

TOWN OF BLACKSBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
June 30, 2013

DEPARTMENT OF FINANCIAL SERVICES

TOWN OF BLACKSBURG, VIRGINIA

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INTRODUCTORY SECTION

November 26, 2013

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

Section 15.1-167 of the *Code of Virginia*, requires an annual independent audit and report of financial activity of the Town presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accounts. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Blacksburg, Virginia for the fiscal year ended June 30, 2013.

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

The Town of Blacksburg's financial statements have been audited by the independent certified public accounting firm of Brown, Edwards & Company, L.L.P.. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Blacksburg for the fiscal year ended June 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Blacksburg's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented at the front of the financial section of this report.

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

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

Profile of the Government

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

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

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

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

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

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

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

appropriated annual budget has been adopted. For the general fund, this comparison is presented in Exhibit 5 as part of the basic financial statements for the governmental funds.

Local Economy

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

The economic condition and outlook for the Town of Blacksburg is stable but impacted by the national economy and its impacts on the state budget. Maintaining current services with increasing employee benefit costs in conjunction with slight revenue growth defines the character of the municipal corporation for both FY 2013 and for the near future. The Town's major employer, Virginia Tech, is the largest university in the Commonwealth and is located on over 2,600 acres with more than 125 buildings on its campus. Virginia Tech continues to position itself as a major research institution with a high level of effort being concentrated on Intelligent Vehicle Highway System (IVHS) technology and Biotechnology. Growth in technology-based research and the spawning of businesses from the Corporate Research Center reflect well on the area and the wealth of resources offered by a major academic institution makes the Town an attractive venue for business. The emergence of the university as a major research institution has occurred during the past decade, and it is currently ranked 41st in university research in the United States. The university routinely ranks among the top 15 universities in the number of patents issued to U.S. universities.

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

Local industry serves as a strong complement to the presence of Virginia Tech. Manufacturers active in the production of automobile components and electronic/fiber-optic technology continue to provide an employment base that contributes significantly to the economy of the Town. The retail sector is changing in the Town of Blacksburg. An upscale mixed use development south of the downtown area opened in October, 2008. This helped attract upscale national franchise outlets, such as Talbots and Jos. A. Banks, to the Town and complements a regional shopping area just to the south of the corporate limits. This helps the Town in developing specialty niches that the Blacksburg community will support.

Along with the development of "niches" for targeted populations, the Town of Blacksburg also actively pursues special events that will bring visitors and associated revenue to the Town. The Town also attracted another mixed use development that combined residential and a hotel venue in one development.

Long-term Financial Planning

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

The FY 2014 budget demonstrates the Town's commitment to outstanding service delivery and progressiveness of local government. Revenue projections in FY 2014 reflected the improving economic environment with reliance upon annual revenue to finance operating expenditures and included some increases to user fees. Also the budget demonstrates the Town Council's Vision "*Blacksburg's vision is to be a dynamic, sustainable, livable community balancing environmental stewardship, economic opportunity, technological leadership, and the arts.*"

Recognizing the importance of the Town's infrastructure, beginning in FY 2009, the Town of Blacksburg began administering the Virginia Department of Transportation (VDOT) Urban Construction Initiative. The Town will administer their own local street construction projects with guidance from VDOT. This is a new program with the State and the Town joined eleven other localities in the State that are participating in this program. This program expenditures and revenue from the State is estimated to be approximately \$22 million from FY 2009 to FY 2014. Following FY 2014, VDOT has decided to regain control of this program across the State whereby administration of the projects will be controlled by VDOT.

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

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

Relevant Financial Policies

In accordance with State code and the Town's Investment Policy, the Town of Blacksburg invests in Treasury securities, agency securities and certificates of deposits and the Commonwealth of Virginia's State Treasurer's Local Government Investment Pool (LGIP) and the Virginia State Non-Arbitrage Program (SNAP). To the extent possible, the Policy will match investments with anticipated cash flow requirements. The maturities of the investments range from overnight to seven years with an average maturity of five years. The average yield on investments was 1.474%.

Major Initiatives

Blacksburg Transit expanded service into nearby Christiansburg and completed its first year during FY 2011. Future initiatives include discussion of further expansion of the system in the New River Valley including construction of a multi-modal facility.

Despite the economic climate, the Progress/Givens Street project continues to move forward. This estimated \$14.7 million project widens Givens Lane to include bike lanes and sidewalks and extends Progress Street from its current terminus to Givens Lane which includes constructing a roundabout at the intersection.

The sale of the First & Main shopping center to owners with ties to the community in 2013 can only help move that project forward in a positive direction after stalling for four years. The new owners have created excitement among the tenants in the development and our community. The announcement of plans to build an IMAX theatre was met with enthusiasm. Blacksburg will be home to only the second IMAX theatre west of Richmond. The Town looks forward to working with First & Main to help them achieve the original vision for the project to make it the success it should be.

The work of the Blacksburg Museum and Cultural Foundation has heightened the anticipation of completing the first phase of the Alexander Black House restoration. The project was accomplished over a number of years and overcame many challenges. The opening of the Black House will be a memorable day of celebration for Blacksburg's history. This project has a budget of approximately \$1,700,000.

In February 2010, the roof on the Blacksburg High School gym collapsed due to heavy snow. The school has not been occupied since the roof collapse. The schools are not a direct responsibility of the Town. However, they have a major impact on the quality of life of our citizens. The construction of a new high school within Town limits began October, 2011 and was completed in August, 2013 in time for the new school year. The Town cooperated with Montgomery County in many areas on this important issue.

Awards and Acknowledgements

Certificate of Achievement The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Blacksburg for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the thirty-third consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Distinguished Budget Presentation Award GFOA has also awarded the Town of Blacksburg with the prestigious Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2013. This is the twenty-second consecutive year that the Town has achieved this honor. In order to be awarded the award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

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

Respectfully submitted,



Director of Finance
Town of Blacksburg



Government Finance Officers Association

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

Presented to

**Town of Blacksburg
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

TOWN OF BLACKSBURG, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2013

MEMBERS OF TOWN COUNCIL

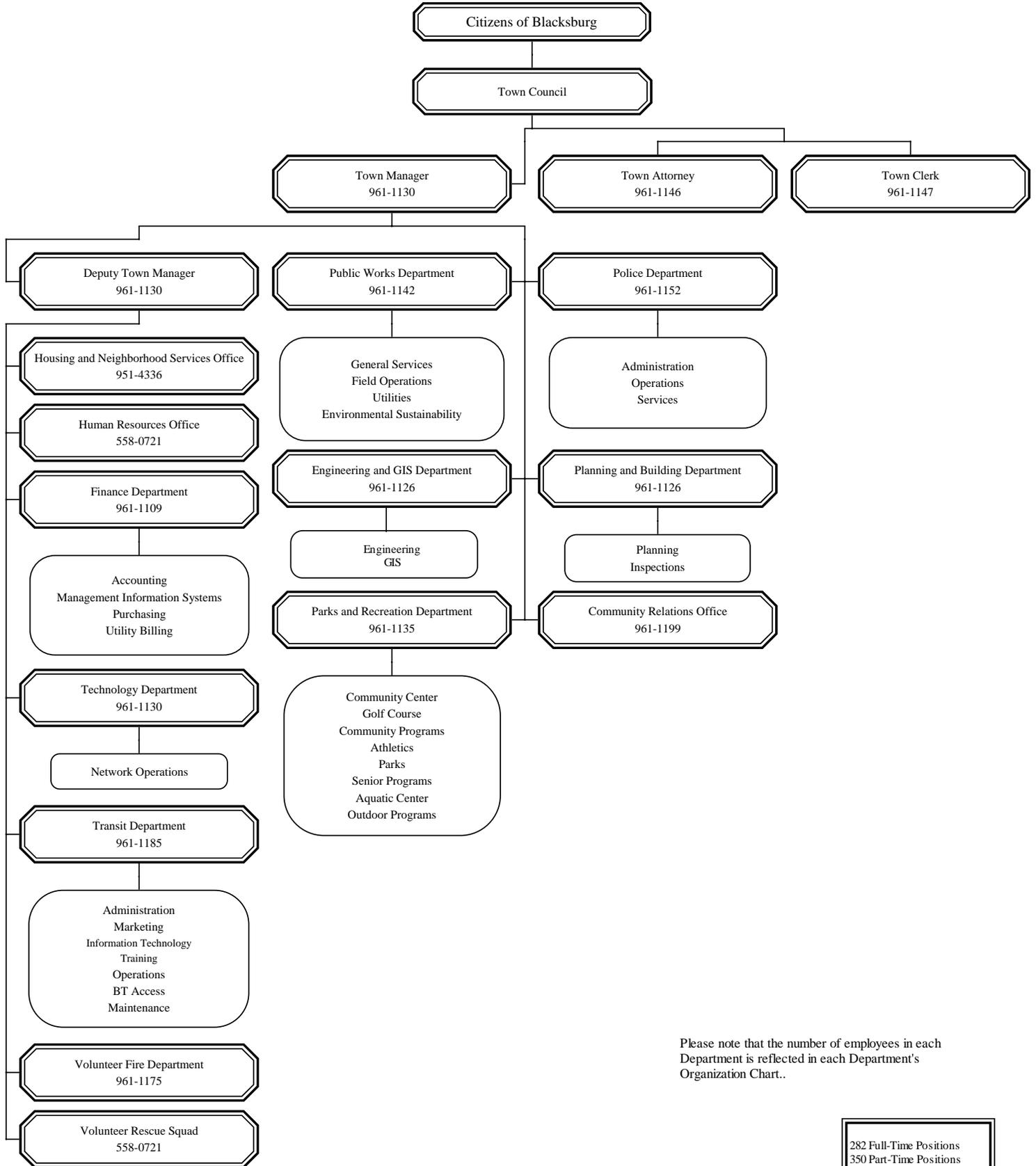
Ron RordamMayor
Leslie Hager-Smith..... Vice-Mayor
John Bush
Michael Sutphin
Krisha Chachra
Cecile Newcomb
Susan Anderson

GENERAL TOWN GOVERNMENT

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

INDEPENDENT AUDITORS

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



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

282 Full-Time Positions
 350 Part-Time Positions

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Blacksburg, Virginia (the "Town"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison statement for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013, 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, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 26, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Blacksburg, Virginia (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013. 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 v of this report.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$92,859,049 (net position). Of this amount, \$16,308,406 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$7,828,244. This increase is primarily attributable to the College Avenue Promenade and Progress Street infrastructure improvements and an increase in other local taxes including business license taxes.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$18,448,434 a decrease of \$906,180 due to planned increases in capital outlay and capital project expenditures. Of this total amount, \$308,774 represents unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,334,512, or 19 percent of total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 16 and 17 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 19 through 22 of this report.

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

The basic fiduciary fund financial statements can be found on pages 61 and 62 of this report.

(Continued)

Overview of the Financial Statements (Continued)

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 52 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town’s funding progress for the defined benefit pension plan and the liability for other post-employment benefits. Required supplementary information can be found on pages 54 and 55 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town, assets exceeded liabilities by \$92,859,049 at the close of the most recent fiscal year.

By far the largest portion of the Town’s net position (78 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	The Town’s Net Position					
	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 22,903,727	\$ 22,472,852	\$ 9,624,201	\$ 10,839,842	\$ 32,527,928	\$ 33,312,694
Capital assets	60,977,492	51,384,915	32,178,715	29,679,300	93,156,207	81,064,215
Total assets	83,881,219	73,857,767	41,802,916	40,519,142	125,684,135	114,376,909
Long-term liabilities outstanding	18,242,897	15,961,331	6,492,511	7,121,360	24,735,408	23,082,691
Other liabilities	5,174,995	3,754,357	2,914,683	2,509,056	8,089,678	6,263,413
Total liabilities	23,417,892	19,715,688	9,407,194	9,630,416	32,825,086	29,346,104
Net position						
Net investment in capital assets	46,489,358	38,424,336	25,779,737	23,184,487	72,269,095	61,608,823
Restricted	4,232,468	4,977,107	49,080	49,080	4,281,548	5,026,187
Unrestricted	9,741,501	10,740,636	6,566,905	7,655,159	16,308,406	18,395,795
Total net position	<u>\$ 60,463,327</u>	<u>\$ 54,142,079</u>	<u>\$ 32,395,722</u>	<u>\$ 30,888,726</u>	<u>\$ 92,859,049</u>	<u>\$ 85,030,805</u>

The balance of *unrestricted net position*, \$16,308,406 may be used to meet the government’s ongoing obligations to citizens and creditors.

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

The government’s net position increased by \$7,828,244 during the current fiscal year. The majority of this increase is due to increased capital spending and increased other local tax revenue and controlled spending.

(Continued)

Government-wide Financial Analysis (Continued)

Governmental activities – Governmental activities increased the Town’s net position by \$6,321,248 thereby accounting for the increase in the net position of the Town. The key element for this increase is due to the College Avenue Promenade and Progress Street infrastructure improvements and an increase in other local taxes including business license taxes.

Business-type activities – Business-type activities increased the Town’s net position by \$1,506,996. The key element of this increase is due to the use of Federal transit revenue for the purchase new buses.

	The Town’s Changes in Net Position					
	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Charges for services	\$ 4,251,522	\$ 4,940,975	\$ 13,984,163	\$ 13,175,392	\$ 18,235,685	\$ 18,116,367
Operating grants and contributions	3,982,480	3,919,134	3,023,237	2,706,887	7,005,717	6,626,021
Capital grants and contributions	7,846,314	5,407,444	3,559,305	2,273,015	11,405,619	7,680,459
General revenues						
Property taxes	5,544,687	5,554,193	-	-	5,544,687	5,554,193
Other taxes	12,259,903	11,331,351	-	-	12,259,903	11,331,351
Other	1,599,482	1,762,913	204,512	287,367	1,803,994	2,050,280
Total revenues	<u>35,484,388</u>	<u>32,916,010</u>	<u>20,771,217</u>	<u>18,442,661</u>	<u>56,255,605</u>	<u>51,358,671</u>
Expenses						
Legislative	251,958	241,530	-	-	251,958	241,530
Executive	1,921,674	1,701,070	-	-	1,921,674	1,701,070
Legal	294,699	273,191	-	-	294,699	273,191
Judicial	-	6,100	-	-	-	6,100
Financial services	1,560,128	1,440,990	-	-	1,560,128	1,440,990
Technology	601,503	551,139	-	-	601,503	551,139
Police	7,943,511	7,307,087	-	-	7,943,511	7,307,087
Fire and rescue	1,220,682	1,219,788	-	-	1,220,682	1,219,788
Public works	7,736,614	6,919,603	-	-	7,736,614	6,919,603
Recreation	2,291,017	2,334,189	-	-	2,291,017	2,334,189
Engineering and GIS	1,615,665	1,417,586	-	-	1,615,665	1,417,586
Planning and building	953,747	901,087	-	-	953,747	901,087
CDBG entitlement	623,505	379,983	-	-	623,505	379,983
HOME consortium	726,653	647,794	-	-	726,653	647,794
Interest on long-term debt	684,779	622,997	-	-	684,779	622,997
Unallocated depreciation	945,610	755,705	-	-	945,610	755,705
Water and sewer	-	-	8,862,137	8,588,121	8,862,137	8,588,121
Transit system	-	-	8,609,385	8,382,557	8,609,385	8,382,557
Solid waste and recycling	-	-	1,584,094	1,484,319	1,584,094	1,484,319
Total expenses	<u>29,371,745</u>	<u>26,719,839</u>	<u>19,055,616</u>	<u>18,454,997</u>	<u>48,427,361</u>	<u>45,174,836</u>
Excess (deficiency) before transfers	6,112,643	6,196,171	1,715,601	(12,336)	7,828,244	6,183,835
Transfers	208,605	241,566	(208,605)	(241,566)	-	-
Change in net position	6,321,248	6,437,737	1,506,996	(253,902)	7,828,244	6,183,835
Net position at July 1	54,142,079	47,704,342	30,888,726	31,142,628	85,030,805	78,846,970
Net position at June 30	<u>\$ 60,463,327</u>	<u>\$ 54,142,079</u>	<u>\$ 32,395,722</u>	<u>\$ 30,888,726</u>	<u>\$ 92,859,049</u>	<u>\$ 85,030,805</u>

(Continued)

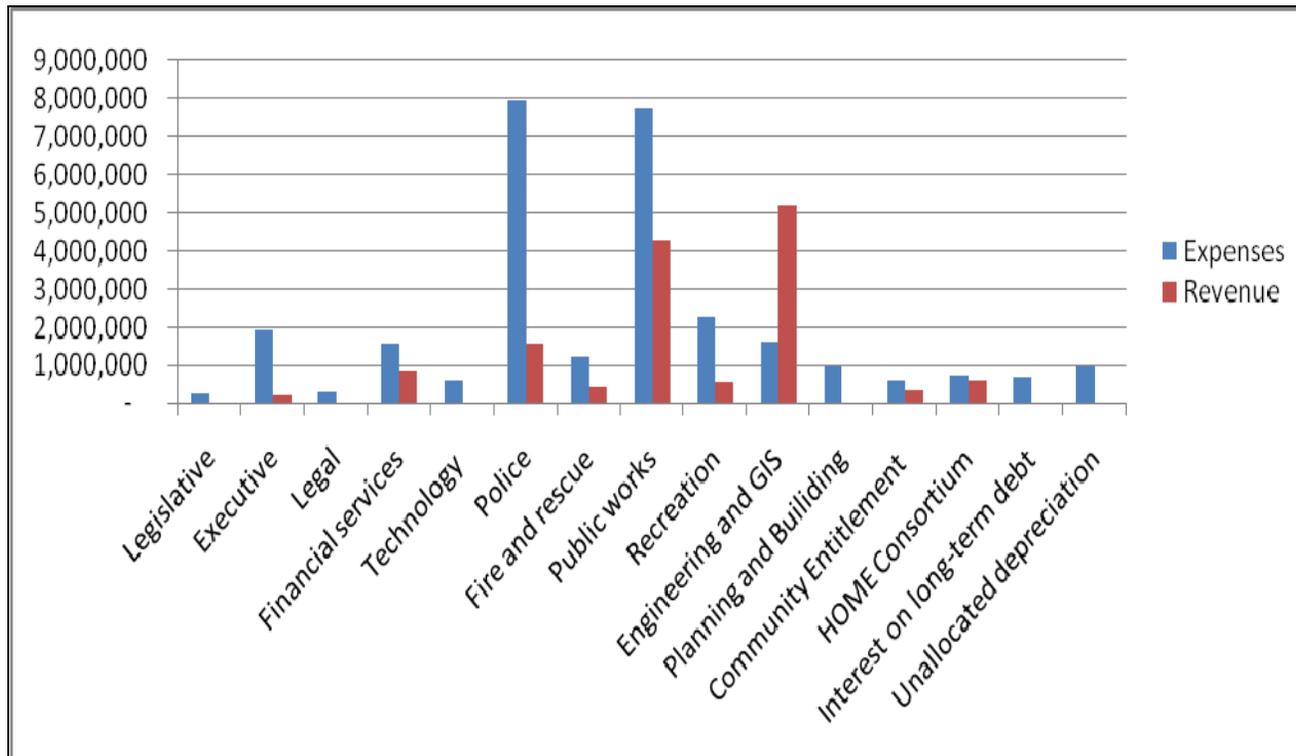
Government-wide Financial Analysis (Continued)

