

TOWN OF BLUEFIELD, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

**TOWN OF BLUEFIELD, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010**

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TOWN OF BLUEFIELD, VIRGINIA
FINANCIAL REPORT
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INTRODUCTORY SECTION

TOWN OF BLUEFIELD, VIRGINIA

TOWN COUNCIL

Donald Harris, Mayor
Rick Taylor, Vice Mayor
James Jones
Todd Day
Anglis Trigg, Jr.
Donald Linkous

OTHER OFFICIALS

Mike Watson	Town Manager
James Hampton	Town Treasurer
Stephen E. Arey	Town Attorney

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

**To the Members of the Town Council
Town of Bluefield, Virginia
Bluefield, Virginia**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major funds, and the aggregate remaining fund information of the Town of Bluefield, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Bluefield, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The Town implemented new billing software during the previous fiscal year. Tax balances provided by the new system at June 30, 2010 included penalties and interest due on underlying tax balances. As a result, we were unable to determine base taxes due to the Town and we were unable to reconcile tax collections to tax billings.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit tax collections and verify base taxes due to the Town, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Town of Bluefield, Virginia as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Town of Bluefield, Virginia as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2010, on our consideration of the Town of Bluefield, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information, and Schedule of OPEB and Pension Funding Progress as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bluefield, Virginia's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules and supplemental tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and supplemental tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Turner, Co. Associates

Christiansburg, Virginia
December 5, 2010

Town of Bluefield, Virginia Management's Discussion and Analysis

The following is a narrative overview and analysis of the financial activities of the Town of Bluefield, Virginia for the fiscal year ended June 30, 2010.

Financial Highlights

Government-wide Financial Statements

The assets of the Town of Bluefield, Virginia exceeded its liabilities at the close of the most recent fiscal year by \$8,087,123 (net assets). Of this amount, \$3,197,693 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. Total net assets of \$8,087,123 are split between governmental activities (\$6,769,543) and business-type activities (\$1,317,580).

Fund Financial Statements

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,038,128. (See Exhibit 3.)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. These statements are comprised 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 themselves. Condensed comparative financial data is presented in this report.

Local government accounting and financial reporting originally focused on funds which were designed to enhance and demonstrate fiscal accountability. Now to be accompanied by government-wide financial statements, the objectives of operational accountability will also be met. These objectives will provide financial statement users with both justification from the government that public monies have been used to comply with public decisions and as to whether operating objectives have been met efficiently and effectively and can continue to be met in the future.

Government-wide Financial Statements

Government-wide financial statements provide financial statement users with a general overview of Town finances. The statements include all assets and liabilities using the accrual basis of accounting. All current year revenues and expenses are taken into account regardless of when cash is received or paid. Both financial overview and accrual accounting factors are used in these statements similar to that of a private-sector business. Two financial statements are used to present this information: 1) the statement of net assets and 2) the statement of activities.

The statement of net assets presents all of the Town's assets and liabilities with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Other non-financial factors should also be considered to determine the overall financial position of the Town.

Town of Bluefield, Virginia Management's Discussion and Analysis

The statement of activities presents information showing how the government's net assets changed during the fiscal year. The statement is focused on the gross and net cost of various government functions which are supported by general taxes and other revenue. The statement of activities presents expenses before revenues, emphasizing that in government revenues are generated for the express purpose of providing services rather than as an end in themselves.

Both government-wide financial statements separate governmental activities and business-type activities of the Town. Governmental activities are principally supported by taxes and intergovernmental revenues. They include general government administration; public safety; public works; parks, recreation and cultural; and community development. Business-type activities, such as the Town's Water Service, recover all or a significant portion of their costs through user fees and charges.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The Town's funds 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, or services, reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements, reconciliations between the two methods are provided in Exhibits 4 and 6.

Proprietary funds

There are two types of proprietary funds: enterprise funds which are established to account for the delivery of goods and services to the general public and internal service funds which account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use accrual basis accounting, similar to private sector business. The Town of Bluefield does not have any internal service funds. The financial activity of the Town's water and sewer fund is accounted for in its proprietary fund.

Fiduciary funds

Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individual. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statement because the funds are not available to support the Town's own activities.

