABLE 11

TOWN OF VINTON, VIRGINIA

PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Less: Operating Expenses (1)	Net Available Revenue	Debt Service Principal (2)	Debt Service Interest	Coverage
2016	$ 3,718,514	$ 2,241,937	$ 1,476,577	$ 487,049	$ 311,245	1.85
2015	3,447,765	2,115,736	1,332,029	462,548	257,957	1.85
2014	3,263,413	2,261,529	1,001,884	504,718	256,920	1.32
2013	3,016,909	2,129,633	887,276	428,247	215,281	1.38
2012	3,041,715	2,187,683	854,032	413,586	232,992	1.32
2011	2,948,965	2,140,766	808,199	399,218	225,689	1.29
2010	2,741,776	2,361,718	380,058	385,135	195,038	0.66
2009	2,873,100	2,312,595	560,505	281,331	213,792	1.13
2008	2,621,349	2,321,983	299,366	272,788	222,032	0.60
2007	2,536,072	2,257,517	278,555	150,660	172,534	0.86

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

(1) Excluding depreciation, interest, and amortization
(2) Excluding refunded principal payments

TABLE 12

TOWN OF VINTON, VIRGINIA

DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years

Fiscal Year Ended	Population (1)	Total Personal Income (2)	Per Capita Personal Income (2)	Public School Enrollment (3)	Unemployment Rate (4)
2016	8,231	$ 5,435,865	$ 45,577	14,135	3.70%
2015	8,151	5,159,100	43,418	14,384	4.50
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

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 2016 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

	Fiscal Year 2016			Fiscal Year 2007		
Employer	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Precision Fabrics Group, Inc.	171	1	2.10%	334	2	4.22%
Berkshire	171	2	2.10	209	3	2.64
Kroger	129	3	1.58	142	4	1.79
Roanoke County Schools (Vinton)	136	4	1.68	418	1	5.28
McDonalds	89	5	1.09	N/A	N/A	N/A
Town of Vinton	99	6	1.22	90	6	1.14
Aramark Uniform Services	72	7	0.91	114	5	1.44
Lancerlot	47	8	0.60	N/A	N/A	N/A
Woods Service Center	43	9	0.54	N/A	N/A	N/A
Carilion Clinic Family Medicine	36	10	0.45	N/A	N/A	N/A
	993		12.27%	1,307		16.51%

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	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General government										
Management services	4	4	4	4	4	4	4	4	3	4
Finance	5	6	6	6	6	5	5	5	5	5
Planning	3	3	3	3	3	3	3	3	3	3
Police										
Officers	22	22	24	24	24	25	24	24	24	25
Civilians	2	2	2	2	2	2	10	10	10	7
Fire										
Firefighters and officers	10	11	10	9	9	9	9	9	9	9
Other public works	29	31	32	32	32	34	33	33	32	34
Parks, recreation, and cultural	3	2	3	3	3	3	3	3	2	2
Total	78	81	84	83	83	85	91	91	88	89