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

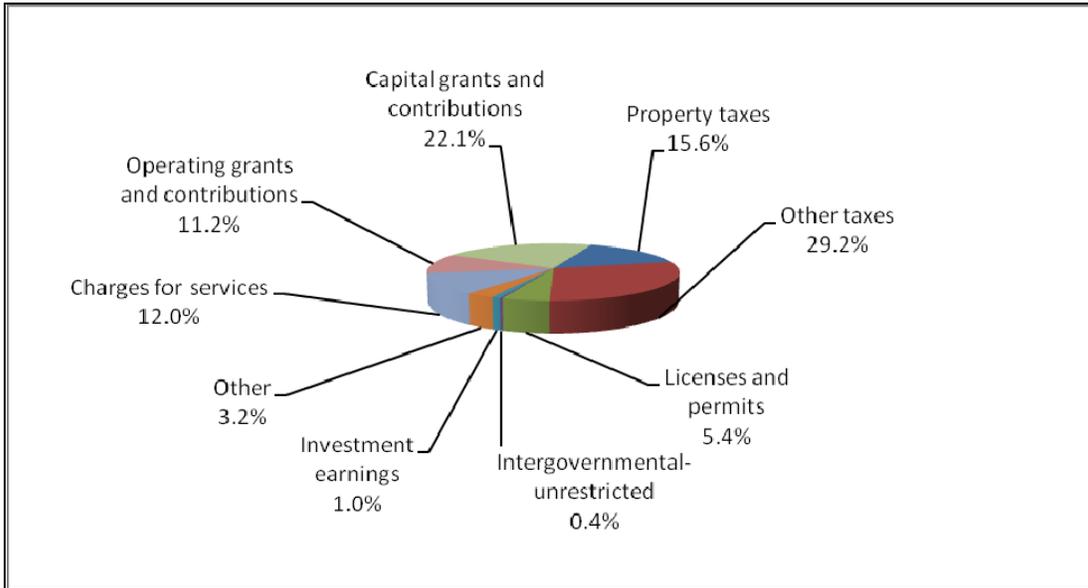
- Executive expenses increased mainly due to contributions made to the Tourism Board.
- Police expenses increased due to contributions to the new Regional Emergency Communications Authority and due to two over hires in preparation for retirements.
- Public works increase is due to the lack of snow removal expenses in FY2012 resulting from the mild winter alongside increased spending for road repaving.
- CDBG entitlement expenses increased due to timing of projects when compared to the prior year.

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

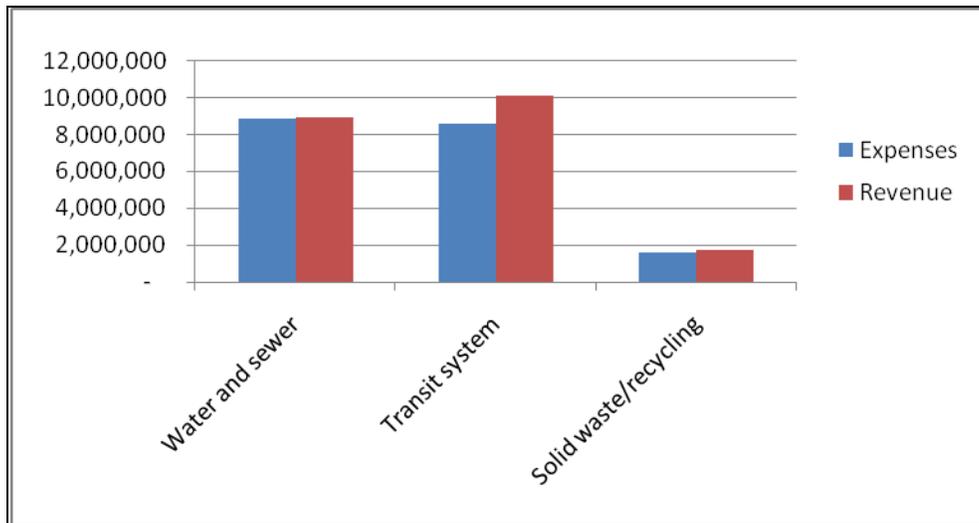
Expenses and Program Revenues – Governmental Activities



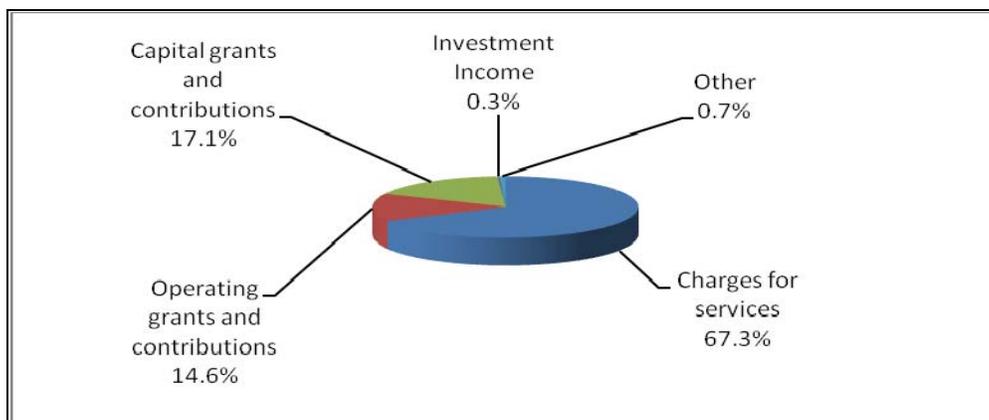
Revenues by Source – Governmental Activities



Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



(Continued)

Financial Analysis of the Government's Funds

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

Governmental Funds – The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. 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. During 2011, the Town implemented GASB 54 – Fund Balance Reporting and Governmental Fund Type Definitions. The new standard replaces the previous reserved, unreserved, and designated fund balance categories with five classifications: nonspendable, restricted, committed, assigned, and unassigned.

Fund balances are the differences between assets and liabilities in a governmental fund.

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

As of the end of the current fiscal year, the Town's total governmental funds reported an ending fund balance of \$18,448,434 a decrease of \$906,180 in comparison with the prior year. Of that amount, \$244,566 was nonspendable, \$4,232,468 was restricted, \$7,467,973 was committed, \$6,194,653 was assigned, and \$308,774 was unassigned.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 1% of total general fund expenditures, while total fund balance represents 21% of that same amount.

The fund balance of the Town's general fund decreased by \$403,961 during the current fiscal year. Key factors in this change were increased paving expenditures, increased weather related activities, and transfers to the general capital projects fund.

The general capital projects fund increased \$409,825 due to issuance of bonds.

The urban construction fund decreased \$984,909 which reflects expenditures for various intersection, road, and sidewalk projects.

The equipment replacement capital projects fund increased by \$72,865 which reflects annual transfers into the fund from user funds.

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

(Continued)

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

Unrestricted net position of the water and sewer, transit system and solid waste and recycling funds at the end of the year amounted to \$2,394,555, \$3,245,790, and \$926,560 respectively. The total increase in net position was \$1,506,996. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town’s business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget totaled \$227,359. Increase in appropriations can be briefly summarized as follows:

- \$295,076 in various departments for the reappropriation of prior year encumbrances.

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

- Police was under budget due to controlled spending in the Police Services Division.
- Intergovernmental revenue was under budget due to timing of grant funding.
- Fines and forfeitures were under budget due to decreases in parking ticket violations.
- Charges for services were under budget due to golf course sales and parking revenue.

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, 2013, amounts to \$93,156,207 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, roads, highways, and bridges. The total increase in the Town’s investment in capital assets for the current fiscal year was approximately 15 percent for governmental activities and business-type activities.

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

- Infrastructure projects funded by the Urban Construction Initiative and Revenue Sharing Programs totaling over \$7,700,000 for the College Avenue Promenade and Progress Street Improvements.
- Renovation of the Alexander Black House for \$409,249 and the renovation of the municipal building totaling \$851,976.
- Purchase of six buses for \$2,764,528 in the Transit fund with federal capital grant funds.
- Upgrading of the Shenandoah Pump Station for \$836,330 in the Water and Sewer fund.

The Town's Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 9,134,493	\$ 9,134,493	\$ 213,314	\$ 213,314	\$ 9,347,807	\$ 9,347,807
Buildings and improvements	12,174,260	10,823,737	4,071,534	4,266,188	16,245,794	15,089,925
Water system – plant	-	-	3,980,710	3,798,256	3,980,710	3,798,256
Sewer system – plant	-	-	7,035,378	7,400,825	7,035,378	7,400,825
Infrastructure	22,424,389	21,343,195	-	-	22,424,389	21,343,195
Machinery and equipment	5,536,838	5,335,643	15,030,671	13,481,861	20,567,509	18,817,504
Construction in progress	11,707,512	4,747,847	1,847,108	518,856	13,554,620	5,266,703
Total	\$ 60,977,492	\$ 51,384,915	\$ 32,178,715	\$ 29,679,300	\$ 93,156,207	\$ 81,064,215

Additional information on the Town's capital assets can be found in Note 7 of this report.

Long-term debt – At the end of the current fiscal year, the Town had total bonded debt outstanding of \$25,047,773, all of which is backed by the full faith and credit of the government.

The Town's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 17,953,095	\$ 15,568,488	\$ 6,902,903	\$ 7,578,509	\$ 24,855,998	\$ 23,146,997
Capital lease obligations	191,775	243,673	-	-	191,775	243,673
	\$ 18,114,870	\$ 15,812,161	\$ 6,902,903	\$ 7,578,509	\$ 25,047,773	\$ 23,390,670

The Town's total debt increased by \$1,657,103 (7 percent) during the current fiscal year due to the issuance of new debt.

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

Additional information on the Town's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County (it is unavailable for the Town) is currently 6.3 percent, which has decreased from 6.4 percent a year ago. This compares to the state's average unemployment rate of 5.8 percent and the national average rate of 7.6 percent.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Town's budget for the 2014 fiscal year.

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 Department of Financial Services, Town of Blacksburg, P.O. Box 90003, Blacksburg, Virginia 24062-9003.

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BASIC FINANCIAL STATEMENTS

TOWN OF BLACKSBURG, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents (Note 2)	\$ 2,914,477	\$ 1,470,903	\$ 4,385,380
Investments (Note 2)	6,893,560	1,692,650	8,586,210
Receivables, net (Note 3)	1,654,083	1,420,358	3,074,441
Internal balances (Note 5)	(468,952)	468,952	-
Due from other governmental units (Note 6)	3,472,884	3,507,866	6,980,750
Inventories	414,365	714,382	1,128,747
Note receivable (Note 4)	294,882	-	294,882
Restricted assets:			
Cash and cash equivalents (Note 2)	7,728,428	349,090	8,077,518
Capital assets: (Note 7)			
Land and construction in progress	20,842,005	2,060,422	22,902,427
Other capital assets, net	40,135,487	30,118,293	70,253,780
Total assets	<u>83,881,219</u>	<u>41,802,916</u>	<u>125,684,135</u>
LIABILITIES			
Accounts payable and accrued liabilities	1,843,055	1,747,579	3,590,634
Accrued payroll and related liabilities	1,126,121	78,355	1,204,476
Accrued interest payable	194,318	73,175	267,493
Unearned revenue (Note 3)	48,622	5,665	54,287
Public improvement bond deposits	25,448	-	25,448
Other deposits	112,469	201,683	314,152
Long-term liabilities:			
Due within one year (Note 8)	1,824,962	808,226	2,633,188
Due in more than one year (Note 8)	18,242,897	6,492,511	24,735,408
Total liabilities	<u>23,417,892</u>	<u>9,407,194</u>	<u>32,825,086</u>
NET POSITION			
Net investment in capital assets	46,489,358	25,779,737	72,269,095
Restricted for:			
Capital outlay	4,213,307	49,080	4,262,387
Museum lifetime memberships	19,161	-	19,161
Unrestricted	9,741,501	6,566,905	16,308,406
Total net position	<u>\$ 60,463,327</u>	<u>\$ 32,395,722</u>	<u>\$ 92,859,049</u>

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

TOWN OF BLACKSBURG, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Legislative	\$ 251,958	\$ -	\$ -	\$ -	\$ (251,958)	\$ -	\$ (251,958)
Executive	1,921,674	229,053	-	-	(1,692,621)	-	(1,692,621)
Legal	294,699	24,789	-	-	(269,910)	-	(269,910)
Financial services	1,560,128	459,233	-	-	(1,100,895)	-	(1,100,895)
Technology	601,503	-	-	-	(601,503)	-	(601,503)
Police	7,943,511	386,616	1,015,637	314,206	(6,227,052)	-	(6,227,052)
Fire and rescue	1,220,682	210,554	25,799	-	(984,329)	-	(984,329)
Public works	7,736,614	1,459,679	2,941,044	-	(3,335,891)	-	(3,335,891)
Recreation	2,291,017	637,076	-	-	(1,653,941)	-	(1,653,941)
Engineering and GIS	1,615,665	844,522	-	6,187,350	5,416,207	-	5,416,207
Planning and building	953,747	-	-	-	(953,747)	-	(953,747)
CDBG Entitlement	623,505	-	-	623,505	-	-	-
HOME consortium	726,653	-	-	721,253	(5,400)	-	(5,400)
Interest on long-term debt	684,779	-	-	-	(684,779)	-	(684,779)
Unallocated depreciation	945,610	-	-	-	(945,610)	-	(945,610)
Total governmental activities	29,371,745	4,251,522	3,982,480	7,846,314	(13,291,429)	-	(13,291,429)
Business-type activities:							
Water and sewer	8,862,137	8,730,119	-	-	-	(132,018)	(132,018)
Transit system	8,609,385	3,587,399	2,933,926	3,559,305	-	1,471,245	1,471,245
Solid Waste and Recycling	1,584,094	1,666,645	89,311	-	171,862	-	171,862
Total business-type activities	19,055,616	13,984,163	3,023,237	3,559,305	-	1,511,089	1,511,089
Total	\$ 48,427,361	\$ 18,235,685	\$ 7,005,717	\$ 11,405,619	(13,291,429)	1,511,089	(11,780,340)
General revenues:							
Property taxes					5,544,687	-	5,544,687
Sales and use taxes					1,494,535	-	1,494,535
Meals taxes					4,435,602	-	4,435,602
Utility taxes					142,817	-	142,817
Franchise taxes					480,196	-	480,196
Other local taxes					3,799,037	-	3,799,037
Business license taxes					1,907,716	-	1,907,716
Intergovernmental revenue-unrestricted					125,615	-	125,615
Gain on sale of assets					37,538	28,863	66,401
Unrestricted investment earnings					301,616	44,049	345,665
Unrealized gain on investments					45,290	9,662	54,952
Other					1,089,423	121,938	1,211,361
Transfers (Note 5)					208,605	(208,605)	-
Total general revenues and transfers					19,612,677	(4,093)	19,608,584
Change in net position					6,321,248	1,506,996	7,828,244
Net position at July 1					54,142,079	30,888,726	85,030,805
Net position at June 30					\$ 60,463,327	\$ 32,395,722	\$ 92,859,049

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

TOWN OF BLACKSBURG, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	Urban Construction	Capital Projects		Debt Service	Nonmajor Funds	Total Governmental Funds
			General Capital Projects	Equipment Replacement			
ASSETS							
Cash and cash equivalents	\$ 1,225,574	\$ -	\$ 299,980	\$ 1,183,048	\$ -	\$ -	\$ 2,708,602
Cash and cash equivalents, restricted	19,161	4,213,307	3,495,960	-	-	-	7,728,428
Investments	3,512,487	-	-	3,381,073	-	-	6,893,560
Receivables, net	1,587,520	-	15,147	50,380	-	1,036	1,654,083
Due from other funds	1,063,050	-	-	-	-	-	1,063,050
Due from other governmental units	814,584	1,148,826	1,119,586	-	-	389,888	3,472,884
Inventories	244,566	-	-	-	-	-	244,566
Total assets	<u>\$ 8,466,942</u>	<u>\$ 5,362,133</u>	<u>\$ 4,930,673</u>	<u>\$ 4,614,501</u>	<u>\$ -</u>	<u>\$ 390,924</u>	<u>\$ 23,765,173</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 389,981	\$ 617,008	\$ 663,316	\$ 23,019	\$ -	\$ 122,703	\$ 1,816,027
Accrued payroll and related liabilities	1,117,227	915	915	-	-	2,321	1,121,378
Public improvement bond deposits	25,448	-	-	-	-	-	25,448
Other deposits	112,469	-	-	-	-	-	112,469
Due to other funds	1,270,000	-	-	-	-	262,002	1,532,002
Deferred revenue	555,455	-	-	-	-	3,898	559,353
Compensated absences	150,062	-	-	-	-	-	150,062
Total liabilities	<u>3,620,642</u>	<u>617,923</u>	<u>664,231</u>	<u>23,019</u>	<u>-</u>	<u>390,924</u>	<u>5,316,739</u>
Fund Balances:							
Nonspendable	244,566	-	-	-	-	-	244,566
Restricted	19,161	4,213,307	-	-	-	-	4,232,468
Committed	248,061	3,592,426	2,319,424	343,847	-	964,215	7,467,973
Assigned	-	-	1,947,018	4,247,635	-	-	6,194,653
Unassigned	4,334,512	(3,061,523)	-	-	-	(964,215)	308,774
Total fund balances	<u>4,846,300</u>	<u>4,744,210</u>	<u>4,266,442</u>	<u>4,591,482</u>	<u>-</u>	<u>-</u>	<u>18,448,434</u>
Total liabilities and fund balances	<u>\$ 8,466,942</u>	<u>\$ 5,362,133</u>	<u>\$ 4,930,673</u>	<u>\$ 4,614,501</u>	<u>\$ -</u>	<u>\$ 390,924</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	60,915,689
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	510,731
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds.	294,882
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and capital lease payable	(18,144,870)
Accrued interest payable	(194,318)
Compensated absences	(1,492,663)
OPEB liability	(398,132)
Deferred amounts	160,776
The internal service fund is used by management to charge the costs of the central garage. Its assets and liabilities are included in the governmental activities' statements of net position.	362,798
Net position of governmental activities	<u>\$ 60,463,327</u>