Town of Bluefield, Virginia Management's Discussion and Analysis

Notes to the financial statements

The notes provide additional information that is needed to fully understand the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As previously noted, net assets may serve as a useful indicator of a government's financial position. For the Town of Bluefield, assets exceeded liabilities by \$8,087,123 at the end of the fiscal year.

The Town's net assets are divided into two categories: (1) invested in capital assets, net of related debt; and (2) unrestricted. Below please find a comparison of the Town's net assets from 2009 to 2010.

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 3,122,938	\$ 2,889,373	\$ 514,477	\$ 592,526	\$ 3,637,415	\$ 3,481,899
Capital assets	8,559,221	8,714,103	4,397,238	4,655,611	12,956,459	13,369,714
Total assets	11,682,159	11,603,476	4,911,715	5,248,137	16,593,874	16,851,613
Long-term liabilities	4,829,201	4,934,161	3,521,525	3,658,766	8,350,726	8,592,927
Other liabilities	83,415	189,386	72,610	120,697	156,025	310,083
Total liabilities	4,912,616	5,123,547	3,594,135	3,779,463	8,506,751	8,903,010
Net asset:						
Invested in capital assets, net of related debt	3,975,558	3,945,338	913,872	1,039,792	4,889,430	4,985,130
Unrestricted	2,793,985	2,534,591	403,708	428,882	3,197,693	2,963,473
Total net assets	\$ 6,769,543	\$ 6,479,929	\$ 1,317,580	\$ 1,468,674	\$ 8,087,123	\$ 7,948,603

For the Town, investments in capital assets (i.e., land, buildings, machinery, and equipment), net of related debt used to acquire those assets that is still outstanding, represents 60 percent of total net assets at the end of 2010 as compared to 63 percent at the end of 2009. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending.

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Town of Bluefield, Virginia
Management's Discussion and Analysis

Governmental Activities

Governmental activities increased the Town's net assets by \$289,614 while net assets of the business-type activities decreased by \$151,094. Key elements of these changes are as follows:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for services	\$ 545,075	\$ 564,812	\$ 1,187,797	\$ 1,223,677	\$ 1,732,872	\$ 1,788,489
Operating grants and contributions	1,303,013	1,374,954	-	-	1,303,013	1,374,954
Capital grants and contributions	200,000	-	-	-	200,000	-
General Revenues:						
Property taxes	945,358	951,698	-	-	945,358	951,698
Other taxes	2,494,920	2,546,705	-	-	2,494,920	2,546,705
Grants and contributions not restricted to specific programs	109,242	115,998	-	-	109,242	115,998
Other	70,013	288,340	784	6,568	70,797	294,908
Total revenues	5,667,621	5,842,507	1,188,581	1,230,245	6,856,202	7,072,752
Expenses:						
General government	1,385,303	1,350,375	-	-	1,385,303	1,350,375
Public safety	1,514,967	1,512,050	-	-	1,514,967	1,512,050
Public works	1,643,054	1,745,948	-	-	1,643,054	1,745,948
Parks, recreation and cultural	372,835	215,530	-	-	372,835	215,530
Community development	264,006	227,317	-	-	264,006	227,317
Interest on long-term debt	197,842	167,349	-	-	197,842	167,349
Water and sewer	-	-	1,339,675	1,434,771	1,339,675	1,434,771
Total expenses	5,378,007	5,218,569	1,339,675	1,434,771	6,717,682	6,653,340
Increase (decrease) in net assets	289,614	623,938	(151,094)	(204,526)	138,520	419,412
Net assets beginning of year	6,479,929	6,068,553	1,468,674	1,673,200	7,948,603	7,741,753
Net assets end of year	\$ 6,769,543	\$ 6,692,491	1,317,580	1,468,674	\$ 8,087,123	\$ 8,161,165

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**Town of Bluefield, Virginia
Management's Discussion and Analysis**

Financial Analysis of the Government's Funds

As mentioned 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 financial resources. Such information is useful in assessing the Town's financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the Town's governmental funds reported an ending fund balance of \$2,956,066. This entire amount constitutes unreserved fund balance, which is available for spending at the government's discretion. Council may designate these funds for future projects, however the use of these funds is not legally restricted for any specific purpose. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Higher percentages indicate strong liquidity, while lower percentages indicate poor liquidity.