Source: Town of Vinton Finance Department

TABLE 15

TOWN OF VINTON, VIRGINIA

OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General government										
Fleet equipment	133	133	133	117	117	117	117	117	62	62
Pieces of equipment maintained	133	133	133	117	117	117	117	117	62	62
Public safety:										
Police										
Arrests	722	507	578	582	667	546	531	658	598	504
Parking violations	133	52	64	48	56	82	139	84	62	16
Traffic violations	1,187	1,143	1,603	1,408	1,734	1,933	2,431	3,088	3,034	3,087
EMS										
Emergency responses	2,656	2,615	2,735	2,654	2,872	2,319	2,219	2,369	2,397	2,459
Fire										
Emergency responses	774	278	623	306	677	514	476	764	1,038	673
Public works										
Refuse collection										
Refuse collected (tons per day)	11.92	12.55	12.78	12.92	12.75	12.70	14.00	15.90	18.10	19.00
Recyclables collected (tons per day)	0.54	0.65	0.70	0.68	2.00	2.00	1.60	1.60	1.70	1.30
Other public works										
Street resurfacing (miles)	2.03	-	1.30	2.17	1.80	1.80	1.90	3.50	11.10	-
Parks, recreation, and cultural										
Parks and recreation - attendees										
Vinton Dogwood Festival (4-day)	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Vinton Bluegrass Festival (4-day)	Closed	Closed	Closed	Closed	Closed	Closed	Closed	20,000	20,000	20,000
4th of July	5,000	5,000	5,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Enchanted Eve (Co-Sponsor Roanoke County)	Closed	Closed	Closed	Closed	Closed	Closed	5,000	5,000	5,000	5,000
Vinton Fall Festival (Co-Sponsor Chamber of Commerce)	9,000	9,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Water										
Number of customer accounts	5,093	5,074	5,085	5,071	5,051	5,044	5,040	5,022	4,985	4,984
Miles of distribution lines	61	61	61	61	61	61	61	61	60	60
Volume pumped (million gallons per day average)	1.27	1.23	1.14	1.21	1.23	1.26	1.47	1.04	1.29	1.26
Sewer										
Number of customer accounts	4,658	4,639	4,642	4,636	4,607	4,610	4,609	4,600	4,571	4,573
Miles of collection lines	60	60	60	60	60	60	60	60	59	57
Waste/Water treated (million gallons per day)	1.40	1.19	0.92	0.96	0.99	1.09	1.27	1.04	1.24	1.20

N/A - Not available.
Refuse collected (tons per day) - based on 260 collection days per year.
Recyclables collected (tons per day) - based on 130 collection days per year.

Source: Various Town of Vinton Departments

TABLE 16

TOWN OF VINTON, VIRGINIA

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Function/Program										
Public safety										
Law enforcement vehicles	25	26	25	25	26	27	27	29	27	19
Fire stations	1	1	1	1	1	1	1	1	1	1
Public works										
Primary streets (lane miles)	21.62	21.62	21.66	21.62	21.62	21.62	21.62	21.62	21.62	18.28
Secondary streets (lane miles)	66.32	66.32	66.32	66.32	66.32	66.32	66.32	66.32	66.32	68.78
Streetlights	503	502	500	500	500	500	500	500	500	500
Parks, recreation, and cultural										
Community centers										
Vinton Senior Program (No. of Events/Attendance)	252/4166	240/3990	223/3,965	253/3775	231/4033	174/3396	1/18	240/4236	180/3600	180/3600
Charles R. Hill Center (Rentals)	283	291	289	437	299	218	295	351	205	257
Skate Park	Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed	2,400	2,400
Vinton War Memorial	273	235	282	301	200	202	271	277	151	-
Parks/athletic fields										
Gearhart Park (TOV owned-Leased to Rke County)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	37/3000	N/A	N/A
Jaycee Field (Seasonal ballgames)	Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed	Closed
Greenway (3/4 Mile) Cinder Surface	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Lawfit Course (5 Fitness Stations)	N/A	N/A	N/A	N/A	N/A	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	6,000	6,000	5,000
Vinton Municipal Pool	7,977	7,977	8,458	10,562	10,176	12,246	11,270	11,000	11,000	7,100
Water and sewer										
Water mains (miles)	61	61	61	61	61	61	61	61	60	60
Sanitary sewers (miles)	60	60	60	60	60	60	60	60	59	59
Stormwater										
Storm sewers (miles)	12	12	12	12	12	12	12	12	12	12
Signalized Street Intersections										
Traffic Signals (each)	11	11	11	11	11	11	11	11	11	11

Source: Town of Vinton Finance Department

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COMPLIANCE SECTION

BROWNEDWARDS
certified public accountants

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, 2016, 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 18, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. **However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness, which is labelled as item 2007-001.**

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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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2016-001.**

Town of Vinton's Responses to Findings

The Town of Vinton's responses to the findings identified in our audit are 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 18, 2016

TOWN OF VINTON, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS
June 30, 2016

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, 2016

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2007-1: Segregation of Duties (Material Weakness)

Condition:

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

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

2016-1: Budget Appropriations

Condition:

After audit adjustments, expenditures exceeded budgeted appropriations in the debt service category.

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:

This was a result of the timing of the current year bond refunding near year end, and some of the final numbers were not known when Town Council met. Town Council met in June 2016 and additional budget appropriations were approved for known expenditures at that time.