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	Urban Construction	Capital Projects		Debt Service	Nonmajor Funds	Total Governmental Funds
			General Capital Projects	Equipment Replacement			
REVENUES							
General property taxes	\$ 5,550,007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,550,007
Other local taxes	10,354,087	-	-	-	-	-	10,354,087
Business license taxes	1,908,934	-	-	-	-	-	1,908,934
Permits and fees	302,649	-	-	-	-	-	302,649
Intergovernmental	4,375,613	2,880,017	3,329,397	-	-	1,344,758	11,929,785
Charges for services	2,813,066	-	-	-	-	-	2,813,066
Fines and forfeitures	344,153	-	-	-	-	-	344,153
Unrealized gain on investments	31,281	-	-	14,009	-	-	45,290
Investment earnings	215,624	8,225	-	77,767	-	-	301,616
Other	649,599	-	-	-	-	5,400	654,999
Total revenues	26,545,013	2,888,242	3,329,397	91,776	-	1,350,158	34,204,586
EXPENDITURES							
Current:							
Legislative	253,817	-	-	-	-	-	253,817
Executive	1,850,440	-	-	-	-	-	1,850,440
Legal	298,964	-	-	-	-	-	298,964
Financial services	1,555,497	-	-	-	-	-	1,555,497
Technology	475,063	-	-	-	-	-	475,063
Police	7,512,440	-	-	-	-	-	7,512,440
Fire and rescue	958,909	-	-	-	-	-	958,909
Public works	5,676,805	-	-	-	-	-	5,676,805
Recreation	2,036,250	-	-	-	-	-	2,036,250
Engineering and GIS	1,281,343	-	-	-	-	-	1,281,343
Planning and building	944,040	-	-	-	-	-	944,040
CDBG Entitlement	-	-	-	-	-	623,505	623,505
HOME Consortium	-	-	-	-	-	726,653	726,653
Capital outlays	-	4,173,151	7,592,924	1,171,561	-	-	12,937,636
Debt service:							
Principal retirement	-	-	-	-	1,522,291	-	1,522,291
Interest and fiscal charges	24,192	-	-	-	627,534	-	651,726
Total expenditures	22,867,760	4,173,151	7,592,924	1,171,561	2,149,825	1,350,158	39,305,379
Excess (deficiency) of revenues over expenditures	3,677,253	(1,284,909)	(4,263,527)	(1,079,785)	(2,149,825)	-	(5,100,793)
OTHER FINANCING SOURCES (USES)							
Issuance of debt	55,000	300,000	3,500,000	-	-	-	3,855,000
Premium on debt proceeds	60,661	-	-	-	-	-	60,661
Sale of general capital assets	70,347	-	-	-	-	-	70,347
Transfers in	-	-	1,173,352	1,152,650	2,149,825	-	4,475,827
Transfers out	(4,267,222)	-	-	-	-	-	(4,267,222)
Total other financing sources (uses)	(4,081,214)	300,000	4,673,352	1,152,650	2,149,825	-	4,194,613
Net change in fund balance	(403,961)	(984,909)	409,825	72,865	-	-	(906,180)
FUND BALANCES AT JULY 1	5,250,261	5,729,119	3,856,617	4,518,617	-	-	-
FUND BALANCES AT JUNE 30	\$ 4,846,300	\$ 4,744,210	\$ 4,266,442	\$ 4,591,482	\$ -	\$ -	-

Adjustments for the statement of activities:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation exceeded new capital assets in the current period.

Capital outlay	12,389,089
Depreciation expense	(2,737,269)
Disposal of assets	(32,809)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(8,438)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatments of long-term debt and related items.

Principal repayment	1,522,291
Amortization of deferred costs	(24,568)
Issuance of debt	(3,855,000)
Premium on new debt	(60,661)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest payable	(8,485)
Change in compensated absences	(131,004)
Change in OPEB liability	86,040

The internal service fund is used by management to change the costs of the central garage. The change in net position of internal service funds is reported with governmental activities.

88,242

Change in net position of governmental activities	<u>\$ 6,321,248</u>
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TOWN OF BLACKSBURG, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND (Non-GAAP Budgetary Basis)
Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
General property taxes	\$ 5,618,500	\$ 5,618,500	\$ 5,550,007	\$ (68,493)
Other local taxes	10,293,800	10,293,800	10,354,087	60,287
Business license taxes	1,668,300	1,668,300	1,908,934	240,634
Permits and fees	271,000	271,000	302,649	31,649
Intergovernmental	4,506,865	4,506,865	4,375,613	(131,252)
Charges for services	3,000,200	3,000,200	2,813,066	(187,134)
Fines and forfeitures	432,500	432,500	344,153	(88,347)
Unrealized losses on investments	-	-	31,281	31,281
Investment earnings	206,400	206,400	215,624	9,224
Other	639,100	639,100	649,599	10,499
Total revenues	<u>26,636,665</u>	<u>26,636,665</u>	<u>26,545,013</u>	<u>(91,652)</u>
EXPENDITURES				
Current:				
Legislative	259,013	259,993	253,817	6,176
Executive	1,998,852	2,053,420	1,931,877	121,543
Legal	311,792	344,518	307,847	36,671
Financial services	1,606,506	1,611,622	1,569,492	42,130
Technology	475,145	476,161	475,943	218
Police	7,884,007	7,955,959	7,602,925	353,034
Fire and rescue	948,698	974,651	974,651	-
Public works	5,644,021	5,718,100	5,697,983	20,117
Recreation	2,070,651	2,072,093	2,051,610	20,483
Engineering and GIS	1,286,452	1,286,662	1,281,343	5,319
Planning and building	946,097	947,028	944,141	2,887
Contingency	47,338	5,724	-	5,724
Total expenditures	<u>23,478,572</u>	<u>23,705,931</u>	<u>23,091,629</u>	<u>614,302</u>
Excess of revenues over expenditures	<u>3,158,093</u>	<u>2,930,734</u>	<u>3,453,384</u>	<u>522,650</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,197,893)	(4,267,222)	(4,267,222)	-
Bond proceeds	102,800	102,800	30,808	(71,992)
Premium on bond proceeds	-	-	60,661	60,661
Sale of general capital assets	-	-	70,347	70,347
Prior year re-appropriations	937,000	937,000	-	(937,000)
Total other financing sources (uses)	<u>(3,158,093)</u>	<u>(3,227,422)</u>	<u>(4,105,406)</u>	<u>(877,984)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (296,688)</u>	<u>\$ (652,022)</u>	<u>\$ (355,334)</u>

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

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2013

	<u>Business-type Activities – Enterprise Funds</u>				<u>Governmental Activities – Internal Service Fund</u>
	<u>Water and Sewer</u>	<u>Transit System</u>	<u>Solid Waste and Recycling</u>	<u>Total</u>	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 592,032	\$ -	\$ 878,871	\$ 1,470,903	\$ 205,875
Cash and investments, restricted	349,090	-	-	349,090	-
Investments	1,692,650	-	-	1,692,650	-
Receivables, net	963,169	251,698	205,491	1,420,358	-
Due from other governmental units	-	3,507,866	-	3,507,866	-
Due from other funds	1,270,000	-	-	1,270,000	-
Inventories	-	714,382	-	714,382	169,799
Total current assets	<u>4,866,941</u>	<u>4,473,946</u>	<u>1,084,362</u>	<u>10,425,249</u>	<u>375,674</u>
Noncurrent assets:					
Land and construction in progress	1,903,422	157,000	-	2,060,422	-
Other capital assets, net	12,103,489	17,876,690	138,114	30,118,293	61,803
Total noncurrent assets	<u>14,006,911</u>	<u>18,033,690</u>	<u>138,114</u>	<u>32,178,715</u>	<u>61,803</u>
Total assets	<u>18,873,852</u>	<u>22,507,636</u>	<u>1,222,476</u>	<u>42,603,964</u>	<u>437,477</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	1,522,850	85,392	139,337	1,747,579	27,029
Accrued payroll and related liabilities	21,660	55,250	1,445	78,355	4,743
Accrued interest payable	73,175	-	-	73,175	-
Customer deposits	201,683	-	-	201,683	-
Due to other funds	-	801,048	-	801,048	-
Unearned revenue	-	-	5,665	5,665	-
Compensated absences	76,434	81,016	4,264	161,714	10,660
Bonds payable	646,512	-	-	646,512	-
Total current liabilities	<u>2,542,314</u>	<u>1,022,706</u>	<u>150,711</u>	<u>3,715,731</u>	<u>42,432</u>
Noncurrent liabilities:					
Compensated absences	189,449	99,309	3,153	291,911	22,005
Other postemployment benefits	38,045	57,061	3,938	99,044	10,242
Bonds and leases payable	6,101,556	-	-	6,101,556	-
Total noncurrent liabilities	<u>6,329,050</u>	<u>156,370</u>	<u>7,091</u>	<u>6,492,511</u>	<u>32,247</u>
Total liabilities	<u>8,871,364</u>	<u>1,179,076</u>	<u>157,802</u>	<u>10,208,242</u>	<u>74,679</u>
NET POSITION					
Net investment in capital assets	7,607,933	18,033,690	138,114	25,779,737	61,803
Restricted	-	49,080	-	49,080	-
Unrestricted	2,394,555	3,245,790	926,560	6,566,905	300,995
Total net position	<u>\$ 10,002,488</u>	<u>\$ 21,328,560</u>	<u>\$ 1,064,674</u>	<u>\$ 32,395,722</u>	<u>\$ 362,798</u>

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

TOWN OF BLACKSBURG, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013**

	<u>Business-type Activities – Enterprise Funds</u>				Governmental Activities – Internal Service Fund
	<u>Water and Sewer</u>	<u>Transit System</u>	<u>Solid Waste and Recycling</u>	<u>Total</u>	
OPERATING REVENUES					
Charges for services	\$ 8,304,725	\$ 3,587,399	\$ 1,666,645	\$ 13,558,769	\$ 1,226,078
Availability and transfer fees	305,962	-	-	305,962	-
Meter installation	84,857	-	-	84,857	-
Connection fees	34,575	-	-	34,575	-
Other	119,377	2,163	398	121,938	-
Total operating revenues	<u>8,849,496</u>	<u>3,589,562</u>	<u>1,667,043</u>	<u>14,106,101</u>	<u>1,226,078</u>
OPERATING EXPENSES					
Personal services	1,531,539	4,052,191	98,001	5,681,731	331,540
Contractual services	4,617,489	426,133	1,327,228	6,370,850	87,614
Administration	1,194,376	371,500	69,277	1,635,153	9,385
Depreciation	877,397	2,097,061	21,280	2,995,738	26,434
Other	436,123	1,662,500	68,308	2,166,931	682,863
Total operating expenses	<u>8,656,924</u>	<u>8,609,385</u>	<u>1,584,094</u>	<u>18,850,403</u>	<u>1,137,836</u>
Operating income (loss)	<u>192,572</u>	<u>(5,019,823)</u>	<u>82,949</u>	<u>(4,744,302)</u>	<u>88,242</u>
NONOPERATING REVENUES (EXPENSES)					
Gain on disposal of capital assets	19,123	9,740	-	28,863	-
Intergovernmental revenue	-	2,933,926	89,311	3,023,237	-
Unrealized gains on investments	9,662	-	-	9,662	-
Interest income	44,049	-	-	44,049	-
Interest expense	(205,213)	-	-	(205,213)	-
Net nonoperating revenues (expenses)	<u>(132,379)</u>	<u>2,943,666</u>	<u>89,311</u>	<u>2,900,598</u>	<u>-</u>
Income (loss) before contributions and transfers	60,193	(2,076,157)	172,260	(1,843,704)	88,242
CAPITAL CONTRIBUTIONS	-	3,559,305	-	3,559,305	-
TRANSFERS OUT	(168,383)	-	(40,222)	(208,605)	-
Change in net position	(108,190)	1,483,148	132,038	1,506,996	88,242
NET POSITION AT JULY 1	<u>10,110,678</u>	<u>19,845,412</u>	<u>932,636</u>	<u>30,888,726</u>	<u>274,556</u>
NET POSITION AT JUNE 30	<u>\$ 10,002,488</u>	<u>\$ 21,328,560</u>	<u>\$ 1,064,674</u>	<u>\$ 32,395,722</u>	<u>\$ 362,798</u>

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

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Business-type Activities – Enterprise Funds</u>				<u>Governmental</u>
	<u>Water and</u>	<u>Transit</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Internal</u>
	<u>Sewer</u>	<u>System</u>	<u>and Recycling</u>		<u>Service Fund</u>
OPERATING ACTIVITIES					
Receipts from customers	\$ 8,675,438	\$ 3,607,867	\$ 1,661,322	\$ 13,944,627	\$ 1,226,078
Payments to suppliers	(6,029,928)	(2,509,169)	(1,429,706)	(9,968,803)	(766,691)
Payments to employees	(1,490,809)	(4,057,427)	(98,087)	(5,646,323)	(324,170)
Other receipts	119,377	2,163	398	121,938	-
Net cash provided by (used in) operating activities	<u>1,274,078</u>	<u>(2,956,566)</u>	<u>133,927</u>	<u>(1,548,561)</u>	<u>135,217</u>
NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	(168,383)	-	(40,222)	(208,605)	-
Operating assistance grants received	-	2,449,790	89,311	2,539,101	-
Interfund borrowing	-	801,048	-	801,048	-
Net cash (used in) provided by noncapital financing activities	<u>(168,383)</u>	<u>3,250,838</u>	<u>49,089</u>	<u>3,131,544</u>	<u>-</u>
CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(1,926,843)	(3,490,624)	-	(5,417,467)	-
Proceeds from sale of capital assets	61,270	9,740	-	71,010	-
Contribution of capital by other governments	-	1,132,274	-	1,132,274	-
Principal paid on capital debt	(675,606)	-	-	(675,606)	-
Interest paid on capital debt	(195,553)	-	-	(195,553)	-
Net cash used in capital and related financing activities	<u>(2,736,732)</u>	<u>(2,348,610)</u>	<u>-</u>	<u>(5,085,342)</u>	<u>-</u>
INVESTING ACTIVITIES					
Net sale of investments	291,090	1,229,400	-	1,520,490	-
Interest received	44,049	-	-	44,049	-
Net cash provided by investing activities	<u>335,139</u>	<u>1,229,400</u>	<u>-</u>	<u>1,564,539</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	<u>(1,295,898)</u>	<u>(824,938)</u>	<u>183,016</u>	<u>(1,937,820)</u>	<u>135,217</u>
CASH AND CASH EQUIVALENTS					
Beginning at July 1	<u>2,237,020</u>	<u>824,938</u>	<u>695,855</u>	<u>3,757,813</u>	<u>70,658</u>
Ending at June 30	<u>\$ 941,122</u>	<u>\$ -</u>	<u>\$ 878,871</u>	<u>\$ 1,819,993</u>	<u>\$ 205,875</u>
RECONCILIATION TO STATEMENT OF NET POSITION:					
Cash and cash equivalents	\$ 592,032	\$ -	\$ 878,871	\$ 1,470,903	\$ 205,875
Cash and cash equivalents, restricted	349,090	-	-	349,090	-
	<u>\$ 941,122</u>	<u>\$ -</u>	<u>\$ 878,871</u>	<u>\$ 1,819,993</u>	<u>\$ 205,875</u>

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

TOWN OF BLACKSBURG, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Business-type Activities – Enterprise Funds</u>				Governmental Activities – Internal Service Fund
	<u>Water and Sewer</u>	<u>Transit System</u>	<u>Solid Waste and Recycling</u>	<u>Total</u>	
RECONCILIATION OF OPERATING INCOME (LOSS)					
TO NET CASH PROVIDED BY (USED IN)					
OPERATING ACTIVITIES					
Operating income (loss)	\$ 192,572	\$ (5,019,823)	\$ 82,949	\$ (4,744,302)	\$ 88,242
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	877,397	2,097,061	21,280	2,995,738	26,434
Change in assets and liabilities					
(Increase) decrease in:					
Accounts receivable, net	(57,727)	25,707	(10,988)	(43,008)	-
Inventories	-	(79,880)	-	(79,880)	(4,354)
(Decrease) increase in:					
Accounts payable and accrued liabilities	218,060	30,844	35,107	284,011	17,525
Accrued payroll and related liabilities	40,730	(5,236)	(86)	35,408	7,370
Unearned revenue	-	(5,239)	5,665	426	-
Customer deposits	3,046	-	-	3,046	-
Net cash provided by (used in) operating activities	<u>\$ 1,274,078</u>	<u>\$ (2,956,566)</u>	<u>\$ 133,927</u>	<u>\$ (1,548,561)</u>	<u>\$ 135,217</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital asset purchases financed by accounts payable	<u>\$ 302,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 302,735</u>	<u>\$ -</u>

(Continued)

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

TOWN OF BLACKSBURG, VIRGINIA

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS**

June 30, 2013

	Agency Funds
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 1,076,663
	<u> </u>
Total assets	<u><u>\$ 1,076,663</u></u>
LIABILITIES	
Liability to agency	\$ 1,076,663
	<u> </u>
Total liabilities	<u><u>\$ 1,076,663</u></u>

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

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

The following entities are excluded from the accompanying financial statements:

Jointly Governed Organizations:

Blacksburg-Christiansburg-VPI Water Authority

The Blacksburg-Christiansburg-VPI Water Authority was created by a concurrent resolution of the Town and other participating governing bodies. The Authority operates and maintains a water supply system for the Town, Virginia Tech, and the Town of Christiansburg. Each governing body appoints one member of the five-member board of directors. Two at-large members are appointed by joint resolution of each of the member localities. All indebtedness is payable solely from the revenues of the water system. Although the Town is one of the Authority’s customers, the Town has no obligation for any of its indebtedness. During fiscal year 2013, the Town paid \$1,904,023 to the water authority for purchases of water. Subsequent to year end, the Authority changed its name to the NRV Regional Water Authority as the County of Montgomery joined the Authority.