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 assets of the Town of Bluefield, Virginia's water and sewer fund at the end of the year were \$403,708.

Governmental Funds Budgetary Highlights

There were several amendments to the budget for the fiscal year ending June 30, 2010.

**2009-2010 BUDGET
AMENDMENTS**

Revenue

Line Item	Description	Original Budget	Amended Budget	Change
10.34.0100.0509	Prior Year Reserves	\$0.00	\$3,858.06	\$3,858.06
Total Revenues			<u>\$3,858.06</u>	<u>\$3,858.06</u>

**Town of Bluefield, Virginia
Management's Discussion and Analysis**

Expenditures

Line Item	Description	Original Budget	Amended Budget	Change
10.3220.8104	FEMA Grant	\$0.00	\$3,858.06	\$3,858.06
Total				
Expenditures		\$0.00	\$3,858.06	\$3,858.06

Revenue

Line Item	Description	Original Budget	Amended Budget	Change
10.32.0400.0413	Misc. Law Enforcement Grant	\$15,000.00	\$40,250.79	\$25,250.79
		\$15,000.00	\$40,250.79	\$25,250.79

Expenditure

Line Item	Description	Original Budget	Amended Budget	Change
10.3110.8106	Grants	\$15,000.00	\$40,250.79	\$25,250.79
		\$15,000.00	\$40,250.79	\$25,250.79

Revenue

Line Item	Description	Original Budget	Amended Budget	Change
10.32.3204.0412	Fire Programs Grant	\$8,500.00	\$18,445.00	\$9,945.00
		\$8,500.00	\$18,445.00	\$9,945.00

Expenditure

Line Item	Description	Original Budget	Amended Budget	Change
10.3220.8106	Fire Grant	\$0.00	\$9,945.00	\$9,945.00
		\$0.00	\$9,945.00	\$9,945.00

Revenue

Line Item	Description	Original Budget	Amended Budget	Change
10.32.3204.0406	Street Maintenance	\$825,030.00	\$1,025,030.00	\$200,000.00
		\$825,030.00	\$1,025,030.00	\$200,000.00

**Town of Bluefield, Virginia
Management's Discussion and Analysis**

Expenditure

Line Item		Original Budget	Amended Budget	Change
10.4120.8115	Street Paving	\$170,000.00	\$370,000.00	\$200,000.00
		\$170,000.00	\$370,000.00	\$200,000.00

Revenue

Line Item		Original Budget	Amended Budget	Change
10.32.3204.0412	Fire Programs Grant	\$18,445.00	\$28,406.00	\$9,961.00
		\$18,445.00	\$28,406.00	\$9,961.00

Expenditure

Line Item		Original Budget	Amended Budget	Change
10.3220.8106	Fire Grant	\$9,945.00	\$19,906.00	\$9,961.00
		\$9,945.00	\$19,906.00	\$9,961.00

Revenue

Line Item		Original Budget	Amended Budget	Change
34.31.3108.9901	Misc. Revenue	\$1,000.00	\$170,109.00	\$169,109.00
		\$1,000.00	\$170,109.00	\$169,109.00

Expenditure

Line Item		Original Budget	Amended Budget	Change
34.44.4816.8106	Stimulus Grant	\$0.00	\$169,109.00	\$169,109.00
		\$0.00	\$169,109.00	\$169,109.00

Revenue

Line Item		Original Budget	Amended Budget	Change
10.32.3204.0412	Fire Programs Grant	\$28,406.00	\$63,406.00	\$35,000.00
		\$28,406.00	\$63,406.00	\$35,000.00

**Town of Bluefield, Virginia
Management's Discussion and Analysis**

Expenditure

Line Item				
10.4816.8106	FEMA Grant	\$19,906.00	\$54,906.00	\$35,000.00
		<u>\$19,906.00</u>	<u>\$54,906.00</u>	<u>\$35,000.00</u>

Revenue

Line Item		Original Budget	Amended Budget	Change
10.33.3301.0102	Sanders House Enhancements	\$0.00	\$100,545.60	\$100,545.60
		<u>\$0.00</u>	<u>\$100,545.60</u>	<u>\$100,545.60</u>

Expenditure

Line Item				
10.8120.5668	Sanders House Expenses	\$0.00	\$100,545.60	\$100,545.60
		<u>\$0.00</u>	<u>\$100,545.60</u>	<u>\$100,545.60</u>