Montgomery Regional Solid Waste Authority

The Town is a member of the Montgomery Regional Solid Waste Authority, which was created by a joint resolution on December 14, 1994 by the Town of Blacksburg, Virginia, the Town of Christiansburg, Virginia, Montgomery County, Virginia, and Virginia Tech. The Authority is governed by a five-member board whereby the governing body of each member jurisdiction appoints one board member, and all jurisdictions jointly appoint a fifth member. The Authority, which began operation in August 1995, operates a sanitary landfill and recycling facility. Each jurisdiction provides collection of solid waste and recyclables from within its jurisdiction and delivers the collected materials to the Authority for disposal of waste in the landfill, and processing and marketing of the recyclables. All Authority operations are financed by tipping fees and the individual jurisdictions are not liable for the debt of the Authority. The Town paid \$229,795 in tipping fees during fiscal year 2013.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Jointly Governed Organizations: (Continued)

Blacksburg-VPI Sanitation Authority

The Blacksburg-VPI Sanitation Authority was created by a concurrent resolution of the Town and Virginia Tech. The Authority operates and maintains a wastewater treatment system for the Town and Virginia Tech. The five-member board of directors consists of one member appointed by each governing body. Three at-large members are appointed by joint resolution. All indebtedness of the Authority is payable solely from its revenues and is not an obligation of the Town. During fiscal year 2013, the Town paid \$2,348,860 to the Authority for purchase of sewer services.

Virginia Tech-Montgomery Regional Airport Authority

The Virginia Tech-Montgomery Regional Airport Authority (the "Airport Authority") was created by concurrent resolutions of the governing bodies of the Town of Blacksburg, Virginia, Town of Christiansburg, Virginia, Montgomery County, Virginia, and Virginia Tech. The Authority is governed by a five-member board whereby the governing body of each member jurisdiction appoints one board member, and all jurisdictions jointly appoint a fifth member. The Airport Authority utilizes revenues generated by the airport and contributions by the members to fund all airport activities. The Airport Authority has bonded indebtedness. All indebtedness of the Authority is payable solely from its revenues and is not an obligation of the Town. During fiscal year 2013, the Town paid \$50,000 toward the operations of the airport.

Blacksburg/Christiansburg/Montgomery Area Metropolitan Planning Organization

The Town is a member of the Blacksburg/Christiansburg/Montgomery Area Metropolitan Planning Organization. The Metropolitan Planning Organization ("MPO") is a transportation policy-making organization serving the Blacksburg, Christiansburg, and Montgomery area. The MPO provides the information, tools, and public input necessary to improve the performance of the transportation system of the region. Future transportation needs are addressed, giving consideration to all possible strategies and the community's vision. The Town has three members within this organization, two of which are voting members. During fiscal year 2013, the Town paid \$6,114 toward operations of the MPO.

Montgomery Regional Tourism Board

The Town is a member of the Montgomery Regional Tourism Board ("MRTB"). The MRTB functions as a joint tourism agency that serves the County of Montgomery and the Towns of Blacksburg and Christiansburg to promote tourism in the region. The Town has one member on the Board of this organization. Funding for tourism expenditures are based on the amount of funding received from hotel occupancy taxes. The Town pays 1% of the 7% transient lodging tax rate collections for the fiscal year to the MRTB less 15% of this amount for the Town's own tourism efforts. During fiscal year 2013, the Town paid \$132,969 to the MRTB.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Jointly Governed Organizations: (Continued)

New River Valley Emergency Communications Regional Authority

The Town is a member of the New River Valley Emergency Communications Regional Authority (the “Communications Authority”). The Communications Authority is a regional partnership, serving the County of Montgomery, the Towns of Blacksburg and Christiansburg, and Virginia Tech. The Communications Authority will provide quality and reliable 911 dispatch and emergency communication services to the community and agencies in these localities. The Town has one member on the Board of this organization. During fiscal year 2013, the Town paid \$82,000 and \$250,000 toward operations and capital, respectively, of the Communications Authority.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

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

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

The Town reports the following major proprietary funds:

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

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

Additionally, the Town reports the following fund types:

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

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

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

	<u>General Fund</u>
Net change in fund balance (non-GAAP budgetary basis)	\$ (652,022)
Encumbrances at June 30, 2013	<u>248,061</u>
Net change in fund balance (GAAP basis)	<u>\$ (403,961)</u>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents

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

F. Investments

Investments are stated at fair value.

G. Allowance for Uncollectible Accounts

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

H. Inventories

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

I. Capital Assets

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

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

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

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

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

J. Deferred Revenues

Deferred revenue in the General Fund consists primarily of property taxes and other taxes not collected within 45 days of year end and property taxes collected that are not yet due.

K. Compensated Absences

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

L. Other Post-employment Benefit Trust Fund

The Town's policy is to fund a portion of the annual required contribution of the Town's other post-employment benefit liability by contributing to the VACo/VML Pooled OPEB Trust Fund. The OPEB Trust Fund assets and investments are recorded at fair value. The Trust Fund Board of Trustees establishes investment objectives, risk tolerance and asset allocation policies in light of the investment policy, market and economic conditions, and generally prevailing prudent investment practices. Further information regarding the Town's other post-employment benefits liability is included in Note 12 and in the required supplementary information immediately following the notes.

M. Long-Term Obligations

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

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

N. Fund Balances

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

The classifications are as follows:

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

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

Restricted Amounts

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

Minimum Fund Balance Policy

The General Fund undesignated fund balance should be targeted at no less than 10% of operating expenditures exclusive of capital improvements. However, the Town will strive to increase the level to a target of 15% of operating expenditures exclusive of capital improvements by FY2016.

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

N. Fund Balances (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances outstanding as of June 30, 2013 total \$248,061 in the general fund, \$6,255,697 in the capital projects fund, and \$964,215 in nonmajor governmental funds. Encumbrances outstanding at the end of the year are reappropriated as part of subsequent year's budget.

L. Estimates

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

Note 2. Deposits and Investments

Deposits

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

Investments

Investment Policy:

In accordance with the *Code* and other applicable law, including regulations, the Town's Investment Policy (Policy) permits investments in Treasury Securities, agency securities, prime quality commercial paper, certificates of deposit maturing within one year and issued by domestic banks, banker's acceptances, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements, open-end investments, the Virginia State Non-Arbitrage Program (SNAP) or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool). Pursuant to Sec. 2.1-234.7 of the *Code*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the fair value of the position in LGIP and SNAP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share).

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Investment Policy: (Continued)

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

Credit Risk:

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

The Town's investments in LGIP and SNAP are rated AAAm by Standard and Poor's and represent 48.69% of the Town's investment. Most of the Town's certificates of deposit are under \$250,000 and are secured by FDIC.

Concentration of Credit Risk:

The intent of the Policy is for the Town to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity; accordingly, the Policy places certain limits on the amount the Town may invest in any one issuer.

The portions of the Town's portfolio that exceed 5% of the total portfolio at June 30, 2013 are shown in the table below under Interest Rate Risk.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Custodial Credit Risk:

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

Interest Rate Risk:

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity*</u>	<u>Percentage of Portfolio</u>
SNAP	\$ 3,845,050	1	23.54%
LGIP	4,108,911	1	25.15%
Money market	2,555	1	0.02%
Certificates of deposit	<u>8,378,091</u>	2,986	<u>51.29%</u>
Total investments	<u>\$ 16,334,607</u>		<u>100.00%</u>
Portfolio weighted average maturity			
*Weighted average maturity in days			

The above items are shown in the statements as follows:

	<u>Fair Value</u>
Investments	\$ 16,334,607
Deposits	<u>4,714,501</u>
Total deposits and investments	<u>\$ 21,049,108</u>
Reconciliation of deposits and investments to Exhibit 1:	
Cash and cash equivalents	\$ 4,385,380
Cash and cash equivalents, restricted	8,077,518
Investments	<u>8,586,210</u>
Total deposits and investments	<u>\$ 21,049,108</u>

Restricted cash and cash equivalents consists of unexpended debt proceeds, grant funds received in advance by the Commonwealth of Virginia for capital projects, and program revenue proceeds for future transit grant use.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 3. Receivables, Net

Receivables are as follows:

	Governmental Activities				Business-Type Activities		
	General		Equipment	Non-Major	Water and Sewer	Transit System	Solid
	General	Capital Projects	Replacement				Waste and Recycling
Receivables							
Interest	\$ 112,417	\$ -	\$ 49,580	\$ -	\$ 28,331	\$ -	\$ -
Taxes	854,866	-	-	-	-	-	-
Developer fee (Note 17)	640,000	-	-	-	-	-	-
Accounts	42,931	15,147	800	1,036	940,110	251,698	206,516
Gross receivables	1,650,214	15,147	50,380	1,036	968,441	251,698	206,516
Less: allowance for uncollectibles	(62,694)	-	-	-	(5,272)	-	(1,025)
Receivables, net	\$ 1,587,520	\$ 15,147	\$ 50,380	\$ 1,036	\$ 963,169	\$ 251,698	\$ 205,491

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

	Unavailable	Unearned	Total
Included in receivables:			
Delinquent property taxes	\$ 137,223	\$ -	\$ 137,223
Sales tax	122,481	-	122,481
Telecommunication tax	102,995	-	102,995
Other	148,032	-	148,032
	<u>510,731</u>	<u>-</u>	<u>510,731</u>
Included in cash:			
Unearned grant funds	-	21,302	21,302
Subsequent years' fee collections	-	27,320	27,320
Total deferred/unearned revenue for governmental funds	<u>\$ 510,731</u>	<u>\$ 48,622</u>	<u>\$ 559,353</u>

Unearned revenue in the solid waste and recycling fund represents grant fund payments from the Virginia Department of Environmental Quality received for future year activities.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 4. Note Receivable

The Town loaned THC Revitalization Partners, LLC \$294,882 through the HOME program. The note bears an interest rate of -0-% and the total balance is due at maturity in 2038. The loan was made in connection with a low-income housing project located in Radford, Virginia. No payments were made on the note in 2013.

Note 5. Interfund Receivables, Payables, and Transfers

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

Receivable Fund	Payable Fund	Amount
Water and Sewer	General	\$ 1,270,000
General	CDBG	71,660
General	HOME	190,342
General	Transit	801,048
		\$ 2,333,050

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

- Amounts due from the general fund to the water and sewer fund are for the fund's portion of pooled cash that is negative. This amount will be paid back to the water and sewer fund in fiscal year 2014.
- Amounts due to the general fund represent short-term interfund advances for operating or capital needs.

Interfund transfers are as follows:

	Transfers In:			
	General Capital	Equipment Replacement	Debt Service	Total
Transfers out:				
General	\$ 1,173,352	\$ 944,045	\$ 2,149,825	\$ 4,267,222
Solid waste and recycling	-	40,222	-	40,222
Water and sewer	-	168,383	-	168,383
Total	\$ 1,173,352	\$ 1,152,650	\$ 2,149,825	\$ 4,475,827

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 5. Interfund Receivables, Payables, and Transfers (Continued)

The primary purposes of the transfers are as follows:

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

Note 6. Due from Other Governmental Units

Amounts due from other governmental units are as follows:

	Governmental Activities	Business-Type Activities
Federal:		
Transit capital assistance grant	\$ -	\$ 2,328,326
Transit operational assistance grant	-	369,259
Community Development Planning Entitlement Grant	99,447	-
HOME funding	290,441	-
Urban construction initiative	1,148,826	-
FEMA grant	17,523	-
Other Federal:		
Transit Grants	-	13,685
Commonwealth of Virginia:		
Transit Grants	-	796,596
Telecommunications tax	199,858	-
VDOT Revenue Sharing	878,494	-
VDOT Capital Projects	277,254	-
Other:		
Sales tax	244,540	-
Other – includes airport and VASAP	316,501	-
	\$ 3,472,884	\$ 3,507,866

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 7. Capital Assets

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land (Note 14)	\$ 9,134,493	\$ -	\$ -	\$ 9,134,493
Construction in progress	4,747,847	10,686,337	(3,726,672)	11,707,512
Total capital assets, not depreciated	13,882,340	10,686,337	(3,726,672)	20,842,005
Capital assets, depreciated				
Buildings and improvements	18,915,592	1,924,564	-	20,840,156
Infrastructure	31,299,279	2,147,491	-	33,446,770
Machinery and equipment	15,350,301	1,357,369	(426,917)	16,280,753
Total capital assets depreciated	65,565,172	5,429,424	(426,917)	70,567,679
Less accumulated depreciation for:				
Buildings and improvements	8,091,855	574,041	-	8,665,896
Infrastructure	9,956,084	1,066,297	-	11,022,381
Machinery and equipment	10,014,658	1,123,365	(394,108)	10,743,915
Total accumulated depreciation	28,062,597	2,763,703	(394,108)	30,432,192
Total capital assets, depreciated, net	37,502,575	2,665,721	(32,809)	40,135,487
Governmental activities, capital assets, net	<u>\$ 51,384,915</u>	<u>\$ 13,352,058</u>	<u>\$ (3,759,481)</u>	<u>\$ 60,977,492</u>
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 213,314	\$ -	\$ -	\$ 213,314
Construction in progress	518,856	1,738,636	(410,384)	1,847,108
Total capital assets, not depreciated	732,170	1,738,636	(410,384)	2,060,422
Capital assets, depreciated				
Buildings and improvements	7,418,995	54,324	-	7,473,319
Water system-plant	10,064,114	410,384	-	10,474,498
Sewer system-plant	12,181,359	-	-	12,181,359
Machinery and equipment	27,141,387	3,744,340	(768,074)	30,117,653
Total capital assets depreciated	56,805,855	4,209,048	(768,074)	60,246,829
Less accumulated depreciation for:				
Buildings and improvements	3,152,807	248,978	-	3,401,785
Water system-plant	6,265,858	227,930	-	6,493,788
Sewer system-plant	4,780,534	365,447	-	5,145,981
Machinery and equipment	13,659,526	2,153,383	(725,927)	15,086,982
Total accumulated depreciation	27,858,725	2,995,738	(725,927)	30,128,536
Total capital assets, depreciated, net	28,947,130	1,213,310	(42,147)	30,118,293
Governmental activities, capital assets, net	<u>\$ 29,679,300</u>	<u>\$ 2,951,946</u>	<u>\$ (452,531)</u>	<u>\$ 32,178,715</u>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 7. Capital Assets (Continued)

The Virginia Department of Transportation (VDOT) and the Federal Transit Administration (FTA) have provided grants for certain capital assets in the Transit System, which have a total net value of \$17,947,283 as of June 30, 2013. The Town cannot dispose of these assets without prior approval from the grantor.

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

Governmental activities:	
Executive	\$ 34,850
Financial services	15,238
Technology	37,704
Police	409,418
Fire and rescue	299,201
Public works	696,224
Recreation	263,038
Planning and engineering	35,985
Unallocated depreciation	945,611
Internal service fund	26,434
	<u>\$ 2,763,703</u>
Business-type activities:	
Water and sewer	\$ 877,397
Transit system	2,097,061
Solid Waste and Recycling	21,280
	<u>\$ 2,995,738</u>

Construction Commitments

The Town has active construction projects as of June 30, 2013. At year end, the government's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Givens/Progress Lane	\$ 5,492,074	\$ 3,592,426
Municipal Building Renovations	573,342	1,270,069
BHS ROW Improvements	226,673	274,222
Hokie Bikeways Phase IV	331,025	211,652
High Water System Improvements	240,770	413,701
	<u>\$ 6,863,884</u>	<u>\$ 5,762,070</u>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 8. Long-Term Liabilities

General Obligation Bonds

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
General obligation bonds	\$ 15,568,488	\$ 3,855,000	\$ 1,470,393	\$ 17,953,095	\$ 1,481,488
Less deferred amounts:					
For deferred costs	(246,005)	60,661	(24,568)	(160,776)	-
Total bonds payable	15,322,483	3,915,661	1,445,825	17,792,319	1,481,488
Capital lease obligations	243,673	-	51,898	191,775	58,489
Compensated absences	1,490,565	1,243,101	1,058,276	1,675,390	284,985
Other post-employment benefits	496,148	280,801	368,574	408,375	-
Governmental activities, long-term liabilities	<u>\$ 17,552,869</u>	<u>\$ 5,439,563</u>	<u>\$ 2,924,573</u>	<u>\$ 20,067,859</u>	<u>\$ 1,824,962</u>
<u>Business-Type Activities:</u>					
General obligation bonds	\$ 7,578,509	\$ -	\$ 675,606	\$ 6,902,903	\$ 646,512
Less deferred amounts:					
For deferred costs	(171,914)	-	(17,079)	(154,835)	-
Total bonds payable	7,406,595	-	658,527	6,748,068	646,512
Compensated absences	395,922	367,472	309,769	453,625	161,714
Other post-employment benefits	121,356	135,649	157,961	99,044	-
Business-type activities, long-term liabilities	<u>\$ 7,923,873</u>	<u>\$ 503,121</u>	<u>\$ 1,126,257</u>	<u>\$ 7,300,737</u>	<u>\$ 808,226</u>

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

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 8. Long-Term Liabilities (Continued)

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

Year Ended June 30	Governmental Activities				Business-Type Activities	
	General Obligation Bonds		Capital Lease Obligations		General Obligations Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,481,488	\$ 467,383	\$ 58,489	\$ 6,728	\$ 646,512	\$ 177,942
2015	1,450,789	430,434	63,077	4,561	664,211	160,737
2016	1,401,768	392,672	70,209	2,412	599,232	143,261
2017	1,426,085	356,844	-	-	615,915	126,729
2018	1,314,043	324,137	-	-	575,957	111,718
2019-2023	6,001,309	1,155,937	-	-	2,653,691	344,367
2024-2028	3,317,613	505,607	-	-	1,147,385	64,387
2029-2033	1,560,000	87,740	-	-	-	-
	<u>\$ 17,953,095</u>	<u>\$ 3,720,754</u>	<u>\$ 191,775</u>	<u>\$ 13,791</u>	<u>\$ 6,902,903</u>	<u>\$ 1,129,141</u>

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Date	Amount of Original Issue	Governmental Activities	Business-type Activities
<u>General Obligation Bonds:</u>						
General Obligation Bonds	3.34	02-05	09-16	\$ 1,618,000	\$ 619,500	\$ 206,500
General Obligation Bonds	3.70-5.00	01-07	03-27	4,875,000	2,381,250	1,428,750
General Obligation Bonds	2.13	10-09	09-18	1,625,000	920,640	199,360
General Obligation Bonds	5.21	10-09	03-30	3,180,000	2,800,000	-
General Obligation Bonds	3.60	04-11	01-31	1,270,000	1,169,958	-
General Obligation Bonds	2.95	04-11	01-21	3,670,000	1,429,407	1,200,633
General Obligation Bonds	1.92	11-11	10-25	9,545,000	4,912,340	3,867,660
General Obligation Bonds	1.94	11-12	03-32	3,855,000	3,720,000	-
					17,953,095	6,902,903
				Less deferred costs	(160,776)	(154,835)
					<u>\$ 17,792,319</u>	<u>\$ 6,748,068</u>
<u>Capital Leases:</u>						
SunTrust – Energy performance contract equipment	3.55	05-03	03-16	\$ 556,731	\$ 191,775	\$ -

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 9. Net Position/Fund Equity

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 governmental funds. The constraints placed on the general fund balance and other governmental funds balance are presented below:

	General Fund	Other Governmental Funds
Nonspendable:		
Inventories	\$ 244,566	\$ -
Total nonspendable	244,566	-
Restricted for:		
Executive	19,161	-
Urban construction – capital outlays	-	4,213,307
Total restricted	19,161	4,213,307
Committed to:		
Executive	81,437	-
Legal	8,883	-
Financial services	13,995	-
Technology	880	-
Police	90,484	-
Fire and rescue	15,743	-
Public works	21,178	-
Recreation	15,360	-
Planning and building	101	-
Urban construction – capital projects	-	3,592,426
General capital projects	-	2,319,424
Equipment replacement	-	343,847
CDBG capital projects	-	138,293
HOME capital projects	-	825,922
Total committed	248,061	7,219,912
Assigned to:		
General capital projects	-	1,947,018
Equipment replacement	-	4,247,635
Total assigned	-	6,194,653
Unassigned	4,334,512	(4,025,738)
Total fund balance	\$ 4,846,300	\$ 13,602,134

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 10. Defined Benefit Pension Plan

A. Plan Description

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

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 10. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

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

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/pdf/Publications/2012-annual-report.pdf> or obtained by writing the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia (Code)* (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% contribution may be assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2013 was 12.91% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2013, the Town's annual pension cost of \$1,688,275 was equal to its required and actual contributions. The required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.00% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.75% to 5.6% per year for general government employees and 3.50% to 4.75% per year for employees eligible for enhance benefits available to law enforcement officers, firefighters, and sheriffs, and (c) 2.5% per year cost-of-living adjustments for Plan 1 employees and 2.25% for Plan 2 employees. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

Note 10. Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost (Continued)

Three-Year Trend Information			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2013	\$ 1,688,275	100%	\$ -
June 30, 2012	\$ 1,728,161	100%	\$ -
June 30, 2011	\$ 1,652,793	100%	\$ -

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 68.23% funded. The actuarial accrued liability for benefits was \$60,321,210, and the actuarial value of assets was \$41,156,875, resulting in an unfunded actuarial accrued liability (UAAL) of \$19,164,335. The covered payroll (annual payroll of active employees covered by the plan) was \$12,883,273, and ratio of the UAAL to the covered payroll was 148.75%.

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.

Note 11. Property Taxes

Property is assessed at its current market value on January 1 by Montgomery County, Virginia. Real estate taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on June 5 and December 5. Town Council approves the tax rate for both installments in April of each year. The Town bills and collects the real estate taxes. A penalty of 10% of the tax or \$10, whichever is greater, but not to exceed the tax, is assessed after June 5 and December 5. Taxes were levied at a rate of \$.22 per \$100 of assessed valuation for the 2013 and 2011 calendar years. The Town places liens on property as necessary to supplement collection efforts. The Commonwealth of Virginia has no limitation on tax rates.

Note 12. Post-retirement Health Insurance Benefits

The cost of post-employment healthcare benefits are associated with the periods in which the cost occurs, rather than in the future years when it will be paid. Recognition of the liability accumulated from years prior to adoption will be phased in over 30 years, and commenced with the 2009 liability.

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 12. Post-retirement Health Insurance Benefits (Continued)

A trust fund was established by the Town with the Virginia Pooled OPEB Trust Fund, sponsored by the Virginia Municipal League (VML) and the Virginia Association of Counties (VaCo). The Virginia Pooled OPEB Trust Fund is established as an investment vehicle for participating employers to accumulate assets to fund OPEB. Plan assets for purposes of GASB Statement No. 45 are usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, in which (a) contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer or plan administrator, for the payment of benefits in accordance with the terms of the plan. Further information, including financial statements, can be obtained by writing to the Virginia Municipal League, P.O. Box 12164, Richmond, VA 23241.

Plan Description

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

Benefits Provided

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

Membership

The number of participants at June 30, 2013 was as follows:

Retirees currently receiving benefits	57
Active employees	<u>264</u>
Total	<u><u>321</u></u>

Funding Policy

The contributions to the VACo/VML Pooled OPEB Trust Fund are established and may be amended by the Town Council. GASB Statement No. 45 requires recognition of the current expense of OPEB based on the Town's annual required contribution, but does not require funding of the related liability. The Town contributed \$404,200 to the VACo/VML Pooled OPEB Trust Fund. This contribution reflects the current year Five Year Phase-in funding approach for the Town.

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 12. Post-retirement Health Insurance Benefits (Continued)

Annual Other Post-employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2013, the Town's annual OPEB cost (expense) of \$416,450 was equal to the Annual Required Contribution (ARC). The payment of current health insurance premiums and contributions to the Trust, which totaled \$526,535 for retirees, resulted in a decrease to the Net OPEB obligation of \$110,085 for the year ended June 30, 2013.

Annual required contribution	\$	403,006
Interest on net OPEB obligation		46,313
Adjustment to annual required contribution		<u>(32,869)</u>
Annual OPEB cost		416,450
Contributions made		<u>(526,535)</u>
Decrease in net OPEB obligation		(110,085)
Net OPEB obligation-beginning of year		<u>617,504</u>
Net OPEB obligation-end of year	\$	<u><u>507,419</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2013	\$416,450	126%	\$507,419
06/30/2012	\$500,962	99%	\$617,504
06/30/2011	\$479,595	85%	\$612,945

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013 was as follows:

Actuarial Accrued Liability (AAL)	\$5,625,378
Actuarial Value of Plan Assets	\$1,203,902
Unfunded Actuarial Accrued Liability (UAAL)	\$4,421,476
Funded Ratio (Actuarial Value of Plan Assets/AAL)	21.00%
Covered Payroll (Active Plan Members)	\$13,030,418
UAAL as a Percentage of Covered Payroll	33.93%

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 12. Post-retirement Health Insurance Benefits (Continued)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, the post-retirement health costs are assumed to be earned ratably from date of hire to the participant's full eligibility age (age 50 or older with 15 or more years of service). The actuarial assumptions used a 7.5% discount rate and an initial annual healthcare inflation rate of 8.25% reduced by decrements each year to arrive at an ultimate healthcare inflation rate of 4.75%. The unfunded actuarial accrued liability is being amortized over an open period of 30 years. The remaining amortization period at June 30, 2013 is 25 years.

Note 13. Risk Management

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

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 14. Commitments and Contingencies

Special Purpose Grants

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

Landfill

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

VDOT Land Contribution

During 2007, \$1,725,000 of land was contributed to the Town from the Virginia Department of Transportation (VDOT). This land was intended by VDOT to be used for open space/recreation purposes for the general public. If the Town elects not to devote the land for the specified purpose within ten years, the land is conveyed back to VDOT. However, in addition to this requirement, the Town also has the right to designate a portion of the land (6 to 8 acres) for future commercial use. Currently, the Town is marketing a portion of this land for sale but has not designated the land for a specified purpose as defined by the agreement with VDOT. Subsequent to year end, 4 acres went under contract for \$750,000. The sale is not final, but all proceeds will be used to construct a road to the land and to grade the property. No money is expected to be paid back to VDOT.

Litigation

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

Note 15. Cemetery Trust Disclosure

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

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 16. Related Party Transaction

The Town entered into a sublease agreement beginning February 15, 2008 with the Virginia Tech/Montgomery Regional Airport under a twenty-four year term ending June 30, 2032. The Town will lease a 2.995 acre parcel of land for a fire station/rescue squad facility.

Note 17. Contribution Agreement

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

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

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

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

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

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 18. New Accounting Standards

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

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, establishes standards for reclassification of certain item as deferred outflows and inflows of resources that were previously reported as assets and liabilities. The standard limits the items that should be reported as deferred outflows and inflows of resources to items specifically identified in authoritative pronouncements. Additionally, the standard requires that debt issuance costs be recognized as an expense in the period incurred except any portion related to prepaid insurance costs. Prospective application is required. The Statement will be effective for the year ending June 30, 2014.

GASB Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62, was issued to resolve conflicting guidance that resulted from the issuance of two pronouncements. The Statement amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. The fund classification should be determined based on the nature of the activity to be reported. The Statement also amends GASB Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a normal servicing fee rate. The Statement will be effective for the year ending June 30, 2014.

GASB Statement No. 67, Financial Reporting for Pension Plans replaces the requirements of GASB Statements No. 25 and No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. The Statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial Statements and in 10-year RSI schedules. This Statement will be effective for the year ending June 30, 2014.

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

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 18. New Accounting Standards (Continued)

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

GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also provides guidance on the accounting for the government if they are the obligor in the transaction and on intra-entity nonexchange financial guarantees involving blended component units. This Statement specifies the information required to be disclosed by governments that extend or receive nonexchange financial guarantees. This Statement will be effective for the year ending June 30, 2014.

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

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BLACKSBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN
June 30, 2013

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c) UAAL as of Percentage of Covered Payroll
June 30, 2012	\$ 41,156,875	\$ 60,321,210	\$ 19,164,335	68.23%	\$ 12,883,273	148.75%
June 30, 2011	\$ 41,141,066	\$ 56,203,895	\$ 15,062,829	73.20%	\$ 12,489,479	120.60%
June 30, 2010	\$ 39,844,237	\$ 52,902,609	\$ 13,058,372	75.32%	\$ 12,595,947	103.67%

TOWN OF BLACKSBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT BENEFITS
June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
June 30, 2013	\$ 1,203,902	\$ 5,625,378	\$ 4,421,476	21%	\$ 13,030,418	33.93%
June 30, 2011	\$ 702,076	\$ 5,538,505	\$ 4,836,429	13%	\$ 12,584,838	38.43%
June 30, 2009	\$ 108,601	\$ 5,144,192	\$ 5,035,591	2%	\$ 12,218,220	41.21%

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OTHER SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

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

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

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

TOWN OF BLACKSBURG, VIRGINIA

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2013

	<u>CDBG</u>	<u>HOME</u>	<u>Total</u>
ASSETS			
Due from other governmental units	\$ 99,447	\$ 290,441	\$ 389,888
Receivables, net	-	1,036	1,036
Total assets	<u>\$ 99,447</u>	<u>\$ 291,477</u>	<u>\$ 390,924</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 22,572	\$ 100,131	\$ 122,703
Accrued payroll and related liabilities	1,317	1,004	2,321
Due to other funds	71,660	190,342	262,002
Deferred revenue	3,898	-	3,898
Total liabilities	<u>99,447</u>	<u>291,477</u>	<u>390,924</u>
Fund Balances:			
Committed	138,293	825,922	964,215
Unassigned	(138,293)	(825,922)	(964,215)
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 99,447</u>	<u>\$ 291,477</u>	<u>\$ 390,924</u>

TOWN OF BLACKSBURG, VIRGINIA

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

Year Ended June 30, 2013

	<u>CDBG</u>	<u>HOME</u>	<u>Total</u>
REVENUES			
Intergovernmental	\$ 623,505	\$ 721,253	\$ 1,344,758
Other	-	5,400	5,400
Total revenues	<u>623,505</u>	<u>726,653</u>	<u>1,350,158</u>
EXPENDITURES			
CDBG Entitlement	623,505	-	623,505
HOME Consortium	-	726,653	726,653
Total expenditures	<u>623,505</u>	<u>726,653</u>	<u>1,350,158</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES AT JULY 1	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES AT JUNE 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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FIDUCIARY NET POSITION

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

New River Valley Alcohol Safety Action Program

Virginia Tech/Montgomery Regional Airport Authority

TOWN OF BLACKSBURG, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	<u>New River Valley Alcohol Safety Action Program</u>	<u>Virginia Tech/ Montgomery Regional Airport Authority</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 357,065	\$ 719,598	\$ 1,076,663
Total assets	<u>\$ 357,065</u>	<u>\$ 719,598</u>	<u>\$ 1,076,663</u>
LIABILITIES			
Liability to agency	\$ 357,065	\$ 719,598	\$ 1,076,663
Total liabilities	<u>\$ 357,065</u>	<u>\$ 719,598</u>	<u>\$ 1,076,663</u>

TOWN OF BLACKSBURG, VIRGINIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
New River Valley Alcohol Safety Action Program				
ASSETS				
Cash and cash equivalents	\$ 449,984	\$ -	\$ 92,919	\$ 357,065
Total assets	<u>\$ 449,984</u>	<u>\$ -</u>	<u>\$ 92,919</u>	<u>\$ 357,065</u>
LIABILITIES				
Liability to agency	\$ 449,984	\$ -	\$ 92,919	\$ 357,065
Total liabilities	<u>\$ 449,984</u>	<u>\$ -</u>	<u>\$ 92,919</u>	<u>\$ 357,065</u>
Virginia Tech/Montgomery Regional Airport Authority				
ASSETS				
Cash and cash equivalents	\$ 107,501	\$ 612,097	\$ -	\$ 719,598
Total assets	<u>\$ 107,501</u>	<u>\$ 612,097</u>	<u>\$ -</u>	<u>\$ 719,598</u>
LIABILITIES				
Liability to agency	\$ 107,501	\$ 612,097	\$ -	\$ 719,598
Total liabilities	<u>\$ 107,501</u>	<u>\$ 612,097</u>	<u>\$ -</u>	<u>\$ 719,598</u>
Total All Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 557,485	\$ 612,097	\$ 92,919	\$ 1,076,663
Total assets	<u>\$ 557,485</u>	<u>\$ 612,097</u>	<u>\$ 92,919</u>	<u>\$ 1,076,663</u>
LIABILITIES				
Liability to agency	\$ 557,485	\$ 612,097	\$ 92,919	\$ 1,076,663
Total liabilities	<u>\$ 557,485</u>	<u>\$ 612,097</u>	<u>\$ 92,919</u>	<u>\$ 1,076,663</u>

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SUPPORTING SCHEDULES

TOWN OF BLACKSBURG, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Community Development Block Grants	14.218	\$ 623,505
HOME Investment Partnership Program	14.239	721,253
<u>DEPARTMENT OF JUSTICE</u>		
Local Law Enforcement Block Grant	16.592	9,036
11-D5368AD09		
Edward Byrne Memorial Formula Grant Program	16.579	2,947
COPS Grant	16.710	250,000
<u>DEPARTMENT OF TRANSPORTATION</u>		
<u>Transit Cluster:</u>		
Federal Transit - Capital Investment Grant	20.500	2,749,102
Federal Transit - Formula Grant	20.507	1,535,368
ARRA - Federal Transit - Capital Investment Grant	20.523	70,258
Job Access Reverse Commute	20.516	227,702
VA-90-4400		
VA-90-4390		
73013-70/73013-80		
71112-04/71112-05		
73013-68/73013-71		
73013-73/73013-81		
73112-18, 73007-37, 71412-08, 71213-05, 71412-07, 71613-04		
VA-88-0001		
MPO Grant	20.500	49,883
46012-12		
<u>Department of Motor Vehicles</u>		
Alcohol Impaired Driving Countermeasurer Incentive Grant	20.601	18,328
<u>Department of Transportation</u>		
Highway Planning and Construction	20.205	2,880,017
Transportation Enhancement Grant/EN03-150-103	20.205	318,714
Highway Safety Improvement Projects	20.000	27,097
Safe Route to Schools	20.205	3,422
<u>DEPARTMENT OF ENERGY</u>		
ARRA - Energy Efficiency and Conservation Block Grant	81.128	119,865
<u>DEPARTMENT OF HOMELAND SECURITY</u>		
Disaster Grants - Public Assistance	97.036	78,419
		<u>78,419</u>
Total Expenditures of Federal Awards		<u>\$ 9,684,916</u>

(Continued)

TOWN OF BLACKSBURG, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013**

Note 1. Significant Accounting Policy

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

Note 2. Subrecipients

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

TOWN OF BLACKSBURG, VIRGINIA

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2013

Total assessed value of real estate (including public service corporations)	<u>\$ 2,524,597,482</u>
Debt limit: 10% of total assessed value of real estate (1)	<u>\$ 252,459,748</u>
Less: Amount of debt applicable to debt limit:	
General bonded debt	17,953,095
Enterprise debt	6,902,903
Capital lease obligations	<u>191,775</u>
	<u>25,047,773</u>
Legal debt margin	<u>\$ 227,411,975</u>

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

STATISTICAL SECTION

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

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

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

TABLE 1

Town of Blacksburg, Virginia

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006*	2005	2004
Governmental activities										
Net investment in capital assets	\$ 46,489,358	\$ 38,424,336	\$ 26,949,080	\$ 25,764,585	\$ 19,969,681	\$ 15,808,625	\$ 14,318,948	\$ 10,936,577	\$ 3,185,685	\$ 6,283,541
Restricted	4,232,468	4,977,107	8,177,561	8,930,797	9,742,165	16,546	16,546	226,186	12,934	106,431
Unrestricted	9,741,501	10,740,636	12,577,701	7,386,710	8,044,842	7,397,007	10,806,579	11,591,560	11,053,032	6,702,903
Total governmental activities net position	\$ 60,463,327	\$ 54,142,079	\$ 47,704,342	\$ 42,082,092	\$ 37,756,688	\$ 23,222,178	\$ 25,142,073	\$ 22,754,323	\$ 14,251,651	\$ 13,092,875
Business-type activities										
Invested in capital assets, net of related debt	\$ 25,779,737	\$ 23,184,487	\$ 22,697,086	\$ 23,031,456	\$ 15,723,568	\$ 14,920,879	\$ 15,270,171	\$ 10,151,736	\$ 9,167,488	\$ 11,075,041
Restricted	49,080	49,080	191,159	101,920	49,702	49,702	51,696	49,702	41,050	-
Unrestricted	6,566,905	7,655,159	7,993,716	7,826,479	7,181,687	7,307,516	6,901,487	9,774,920	8,453,491	6,668,968
Total business-type activities net position	\$ 32,395,722	\$ 30,888,726	\$ 30,881,961	\$ 30,959,855	\$ 22,954,957	\$ 22,278,097	\$ 22,223,354	\$ 19,976,358	\$ 17,662,029	\$ 17,744,009
Primary government										
Invested in capital assets, net of related debt	\$ 72,269,095	\$ 61,608,823	\$ 49,646,166	\$ 48,796,041	\$ 35,693,249	\$ 30,729,504	\$ 29,589,119	\$ 21,088,313	\$ 12,353,173	\$ 17,358,582
Restricted	4,281,548	5,026,187	8,368,720	9,032,717	9,791,867	66,248	68,242	275,888	53,984	106,431
Unrestricted	16,308,406	18,395,795	20,571,417	15,213,189	15,266,529	14,704,523	17,708,066	21,366,480	19,506,523	13,371,871
Total primary government net position	\$ 92,859,049	\$ 85,030,805	\$ 78,586,303	\$ 73,041,947	\$ 60,751,645	\$ 45,500,275	\$ 47,365,427	\$ 42,730,681	\$ 31,913,680	\$ 30,836,884

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

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

TABLE 2

Town of Blacksburg, Virginia

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses										
Governmental activities										
Legislative	\$ 251,958	\$ 241,530	\$ 231,703	\$ 245,076	\$ 232,377	\$ 222,711	\$ 206,647	\$ 219,920	\$ 203,616	\$ 158,979
Executive	1,921,674	1,701,070	1,403,791	1,170,592	1,406,801	5,314,570	1,904,368	1,634,919	1,449,293	1,188,782
Judicial	294,699	273,191	264,370	249,725	294,780	349,234	271,281	207,112	187,682	166,810
Legal	-	6,100	8,467	8,856	7,758	12,877	9,161	10,568	12,488	16,217
Financial services	1,560,128	1,440,990	1,550,048	1,479,279	1,484,055	1,432,163	1,388,921	1,277,070	1,182,912	1,164,676
Technology	601,503	551,139	527,641	534,597	549,092	558,463	549,248	380,562	366,520	363,291
Police	7,943,511	7,307,087	6,444,171	6,836,813	6,528,290	6,198,149	5,810,010	5,159,911	4,938,481	4,608,201
Fire and rescue	1,220,682	1,219,788	1,019,455	562,261	859,936	1,075,907	939,221	831,650	771,482	794,408
Public works	7,736,614	6,919,603	8,112,983	8,389,547	7,349,912	7,409,206	12,368,201	8,821,776	5,082,009	4,734,220
Recreation	2,291,017	2,334,189	2,242,560	1,705,504	1,847,169	1,820,605	1,552,018	1,530,633	1,507,758	1,417,673
Engineering and GIS	1,615,665	1,417,586	1,382,101	1,343,738	1,103,459	-	-	-	-	-
Planning and building	953,747	901,087	857,945	865,270	927,270	-	-	-	-	-
Planning and engineering	623,505	379,983	437,066	1,111,071	416,456	2,818,511	2,432,722	1,549,105	1,293,573	1,459,307
CDBG Entitlement	726,653	647,794	473,848	1,163,994	203,055	-	-	376,513	458,943	-
HOME Consortium	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	9,726	11,018	12,473
Interest on long-term debt	684,779	622,997	719,046	735,300	615,742	673,520	673,210	615,826	562,878	902,942
Unallocated depreciation	945,610	755,705	470,750	428,824	264,006	251,560	232,057	216,062	199,076	612,752
Total governmental activities	29,371,745	26,719,839	26,145,945	26,830,447	24,090,158	28,137,276	28,337,065	23,500,983	18,864,213	17,667,275
Business-type activities										
Water and sewer	8,862,137	8,588,121	8,688,140	8,452,170	8,255,456	8,127,715	7,843,289	7,449,221	7,203,248	7,203,312
Transit system	8,609,385	8,382,557	8,102,931	6,883,924	6,236,561	5,994,087	5,141,724	4,573,832	4,338,079	4,078,502
Solid waste and recycling	1,584,094	1,484,319	1,445,065	1,420,779	1,402,489	1,332,143	1,282,488	1,194,148	1,151,220	1,071,268
Golf course	-	-	-	411,879	417,135	456,318	399,018	387,428	372,215	345,656
Total business-type activities expense	19,055,616	18,454,997	18,236,136	17,168,752	16,311,641	15,890,263	14,666,519	13,604,629	13,064,762	12,698,738
Total primary government expenses	\$ 48,427,361	\$ 45,174,836	\$ 44,382,081	\$ 43,999,199	\$ 40,401,799	\$ 44,027,539	\$ 43,003,584	\$ 37,105,612	\$ 31,928,975	\$ 30,366,013
Program Revenues										
Governmental activities										
Charges for services	\$ 597,170	\$ 705,233	\$ 579,807	\$ 565,693	\$ 516,416	\$ 508,605	\$ 519,136	\$ 468,842	\$ 495,125	\$ 492,944
Public Safety	1,459,679	1,419,076	1,366,649	1,284,492	1,286,722	1,364,557	1,323,361	1,100,227	989,677	843,093
Public Works	2,194,673	2,816,666	2,294,680	2,986,244	2,490,258	2,497,429	1,808,624	1,701,975	1,534,941	1,551,047
Other Activities	3,982,480	3,919,134	3,908,463	3,855,423	3,764,061	3,659,234	3,659,234	3,539,210	3,327,385	3,256,311
Operating grants and contributions	7,846,314	5,407,444	5,503,881	6,110,555	13,868,890	2,175,882	8,561,884	4,505,909	692,443	135,000
Capital grants and contributions	16,080,316	14,267,553	13,453,480	14,839,468	22,017,709	10,310,534	15,872,239	11,316,163	7,039,571	6,278,395
Total governmental activities program revenues										

(Continued)

TABLE 2

Town of Blacksburg, Virginia

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Business-type activities										
Charges for services	\$ 8,730,119	\$ 8,406,428	\$ 8,138,579	\$ 8,099,125	\$ 8,051,821	\$ 8,286,109	\$ 7,233,150	\$ 7,057,540	\$ 7,176,190	\$ 6,677,427
Water and sewer	3,587,399	3,161,117	3,230,281	2,872,835	2,842,638	2,384,551	2,384,148	2,050,288	1,865,884	1,693,367
Transit system	1,666,645	1,607,847	1,539,940	1,585,386	1,496,231	1,461,694	1,389,165	1,331,008	1,243,252	1,060,595
Waste and recycling	-	-	-	215,725	237,418	277,817	239,139	219,341	214,447	199,971
Golf course	3,023,237	2,706,887	2,682,891	2,197,223	2,244,815	2,181,423	2,225,219	1,913,700	1,820,227	1,849,613
Operating grants and contributions	3,559,305	2,273,015	2,531,592	8,640,465	1,487,346	725,352	2,559,206	3,015,749	214,099	154,418
Capital grants and contributions	20,566,705	18,155,294	18,123,283	23,610,759	16,360,269	15,316,946	16,030,027	15,587,626	12,534,099	11,635,591
Total business-type activities program revenues	\$ 36,647,021	\$ 32,422,847	\$ 31,576,763	\$ 38,450,227	\$ 38,377,978	\$ 25,627,480	\$ 31,902,266	\$ 26,903,789	\$ 19,573,670	\$ 17,913,786
Total primary government program revenues										
Net (expense) revenue	\$ (13,291,429)	\$ (12,452,286)	\$ (12,692,465)	\$ (11,990,979)	\$ (2,072,449)	\$ (17,826,742)	\$ (12,464,826)	\$ (12,184,820)	\$ (11,824,642)	\$ (11,388,880)
Governmental activities	1,511,089	(299,703)	(112,853)	6,442,007	48,628	(573,317)	1,363,508	1,982,997	(530,663)	(1,063,347)
Business-type activities	(11,780,340)	(12,751,989)	(12,805,318)	(5,548,972)	(2,023,821)	(18,400,059)	(11,101,318)	(10,201,823)	(12,355,305)	(12,452,227)
Total primary government net expense										
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 5,544,687	\$ 5,554,193	\$ 5,454,459	\$ 5,338,784	\$ 5,181,131	\$ 5,080,523	\$ 4,367,238	\$ 3,739,179	\$ 3,483,165	\$ 3,246,360
Other local taxes	10,352,187	9,865,455	9,059,494	8,626,597	8,063,424	7,409,423	6,966,237	6,453,655	6,343,493	6,065,331
Business license taxes	1,907,716	1,465,896	1,658,592	1,605,017	1,690,356	1,620,488	1,493,065	1,369,774	1,304,013	1,271,363
Other general fees	-	-	-	-	-	-	588,563	879,541	795,133	440,815
Intergovernmental revenue unrestricted	125,615	89,005	641,965	201,150	148,427	128,601	308,497	221,348	47,775	104,934
Investment earnings	301,616	298,900	262,730	356,410	499,393	502,546	430,446	143,577	259,459	57,284
Unrealized gain/(loss) on investments	45,290	86,708	(230,085)	-	-	-	-	-	-	-
Other	1,126,961	1,288,300	1,270,394	1,375,506	912,687	1,049,392	829,774	780,270	739,775	688,838
Transfers	208,605	241,566	197,166	(1,187,081)	111,541	115,874	(131,244)	78,062	10,605	111,005
Total governmental activities	19,612,677	18,890,023	18,314,715	16,316,383	16,606,959	15,906,847	14,852,576	13,665,406	12,983,418	11,985,930
Business-type activities:										
Investment earnings	44,049	91,241	115,643	171,771	397,264	421,832	395,487	134,073	202,533	(1,355)
Unrealized gain/(loss) on investments	9,662	44,437	(123,550)	-	-	-	-	-	-	-
Other	150,801	151,689	240,032	204,032	342,509	322,102	262,454	275,321	256,755	(422,535)
Transfers	(208,605)	(241,566)	(197,166)	1,187,081	(111,541)	(115,874)	131,244	(78,062)	(10,605)	(111,005)
Total business-type activities	(4,095)	45,801	34,959	1,562,891	628,232	628,060	789,185	331,332	448,683	(534,895)
Total primary government	\$ 19,608,584	\$ 18,935,824	\$ 18,349,674	\$ 17,879,274	\$ 17,235,191	\$ 16,534,907	\$ 15,641,761	\$ 13,996,738	\$ 13,432,101	\$ 11,451,035
Changes in Net Position										
Governmental activities	\$ 6,321,248	\$ 6,437,737	\$ 5,622,250	\$ 4,325,404	\$ 14,534,510	\$ (1,919,895)	\$ 2,387,750	\$ 1,480,586	\$ 1,158,776	\$ 597,050
Business-type activities	1,506,996	(253,902)	(77,894)	8,004,898	676,860	54,743	2,152,693	2,314,329	(81,980)	(1,598,242)
Total primary government	\$ 7,828,244	\$ 6,183,835	\$ 5,544,356	\$ 12,330,302	\$ 15,211,370	\$ (1,865,152)	\$ 4,540,443	\$ 3,794,915	\$ 1,076,796	\$ (1,001,192)

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

Town of Blacksburg, Virginia

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

	2010	2009	2008	2007	2006	2005	2004
Pre-GASB 54 Implementation:							
General Fund							
Reserved	\$ 821,151	\$ 746,527	\$ 376,448	\$ 465,107	\$ 1,253,145	\$ 431,038	\$ 310,884
Unreserved	2,391,309	2,375,247	3,179,782	6,403,500	5,568,193	5,354,483	4,304,959
Total general fund	\$ 3,212,460	\$ 3,121,774	\$ 3,556,230	\$ 6,868,607	\$ 6,821,338	\$ 5,785,521	\$ 4,615,843
All Other Governmental Funds							
Reserved	\$ 7,875,695	\$ 2,409,125	\$ 1,585,151	\$ 1,563,977	\$ 7,321,442	\$ 362,557	\$ 2,125,456
Unreserved, reported in:							
Special Revenue funds	1,708,900	7,874,938	-	-	-	-	-
Capital projects funds	7,574,327	5,730,126	4,805,665	4,973,017	(1,184,570)	6,083,947	4,634,127
Total all other governmental funds	\$ 17,158,922	\$ 16,014,189	\$ 6,390,816	\$ 6,536,994	\$ 6,136,872	\$ 6,446,504	\$ 6,759,583
Post-GASB 54 Implementation:							
General Fund							
Nonspendable	\$ 244,566	\$ 437,906	\$ 395,245				
Restricted	19,161	18,969	18,614				
Committed	248,061	295,076	392,826				
Unassigned	4,334,512	4,498,310	3,985,734				
Total general fund	\$ 4,846,300	\$ 5,250,261	\$ 4,792,419				
All Other Governmental Funds							
Restricted	\$ 4,213,307	\$ 4,958,138	\$ 8,158,947				
Committed	7,219,912	9,280,961	4,375,945				
Assigned	6,194,653	6,737,264	6,857,823				
Unassigned	(4,025,738)	(6,872,010)	(2,463,749)				
Total all other governmental funds	\$ 13,602,134	\$ 14,104,353	\$ 16,928,966				

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

Town of Blacksburg, Virginia

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
Taxes	\$ 15,904,094	\$ 15,354,299	\$ 14,731,137	\$ 13,714,423	\$ 13,137,175	\$ 12,498,249	\$ 11,233,510	\$ 10,504,529	\$ 10,061,456	\$ 9,378,843
Permits, privilege fees, and licenses	2,211,583	2,484,167	2,321,328	2,319,880	2,582,295	2,585,021	2,439,479	2,249,315	2,102,478	1,901,465
Fines and forfeitures	344,153	450,017	347,444	345,875	274,391	286,725	309,227	264,698	316,765	304,343
Revenue from use of money	346,906	385,608	84,894	356,410	499,393	502,546	430,446	143,577	259,459	57,284
Charges for services	2,813,066	2,969,731	2,738,117	3,245,746	2,177,797	2,312,046	2,019,273	1,943,551	1,790,953	1,778,109
Other	654,999	607,268	619,939	850,887	838,495	696,708	711,019	671,076	567,523	640,591
Intergovernmental	11,929,785	9,195,584	9,802,060	10,204,189	17,872,740	6,068,544	10,804,616	8,266,467	4,100,694	3,496,245
Total revenues	34,204,586	31,446,674	30,644,919	31,037,410	37,382,286	24,949,839	27,947,570	24,043,213	19,199,328	17,556,880
Expenditures										
General government	4,433,781	3,980,022	4,157,031	4,011,434	4,093,075	7,642,094	4,100,184	3,633,798	3,342,510	2,885,666
Judicial	-	5,720	7,705	8,094	6,996	12,115	8,399	9,806	11,726	15,454
Public safety	8,471,349	7,897,882	7,321,785	7,438,072	7,124,781	6,839,827	6,806,920	5,657,631	5,287,852	5,030,665
Public works	5,676,805	5,654,285	5,364,738	5,138,371	4,557,804	4,692,086	4,530,464	4,240,230	4,039,892	3,767,560
Recreation	2,036,250	1,972,667	1,938,326	1,539,526	1,641,839	1,587,494	1,357,801	1,376,737	1,324,166	1,241,182
Planning and engineering	2,225,383	2,062,767	1,995,305	1,969,816	1,787,791	1,774,597	1,771,483	1,582,477	1,273,355	1,436,141
Other	1,350,158	1,027,777	910,914	2,775,065	914,393	814,775	785,708	386,239	561,721	12,473
Capital outlays	12,937,636	9,557,271	7,107,725	6,755,768	6,484,576	3,393,977	9,521,188	4,993,876	3,083,126	3,820,606
Debt service										
Principal retirement	1,522,291	1,339,083	1,216,743	1,064,287	1,072,009	1,027,118	911,853	898,992	683,070	741,869
Interest and fiscal charges	651,726	791,066	759,790	735,455	621,646	676,907	621,810	615,304	695,423	615,260
Total expenditures	39,305,379	34,288,540	30,780,062	31,435,888	28,304,910	28,460,990	30,415,810	23,395,090	20,302,841	19,566,876
Excess of revenues over (under) expenditures	(5,100,793)	(2,841,866)	(135,143)	(398,478)	9,077,376	(3,511,151)	(2,468,240)	648,123	(1,103,513)	(2,009,996)
Other Financing Sources (Uses)										
Proceeds from issuance of debt	3,855,000	-	1,270,000	4,515,750	-	-	3,046,875	-	3,213,500	-
Premium on debt proceeds	60,661									
Proceeds from issuance of refunding debt	-	5,387,540	1,994,645	-	-	-	-	-	-	-
Sale of general capital assets	70,347	-	-	-	-	-	-	-	-	-
Payments to bond escrow agents	-	(5,154,011)	(1,976,665)	(1,307,861)	-	-	-	-	(1,190,513)	-
Transfers in	4,475,827	10,094,828	6,230,527	5,943,752	4,584,280	7,051,980	5,897,146	7,955,436	4,420,959	3,747,690
Transfers out	(4,267,222)	(9,853,262)	(6,033,361)	(7,517,774)	(4,472,739)	(6,999,384)	(6,028,390)	(7,877,374)	(4,483,834)	(3,636,685)
Total other financing sources (uses)	4,194,613	475,095	1,485,146	1,633,867	111,541	52,596	2,915,631	78,062	1,960,112	111,005
Net change in fund balances	\$ (906,180)	\$ (2,366,771)	\$ 1,350,003	\$ 1,235,389	\$ 9,188,917	\$ (3,458,555)	\$ 447,391	\$ 726,185	\$ 856,599	\$ (1,898,991)
Debt service as a percentage of noncapital expenditures	8.08%	8.76%	8.25%	7.31%	7.62%	6.57%	7.34%	8.23%	8.01%	8.62%

TABLE 5

Town of Blacksburg, Virginia

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

Fiscal Year	Real Estate	Public Service Corporation	Total Assessed Value	Total Direct Tax Rate(1)
2013	\$ 2,476,699,300	\$ 47,898,182	\$2,524,597,482	\$ 0.22
2012	2,472,590,460	49,735,455	2,522,325,915	0.22
2011	2,467,477,960	46,881,818	2,514,359,778	0.22
2010	2,380,745,200	49,227,727	2,429,972,927	0.22
2009	2,336,135,300	42,748,182	2,378,883,482	0.22
2008	2,261,835,200	45,062,727	2,306,897,927	0.22
2007	2,222,213,820	36,465,455	2,258,679,275	0.22
2006	1,669,904,900	39,074,545	1,708,979,445	0.22
2005	1,624,106,680	43,337,819	1,667,444,499	0.22
2004	1,577,991,640	43,986,000	1,621,977,640	0.20

Notes: Real property is assessed at full market value. Real Property assessments are made by the Commissioner of Revenue of Montgomery County for concurrent use of the County and Town. Public Service Corporation are assessed by the State Corporation Commission. Both Real Estate and Public Service rates are \$.22.

(1) Per \$100 of assessed value.

TABLE 6

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

Taxpayer	Fiscal Year 2013			Fiscal Year 2004		
	Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Foxridge Association	\$ 71,227,100	1	24.16%	\$ 58,333,900	1	27.41%
Blacksburg Green Investors LLC	37,162,000	2	12.61%	-	-	-
Maple Ridge Land LLC	32,650,000	3	11.08%	-	-	-
SHP - The Village at BLBG Inc.	31,268,500	4	10.61%	27,682,700	2	13.01%
BSE AH Blacksburg Apts LLC	28,601,200	5	9.70%	-	-	-
University Mall LLC	21,283,700	6	7.22%	-	-	-
Kroger Limited Partnership	18,913,500	7	6.42%	-	-	-
CSB LLC II	18,910,300	8	6.41%	16,738,200	5	7.87%
HCA Montgomery Regional Hospital	17,942,400	9	6.09%	18,213,000	4	8.56%
Blacksburg APF Partners LLC	16,849,100	10	5.72%	-	-	-
Terrace View Association	-	-	-	14,244,300	8	6.69%
Verizon Virginia Inc.	-	-	-	20,454,252	3	9.61%
Windsor Hills LP	-	-	-	15,381,400	7	7.23%
Oakbridge West LLC	-	-	-	12,003,100	10	5.64%
Knollwood Development LC	-	-	-	13,176,400	9	6.19%
Diversified Interest	-	-	-	16,577,200	6	7.79%
	<u>\$ 294,807,800</u>		<u>100.00%</u>	<u>\$212,804,452</u>		<u>100.00%</u>

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

TABLE 7**Town of Blacksburg, Virginia****Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the		Collections in Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy	Percentage		Amount	Percentage
		Amount	of Levy		Amount	of Levy
2013	\$ 5,542,953	\$ 5,293,072	95.49%	-	5,293,072	95.49%
2012	5,539,488	5,319,413	96.03%	185,238	5,504,651	99.37%
2011	5,417,877	5,236,517	96.65%	165,267	5,401,784	99.70%
2010	5,302,922	5,052,796	95.28%	238,845	5,291,641	99.79%
2009	5,161,566	4,987,516	96.63%	165,214	5,152,730	99.83%
2008	5,038,150	4,847,447	96.21%	184,602	5,032,049	99.88%
2007	4,362,564	4,284,135	98.20%	73,802	4,357,937	99.89%
2006	3,705,691	3,646,865	98.41%	57,923	3,704,788	99.98%
2005	3,455,871	3,405,397	98.54%	49,890	3,455,287	99.98%
2004	3,225,457	3,158,025	97.91%	67,083	3,225,108	99.99%

Source: Director of Financial Services, Town of Blacksburg

TABLE 8

Town of Blacksburg, Virginia

Water and Sewer Revenues By Component

Last Ten Fiscal Years

(accrual basis of accounting)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Water Revenues										
Residential	\$ 2,254,407	\$ 2,199,971	\$ 2,031,664	\$ 1,958,341	\$ 1,934,448	\$ 1,881,208	\$ 1,682,289	\$ 3,131,521	\$ 3,012,644	\$ 2,951,837
Commercial	1,890,082	1,719,976	1,707,310	1,677,257	1,598,453	1,560,955	1,498,678	*	*	*
Other	311,287	313,704	317,962	316,771	588,799	668,552	455,788	447,133	456,558	383,148
Total Water Revenues	4,455,776	4,233,651	4,056,936	3,952,369	4,121,700	4,110,715	3,636,755	3,578,654	3,469,202	3,334,985
Sewer Revenues										
Residential	2,147,557	2,147,604	2,194,556	2,185,772	2,082,715	1,924,259	1,745,208	3,150,265	3,204,025	3,059,253
Commercial	1,932,524	1,888,145	1,914,708	1,926,293	1,768,908	1,633,521	1,586,975	*	*	*
Other	7,677	9,624	5,594	7,222	3,406	4,302	7,359	13,387	29,369	20,979
Total Sewer Revenues	4,087,758	4,045,373	4,114,858	4,119,287	3,855,029	3,562,082	3,339,542	3,163,652	3,233,394	3,080,232
Availability Fees										
	305,962	261,151	107,103	172,396	381,541	919,673	483,559	566,397	704,278	390,271
Total revenues	\$ 8,849,496	\$ 8,540,175	\$ 8,278,897	\$ 8,244,052	\$ 8,358,270	\$ 8,592,470	\$ 7,459,856	\$ 7,308,703	\$ 7,406,874	\$ 6,805,488

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

TABLE 9

Town of Blacksburg, Virginia

Water and Sewer Rates
Last Ten Fiscal Years

Fiscal Year	Basic in Town Rate				Outside Town Limits Rate			
	Volume Charge Per 1,000 Gallons		Fixed Charge Per Bill		Volume Charge Per 1,000 Gallons		Fixed Charge Per Bill	
	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer
2013	\$ 4.22	\$ 4.70	\$ 2.94	\$ 2.97	\$ 7.38	\$ 8.23	\$ 5.15	\$ 5.20
2012	\$ 3.92	\$ 4.64	\$ 2.62	\$ 2.65	\$ 6.85	\$ 8.14	\$ 4.59	\$ 4.65
2011	\$ 3.76	\$ 4.77	\$ 2.58	\$ 2.61	\$ 6.57	\$ 8.35	\$ 4.52	\$ 4.57
2010	\$ 3.58	\$ 4.77	\$ 2.55	\$ 2.58	\$ 6.26	\$ 8.35	\$ 4.46	\$ 4.52
2009	\$ 3.51	\$ 4.47	\$ 2.47	\$ 2.50	\$ 6.14	\$ 7.82	\$ 4.32	\$ 4.38
2008	\$ 3.30	\$ 4.00	\$ 2.40	\$ 2.43	\$ 5.78	\$ 7.00	\$ 4.20	\$ 4.25
2007	\$ 3.16	\$ 3.80	\$ 2.26	\$ 2.29	\$ 5.53	\$ 6.65	\$ 3.96	\$ 4.01
2006	\$ 3.06	\$ 3.48	\$ 2.10	\$ 2.13	\$ 5.36	\$ 6.09	\$ 3.68	\$ 3.73
2005	\$ 2.92	\$ 3.48	\$ 2.08	\$ 2.11	\$ 5.11	\$ 6.09	\$ 3.64	\$ 3.69
2004	\$ 2.82	\$ 3.22	\$ 2.06	\$ 2.09	\$ 4.94	\$ 5.64	\$ 3.61	\$ 3.66

TABLE 10

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

Customer	Fiscal Year 2013			Fiscal Year 2004		
	Revenue	Rank	Percentage of Total Town Revenue	Revenue	Rank	Percentage of Total Town Revenue
HH HUNT	\$ 767,796	1	40.31%	\$ 489,363	1	33.09%
BLACKSBURG GREEN INVESTOR	226,901	2	11.91%	-	-	-
FEDERAL MOGUL DIVISION	216,024	3	11.34%	273,274	2	18.48%
MOOG COMPONENTS GROUP	132,563	4	6.96%	70,469	6	4.77%
UNIVERSITY TERRACE	106,315	5	5.58%	70,944	5	4.80%
CHASEWOOD APARTMENTS	99,575	6	5.23%	66,730	9	4.51%
MONTGOMERY REGIONAL HOSPITAL	95,919	7	5.04%	68,763	8	4.65%
WINDSOR HILLS APARTMENTS	95,518	8	5.01%	70,391	7	4.76%
CHASE MANAGEMENT GROUP	89,793	9	4.71%	-	-	-
DUTCH VILLAGE	74,525	10	3.91%	-	-	-
MONTGOMERY CO PSA	-	-	0.00%	91,783	4	6.21%
TERRACE VIEW-CORAL BAY CANYON	-	-	-	214,568	3	14.51%
BAKER, VERNON	-	-	-	62,500	10	4.23%
	<u>\$ 1,904,929</u>		<u>100.00%</u>	<u>\$ 1,478,785</u>		<u>100.00%</u>

TABLE 11

Town of Blacksburg, Virginia

Legal Debt Margin Information
Last Ten Fiscal Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Debt limit	\$ 252,459,748	\$ 252,232,592	\$ 251,435,978	\$ 242,997,293	\$ 237,888,348	\$ 230,689,793	\$ 225,867,928	\$ 167,377,300	\$ 166,744,450	\$ 162,197,764
Total net debt applicable to limit	25,047,773	23,390,669	24,927,552	25,361,515	23,749,761	25,350,867	26,880,559	23,480,387	21,440,565	18,737,883
Legal debt margin	\$ 227,411,975	\$ 228,841,923	\$ 226,508,426	\$ 217,635,778	\$ 214,138,587	\$ 205,338,926	\$ 198,987,369	\$ 143,896,913	\$ 145,303,885	\$ 143,459,881

Total net debt applicable to the limit
as a percentage of debt limit

	9.92%	9.27%	9.91%	10.44%	9.98%	10.99%	11.90%	14.03%	12.86%	11.55%
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Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$ 2,524,597,482
Debt limit (10% of assessed value)	\$ 252,459,748
Less debt applicable to limit:	
General obligation bonds	24,855,998
Other long-term obligations	191,775
Legal debt margin	\$ 227,411,975

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

Town of Blacksburg, Virginia

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt			Percentage of Actual Value of Taxable Property		Per Capita	Other Governmental Debt
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total General Bonded Debt	Property	Leases		
2013	\$ 17,953,095	\$ -	\$ 17,953,095	0.711%	\$ 421.17	\$	191,775
2012	15,568,488	-	15,568,488	0.617%	365.29		243,673
2011	16,623,947	-	16,623,947	0.661%	390.05		293,768
2010	16,506,446	-	16,506,446	0.679%	363.43		340,032
2009	14,011,262	-	14,011,262	0.589%	310.83		382,691
2008	15,044,001	-	15,044,001	0.652%	342.49		421,961
2007	16,034,305	-	16,034,305	0.710%	367.59		458,775
2006	13,864,781	-	13,864,781	0.811%	318.61		493,277
2005	14,731,448	-	14,731,448	0.883%	342.59		525,602
2004	13,360,402	-	13,360,402	0.824%	325.35		556,731

Business-type Activities

Fiscal Year	General Obligation Bonds		Total Primary Government		Percentage of Personal Income	
	Obligation	Capital Leases	Government	Income	Per Capita	
2013	\$ 6,902,903	\$ -	\$ 25,047,773	0.11%	\$ 587.60	
2012	7,578,509	-	23,390,670	0.12%	548.82	
2011	8,009,837	-	24,927,552	0.11%	577.99	
2010	8,515,037	-	25,361,515	0.11%	558.39	
2009	9,355,808	-	23,749,761	0.11%	526.87	
2008	9,884,905	-	25,350,867	0.10%	577.13	
2007	10,387,519	-	26,880,599	0.12%	616.24	
2006	9,013,082	109,247	23,480,387	1.06%	539.58	
2005	5,864,667	318,848	21,440,565	0.97%	498.62	
2004	4,303,623	517,128	18,737,884	0.85%	456.30	

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

Town of Blacksburg, Virginia

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2013	\$ 8,849,496	\$ 8,656,924	\$ 192,572	\$ 675,606	\$ 205,213	0.22
2012	8,540,175	8,324,232	215,943	601,205	263,889	0.25
2011	8,278,897	8,361,178	(82,281)	555,546	326,962	(0.09)
2010	8,244,052	7,342,883	901,169	798,457	347,884	0.79
2009	8,358,270	7,121,807	1,236,463	529,097	390,962	1.34
2008	8,592,470	6,982,179	1,610,291	480,275	408,442	1.81
2007	7,459,856	6,846,820	613,036	426,995	359,371	0.78
2006	7,308,703	6,617,697	691,006	324,862	267,378	1.17
2005	7,406,874	6,421,581	985,293	250,096	166,933	2.36
2004	6,805,488	6,447,375	358,113	234,921	195,133	0.83

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

Town of Blacksburg, Virginia

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ended (1)	Population (2)	Total Personal Income (3) Thousands of Dollars	Per Capita Personal Income (3)	Unemployment Rate
2013	42,627	*	*	6.30%
2012	42,620	*	*	6.40%
2011	42,620	\$ 3,175,190	\$ 28,668	6.50%
2010	45,419	3,089,516	27,844	8.90%
2009	45,077	2,927,637	27,308	9.40%
2008	43,926	2,880,134	27,102	4.80%
2007	43,620	2,686,200	25,545	3.40%
2006	43,516	2,495,995	23,973	3.10%
2005	43,000	2,360,153	22,918	3.60%
2004	41,065	2,207,393	22,395	2.60%

* Information not yet available.

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

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

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

Town of Blacksburg, Virginia

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2013			Fiscal Year 2004		
	Rank	Number of Employees	Percent of Total Employment	Rank	Number of Employees	Percent of Total Employment
Virginia Tech	1	> 1,000		1	6,002	
Virginia Tech Corporate Research Center	2	> 1,000		-	-	
Moog	3	500 to 999		-	-	
HCA Montgomery Regional Hospital	4	500 to 999		4	440	
NRV Community Services	5	500 to 999				
Federal-Mogul Corporation	6	500 to 999		3	653	
Town of Blacksburg	7	250 to 499				
United Pet Group (Tetra)	8	250 to 499		7	180	
Eaglepicher Wolverine LLC	9	100 to 249		5	311	
Virginia Tech Services, Inc.	10	100 to 249		-	-	
Poly-Scientific Division of Litton Industries	-	-		2	684	
Electro-Tec Corporation	-	-		6	200	

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

TABLE 16

Town of Blacksburg, Virginia
Full-Time Equivalent Town Government Employees by Function/Program
 Last Ten Fiscal Years

Function/Program	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General government										
Management	21.37	20.37	20.37	19.87	21.71	22.07	21.21	19.73	19.95	16.92
Finance	14.50	13.50	13.50	13.50	15.00	14.50	13.50	13.63	13.63	14.13
Technology	3.00	3.00	3.00	3.00	3.50	3.63	3.60	3.60	3.30	3.50
Police										
Officers	63.00	63.00	62.00	62.00	62.00	58.00	58.00	58.00	58.00	58.00
Civilians	18.18	18.78	18.78	18.78	19.08	18.08	18.08	18.08	18.08	18.08
Fire and Rescue										
Firefighters	2.00	2.00	2.00	2.00	2.00	2.00	-	-	-	-
Civilians (all volunteer professionals)	1.00	2.00	2.00	2.00	2.63	2.63	4.63	4.63	4.63	4.13
Public works	64.52	56.90	58.77	58.77	65.25	62.25	59.91	59.91	59.91	59.91
Parks and recreation	47.12	46.37	46.37	40.83	23.54	39.12	39.12	39.12	38.99	38.99
Planning and Engineering	22.00	21.98	21.50	21.50	40.41	23.54	19.00	19.00	19.00	23.62
Water and Sewer	24.23	24.25	24.25	24.25	24.37	24.37	24.24	24.24	24.24	22.62
Golf Course	*	*	*	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Solid Waste	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.75	2.75	2.75
Transit	104.07	97.14	95.14	89.21	93.18	90.27	84.60	82.76	80.76	80.51
Total	387.99	372.29	370.68	364.71	381.67	369.46	354.89	351.45	349.24	349.16

Source: Town's Adopted Operating Budget

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

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

TABLE 17

Town of Blacksburg, Virginia

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government										
Fleet										
Pieces of equipment maintained	377	376	371	378	379	358	328	356	338	339
Building permits issued	1,730	596	1,291	1,323	783	138	126	139	205	152
Public safety										
Police										
Physical arrests	1,097	1,195	1,688	1,598	1,077	930	1,239	799	841	359
Parking violations	5,689	7,252	7,051	5,486	5,717	6,153	1,444	5,065	6,949	8,175
Traffic violations	4,206	5,213	3,735	3,580	6,223	5,343	3,078	3,008	3,040	2,890
Fire										
Emergency responses	973	889	973	1,018	1,035	1,048	1,050	992	993	920
Public works										
Refuse collection										
Refuse collected (tons per day)	20	20	20	20	19	21	22	25	23	22
Recyclables collected (tons per day)	5	5	5	4	4	3	3	4	4	4
Other public works										
Street resurfacing (miles)	4.80	3.63	3.57	4.00	2.25	2.99	4.73	4.67	6.87	5.80
Parks, recreation, and cultural										
Parks and recreation										
Park acreage owned by the Town	544	544	544	544	428	428	428	427	427	427
Library										
Volumes in collection	86,137	86,280	86,280	84,886	83,575	78,312	78,757	70,000	70,000	70,000
Water										
Number of customer accounts	8,917	8,927	8,832	8,791	8,724	8,591	8,413	8,344	8,662	7,542
Miles of distribution lines	169	168	168	168	168	168	165.3	155.9	155.9	155.9
Volume pumped (million gallons per day average)	2.2	2.5	2.5	2.6	2.6	3.3	3.6	3.2	3.2	3.2
Sewer										
Number of customer accounts	8,213	8,174	8,124	8,080	8,016	7,897	7,741	7,714	7,716	7,486
Miles of sanitary sewers	156	155	155	154	154	154	148.0	139.2	139.2	139.2

* Information not available. It is the goal of the Town to achieve ten fiscal years of this information in the future.

Source: Town individual departments and Budget Document.

TABLE 18

Town of Blacksburg, Virginia

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

<u>Function/Program</u>	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Public safety										
Law enforcement vehicles	69	72	62	56	56	54	49	52	54	52
Fire stations	3	3	3	3	3	2	2	2	2	2
Public works										
Miles of streets	350	344	344	343	306	263	229	202	234	223
Streetslights	1804	1,613	1,613	1,585	1,565	1,536	1,565	1,460	1,460	1,460
Parks, recreation, and cultural										
Community centers	1	1	1	1	1	1	1	1	1	1
Parks/athletic fields	35	30	30	30	30	29	20	20	20	20
Water and sewage										
Water mains (miles)	169	168	168	168	168	168	165	156	156	156
Storm sewers (miles)	46	37	37	37	37	37	36	53	53	53
Sanitary sewers (miles)	156	155	155	154	154	154	148	139	139	139

Source: Town individual departments and Budget Document.

TABLE 19

TOWN OF BLACKSBURG, VIRGINIA

CONTINUING BOND DISCLOSURES
SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GENERAL FUND
Last Ten Fiscal Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
REVENUES										
Taxes	\$ 15,904,094	\$ 15,354,299	\$ 14,731,137	\$ 13,714,423	\$ 13,137,175	\$ 12,498,249	\$ 11,233,510	\$ 10,504,529	\$ 10,061,456	\$ 9,378,843
Licenses and permits	2,211,583	2,484,167	2,321,328	2,319,880	2,582,295	2,585,021	2,439,479	2,249,315	2,099,146	1,901,465
Intergovernmental	4,375,613	4,348,396	4,046,573	4,088,926	3,978,598	5,040,567	4,915,791	8,223,472	4,067,603	3,361,245
Charges for services	2,813,066	2,969,731	2,738,117	3,245,746	2,177,797	2,080,056	2,019,273	1,943,551	1,790,953	1,774,726
Fines and forfeitures	344,153	450,017	347,444	345,875	274,391	286,725	309,227	264,698	316,765	304,343
Investment earnings	215,624	195,149	155,437	230,070	253,226	369,300	295,746	88,265	173,711	36,461
Unrealized gain/(loss)	31,281	63,339	(167,835)	-	-	-	-	-	-	-
Other	649,599	601,113	611,757	656,452	708,743	686,555	689,435	573,872	560,243	567,702
Other financing sources	186,008	5,399,273	3,365,573	2,520,095	-	83,957	97,589	607,000	2,213,500	-
Total revenues	26,731,021	31,865,484	28,149,531	27,121,467	23,112,225	23,630,430	22,000,050	24,454,702	21,283,377	17,324,785
EXPENDITURES										
Current:										
Legislative	253,817	240,263	231,586	243,323	226,409	221,809	205,155	217,503	203,903	159,187
Executive	1,850,440	1,609,640	1,611,610	1,547,838	1,657,238	2,003,955	1,900,931	1,618,901	1,439,919	1,148,064
Legal	298,964	270,487	257,808	247,270	282,623	344,093	267,249	201,811	189,283	164,290
Judicial	-	5,720	7,705	8,094	6,996	12,115	8,399	9,806	11,726	15,454
Financial services	1,555,497	1,419,112	1,611,673	1,528,293	1,497,448	1,421,990	1,320,930	1,216,993	1,154,763	1,081,349
Technology	475,063	440,520	444,354	444,710	429,357	433,278	405,919	378,590	354,642	332,776
Police	7,512,440	7,023,927	6,446,560	6,623,523	6,349,597	5,927,303	5,517,896	4,954,906	4,729,668	4,402,777
Fire and rescue	958,909	873,955	875,225	814,549	775,184	912,524	1,289,024	702,725	558,184	627,888
Public works	5,676,805	5,654,285	5,364,738	5,138,371	4,557,804	4,692,086	4,530,464	4,240,230	4,039,892	3,767,560
Recreation	2,036,250	1,972,667	1,938,326	1,539,526	1,641,839	1,587,494	1,357,801	1,376,737	1,324,166	1,241,182
Planning and engineering	2,225,383	2,062,767	1,995,305	1,969,816	1,787,791	1,774,597	1,771,483	1,582,477	1,273,355	1,436,141
Nondepartmental and transfers	2,141,589	2,550,139	1,831,484	5,125,726	2,640,740	5,907,538	1,843,867	5,403,910	2,265,192	2,445,417
Debt service	2,149,825	7,284,160	3,953,198	1,799,742	1,693,655	1,704,025	1,533,663	1,514,296	2,569,006	1,357,129
Total expenditures	27,134,982	31,407,642	26,569,572	27,030,781	23,546,681	26,942,807	21,952,781	23,418,885	20,113,699	18,179,214
Excess (deficiency) of revenues over expenditures	(403,961)	457,842	1,579,959	90,686	(434,456)	(3,312,377)	47,269	1,035,817	1,169,678	(854,429)
FUND BALANCES AT JULY 1	5,250,261	4,792,419	3,212,460	3,121,774	3,556,230	6,868,607	6,821,338	5,785,521	4,615,843	5,470,272
FUND BALANCES AT JUNE 30	4,846,300	5,250,261	4,792,419	3,212,460	3,121,774	3,556,230	6,868,607	6,821,338	5,785,521	4,615,843
Reserved:										
Reserved/Committed* for encumbrances	\$ 248,061	\$ 295,076	\$ 392,826	\$ 454,443	\$ 366,398	\$ 230,839	\$ 309,185	\$ 882,635	\$ 268,642	\$ 170,187
Reserved/Nonspendable* for inventories	244,566	215,145	183,615	158,005	127,676	128,819	129,441	144,324	129,027	128,197
Reserved/Restricted for museum lifetime memberships	19,161	18,969	18,614	18,158	17,737	16,546	16,546	15,856	-	12,500.00
Reserved for Toms Creek Interchange	-	-	-	-	-	-	-	210,330	-	-
Reserved/Nonspendable* for prepaid expenditures	-	222,761	211,630	190,545	234,716	244	9,935	-	20,435	-
Total	511,788	751,951	806,685	821,151	746,527	376,448	465,107	1,253,145	418,104	310,884
Total unreserved/unassigned* fund balance	4,334,512	4,498,310	3,985,734	2,391,309	2,375,247	3,179,782	6,403,500	5,568,193	5,367,417	4,304,959
Ending fund balance	\$ 4,846,300	\$ 5,250,261	\$ 4,792,419	\$ 3,212,460	\$ 3,121,774	\$ 3,556,230	\$ 6,868,607	\$ 6,821,338	\$ 5,785,521	\$ 4,615,843

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

TABLE 19

TOWN OF BLACKSBURG, VIRGINIA

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
OPERATING REVENUES										
Charges for services	\$ 8,304,725	\$ 8,041,176	\$ 7,861,176	\$ 7,751,109	\$ 7,389,028	\$ 7,029,604	\$ 6,519,956	\$ 6,291,145	\$ 6,235,807	\$ 6,071,830
Availability and transfer fees	305,962	261,151	159,153	222,256	432,081	969,933	529,779	608,466	745,819	426,412
Meter installation	84,857	63,363	48,488	71,210	142,700	189,560	108,288	89,502	130,496	83,554
Connection fees	34,575	40,738	69,762	54,550	80,102	97,012	75,127	68,427	64,068	95,631
Other	119,377	133,747	140,318	144,927	314,359	306,361	226,706	251,163	230,684	128,061
Total operating revenues	8,849,496	8,540,175	8,278,897	8,244,052	8,358,270	8,592,470	7,459,856	7,308,703	7,406,874	6,805,488
OPERATING EXPENSES										
Personal services	1,531,539	1,406,099	1,402,094	1,429,945	1,362,647	1,371,601	1,250,949	1,128,274	1,126,810	1,013,466
Contractual services	4,617,489	4,613,068	4,758,024	4,545,424	4,372,996	4,176,133	4,243,537	4,235,929	3,768,543	3,749,330
Administration	1,194,376	1,101,954	887,100	867,200	850,000	810,000	798,200	746,000	700,500	722,200
Depreciation	877,397	854,420	894,398	761,403	758,919	737,094	622,785	537,867	550,134	537,007
Other	436,123	348,691	498,895	500,314	536,164	624,445	554,134	507,494	825,728	962,379
Total operating expenses	8,656,924	8,324,232	8,440,511	8,104,286	7,880,726	7,719,273	7,469,605	7,155,564	6,971,715	6,984,382
Operating income (loss)	192,572	215,943	(161,614)	139,766	477,544	873,197	(9,749)	153,139	435,159	(178,894)
NONOPERATING EXPENSES										
Intergovernmental revenue	-	15,000	-	-	-	-	-	-	-	-
Interest income	44,049	46,158	74,796	143,402	320,949	376,316	310,059	109,463	159,928	108,982
Interest expense	(205,213)	(263,889)	(326,962)	(347,884)	(374,730)	(408,442)	(373,684)	(293,658)	(231,533)	(218,930)
Unrealized gain/(loss) on investments	9,662	29,800	(90,690)	-	-	-	-	-	-	(111,817)
Gain (loss) on disposition of asset	19,123	-	-	-	7,910	-	23,059	3,456	12,486	(566,476)
Net nonoperating expenses	(132,379)	(172,931)	(342,856)	(204,482)	(45,871)	(32,126)	(40,566)	(180,739)	(59,119)	(788,241)
Income (loss) before contributions and transfers	60,193	43,012	(504,470)	(64,716)	431,673	841,071	(50,315)	(27,600)	376,040	(967,135)
CAPITAL CONTRIBUTIONS										
TRANSFERS IN										
TRANSFERS OUT										
Change in net position	(168,383)	(211,010)	(164,110)	(184,045)	(164,323)	(136,545)	(128,332)	(129,605)	(112,498)	(101,398)
NET POSITION AT JULY 1	(108,190)	172,002	(328,580)	(34,086)	331,519	759,887	631,074	(104,951)	382,506	(1,068,533)
NET POSITION AT JUNE 30	10,110,678	9,938,676	10,267,256	10,301,342	9,969,823	9,209,936	8,508,659	8,613,610	8,231,104	9,299,637
	\$ 10,002,488	\$ 10,110,678	\$ 9,938,676	\$ 10,267,256	\$ 10,301,342	\$ 9,969,823	\$ 9,139,733	\$ 8,508,659	\$ 8,613,610	\$ 8,231,104

(Continued)

TABLE 19

TOWN OF BLACKSBURG, VIRGINIA

CONTINUING BOND DISCLOSURES

TAXABLE RETAIL SALES AND

TAXABLE RETAIL SALES PER CAPITA

MONTGOMERY COUNTY (INCLUDING BLACKSBURG)

Last Ten Calendar Years

Calendar Year	Population	Taxable Retail Sales	Taxable Retail Sales Per Capita
2012	95,626	\$ 967,667,151	10,119
2011	94,392	911,189,094	9,653
2010	94,392	892,050,066	9,450
2009	91,395	897,455,302	9,820
2008	90,517	925,283,130	10,222
2007	88,834	925,898,590	10,423
2006	88,454	865,232,779	9,782
2005	85,614	748,781,031	8,746
2004	83,959	799,503,447	9,523
2003	85,614	758,923,267	8,864

(Continued)

TABLE 19

TOWN OF BLACKSBURG, VIRGINIA

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

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
<u>General Fund</u>					
Finance	\$ -	\$ -	\$ -	\$ 50,000	\$ 46,000
Fire	146,167	146,167	636,167	146,167	146,167
Rescue	121,428	121,428	3,421,428	121,428	551,758
Parks and Recreation	70,000	80,000	55,000	200,000	120,000
Planning and Building	-	-	-	-	-
Engineering and GIS	635,000	634,200	562,200	584,700	590,000
Police	471,518	406,518	3,366,518	391,518	236,518
Public Works	1,141,780	856,180	990,580	820,580	827,480
Technology	240,350	93,200	93,200	119,200	63,200
Town Manager's Office	757,300	22,700	-	-	-
Museum	1,400,000	-	-	-	-
WTOB	-	15,000	-	-	-
General Fund Total	<u>\$ 4,983,543</u>	<u>\$ 2,375,393</u>	<u>\$ 9,125,093</u>	<u>\$ 2,433,593</u>	<u>\$ 2,581,123</u>
<u>Water/Sewer</u>					
Finance Department	\$50,000	\$50,000	\$50,000	\$50,000	\$85,000
Housing and Neighborhood Services	-	10,000	-	-	-
Engineering and GIS	1,688,700	371,000	131,900	134,100	325,750
Public Works	837,183	542,883	493,953	520,833	678,333
Water/Sewer Total	<u>\$2,575,883</u>	<u>\$973,883</u>	<u>\$675,853</u>	<u>\$704,933</u>	<u>\$1,089,083</u>
<u>VDOT Revenue Sharing</u>					
Public Works	\$ 313,000	\$ 226,904	\$ 123,400	\$ 121,464	\$ 134,360
Engineering and GIS	7,834,000	-	-	-	-
Parks and Recreation	-	-	-	-	314,000
	<u>\$ 8,147,000</u>	<u>\$ 226,904</u>	<u>\$ 123,400</u>	<u>\$ 121,464</u>	<u>\$ 448,360</u>
CDBG Entitlement Fund	\$ -	\$1,692,500	\$ -	\$ -	\$ -
Urban Construction Fund	\$307,805	\$200,000	\$ -	\$ -	\$ -
Transit Fund	\$5,332,940	\$42,513,613	\$2,464,843	\$6,019,837	\$7,724,321
Equipment Replacement Fund	\$1,849,900	\$509,000	\$1,118,870	\$1,300,000	\$1,145,400
Major Building Systems Replacement	\$176,900	\$5,500	\$23,260	\$26,000	\$36,750
Solid Waste/Recycling	\$40,222	\$40,222	\$40,222	\$40,222	\$40,222
Grand Total	<u><u>\$23,414,193</u></u>	<u><u>\$48,537,015</u></u>	<u><u>\$13,571,541</u></u>	<u><u>\$10,646,049</u></u>	<u><u>\$13,065,259</u></u>

Source: Adopted Capital Improvement Program Fiscal Years Ending 2012/2013-2016/2017

(Continued)

TABLE 19

TOWN OF BLACKSBURG, VIRGINIA

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

Last Ten Fiscal Years

Fiscal Year	Population	Total Assessed Valuation	Total Bonded Debt	Ratio of Total Bonded Debt to Assessed Valuation	Total Bonded Debt Per Capita
2013	42,627	\$ 2,524,597,482	\$ 24,855,998	0.9846%	\$ 583.10
2012	42,620	2,522,325,915	23,146,997	0.9180%	543.36
2011	42,620	2,514,359,778	24,633,787	0.9800%	578.26
2010	45,419	2,429,972,927	25,361,515	1.0440%	595.06
2009	45,077	2,378,883,342	23,367,071	0.9820%	558.39
2008	43,926	2,306,897,927	24,928,906	1.0810%	567.52
2007	43,620	2,258,679,275	26,421,824	1.1700%	605.73
2006	43,516	1,708,949,445	22,877,863	1.3390%	525.73
2005	43,000	1,667,444,499	20,596,115	1.2350%	478.98
2004	41,065	1,621,977,640	17,664,025	1.0890%	430.15

(Continued)

TABLE 19

TOWN OF BLACKSBURG, VIRGINIA

CONTINUING BOND DISCLOSURES
CERTAIN OTHER REVENUES

Last Ten Fiscal Years

Fiscal Year	Vehicle License Receipts¹	Business License Receipts	Meals Tax Receipts²
2013	\$ 246,334	\$ 1,908,934	\$ 4,459,804
2012	234,208	1,860,603	4,237,159
2011	253,230	1,658,993	4,177,991
2010	239,507	1,605,817	3,558,541
2009	190,041	1,690,776	3,318,092
2008	189,318	1,620,888	2,696,373
2007	253,655	1,493,465	2,448,102
2006	283,734	1,369,774	2,374,584
2005	274,488	1,304,013	2,256,337
2004	260,904	1,271,983	2,084,640

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

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

COMPLIANCE SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Blacksburg, Virginia (the "Town"), as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 26, 2013.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. **However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 06-1, that we consider to be a significant deficiency.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Items 13-1 and 13-2.**

Town of Blacksburg's Response to Findings

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

Purpose of This Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 26, 2013

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

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Blacksburg, Virginia's (the "Town") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2013. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 26, 2013

TOWN OF BLACKSBURG, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2013

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

State Agency Requirements

Highway Maintenance Funds

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

TOWN OF BLACKSBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

A. SUMMARY OF AUDITOR'S RESULTS

- 1. The auditor's report expresses an unmodified opinion on the financial statements.
2. One significant deficiency relating to the audit of the financial statements was reported...
3. No instances of noncompliance material to the financial statements were disclosed.
4. No significant deficiencies relating to the audit of major federal award programs were reported...
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion.
6. The audit disclosed no audit findings related to major programs.
7. The programs tested as major are:

Table with 2 columns: Name of Program, CFDA #. Rows include Transit Grant Cluster and Community Development Block Grant.

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

06-1: Segregation of Duties (Significant Deficiency)

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.

Recommendation:

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

Management's Response:

The auditee concurs with this recommendation.

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

None noted.

(Continued)

TOWN OF BLACKSBURG, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

13-1: Commonwealth of Virginia – Highway Maintenance

Condition:

One out of twenty Highway Maintenance expenditures tested included immaterial errors related to improper equipment rates used in the reported qualifying expenditures.

Recommendation:

Steps should be taken to ensure that expenditures filed as qualifying are calculated accurately based on internal rates and usage information.

Management's Response:

The auditee concurs with this recommendation.

13-2: Commonwealth of Virginia – Unclaimed Property

Condition:

Noted one check outstanding over one year as of July 1, 2012, in the amount of \$300.

Recommendation:

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

Management's Response:

The auditee concurs with this finding. The Town left this check on the outstanding checklist as it was a payroll check to an employee that was currently still employed with the Town. The Town has since remitted this check to the State as unclaimed property.