Revenue

Line Item		Original Budget	Amended Budget	Change
10.31.0100.0301	Personal Property Current	\$220,000.00	\$229,100.00	\$9,100.00
		<u>\$220,000.00</u>	<u>\$229,100.00</u>	<u>\$9,100.00</u>

Expenditure

Line Item				
10.1241.5830	Refunds & Rebates	\$4,000.00	\$13,100.00	\$9,100.00
		<u>\$4,000.00</u>	<u>\$13,100.00</u>	<u>\$9,100.00</u>

Town of Bluefield, Virginia

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental activities as of June 30, 2010 is \$8,559,221 (net of accumulated depreciation). The Town's investment in capital assets for its business-type activities as of June 30, 2010 was \$4,397,238. These investments in capital assets include land, buildings and system, machinery and equipment, and construction in progress. The Town also continued work on water/sewer system upgrades which increased the assets reported for construction in progress for business-type activities. These along with other changes in the Town's capital assets are shown in the table that follows.

A summary of capital assets by category is presented below.

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 1,478,700	\$ 1,478,700	\$ 22,868	\$ 22,868	\$ 1,501,568	\$ 1,501,568
Buildings and systems	5,164,830	5,352,318	4,177,867	4,548,283	9,342,697	9,900,601
Machinery and equipment	1,744,176	1,725,206	76,236	84,460	1,820,412	1,809,666
Infrastructure	171,515	157,879	-	-	171,515	157,879
Construction in progress	-	-	120,267	-	120,267	-
Total	\$ 8,559,221	\$ 8,714,103	\$ 4,397,238	\$ 4,655,611	\$ 12,956,459	\$ 13,369,714

Additional information on the Town's capital assets can be found in the notes to the financial statements.

Long-term debt

There was no significant change in the Town's debt obligations for the year ended June 30, 2010. The only other change in long-term obligations of the Town was the scheduled repayment of existing debt as same came due. Additional information on the Town's long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Certain economic factors affect the Town's ability to raise additional revenue in support of governmental functions without increasing effective tax rates. These factors include:

- A low interest rate environment has the effect of reducing revenues for the Town as interest rates on investments have suffered. The Town does not benefit from lower interest rates in the bond market as most Town debts are subsidized through the Federal and State agencies. The interest rates obtained through these agencies, while below comparable market rates, have not been affected significantly by market conditions.
- The Commonwealth of Virginia has encountered budget shortfalls which have resulted in reduced local funding. Additional reductions may occur in future fiscal years.

Town of Bluefield, Virginia Management's Discussion and Analysis

Other local factors that may affect the Government's ability to meet operational needs under the current tax structure include:

- The Town will continue to pay on debt service in future periods with repayment of a \$2.9 million dollar loan which began in the 2005-2006 fiscal year, and repayment of a \$3.7 million dollar loan which began in the 2006-2007 fiscal year.

All of the aforementioned factors were considered in preparing the Town's budget for the 2010-2011 fiscal year.

Requests for Information

This financial report is designed to provide readers with a general overview of the Town of Bluefield's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Town of Bluefield, P.O. Box 1026, Bluefield, Virginia 24605.

Basic Financial Statements

Town of Bluefield, Virginia
Statement of Net Assets
June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 920,209	\$ 220,745	\$ 1,140,954
Investments	1,749,932	123,542	1,873,474
Restricted cash and cash equivalents:			
Customers' deposits	-	47,278	47,278
Receivables (net of allowance for uncollectibles):			
Taxes receivable	61,567	-	61,567
Accounts receivable	150,058	141,621	291,679
Internal balances	39,089	(39,089)	-
Due from other governmental units	117,273	-	117,273
Other assets:			
Unamortized bond issue costs	84,810	20,380	105,190
Capital assets (net of accumulated depreciation):			
Land	1,478,700	22,868	1,501,568
Buildings and system	5,164,830	4,177,867	9,342,697
Machinery and equipment	1,744,176	76,236	1,820,412
Infrastructure	171,515	-	171,515
Construction in progress	-	120,267	120,267
Total assets	<u>\$ 11,682,159</u>	<u>\$ 4,911,715</u>	<u>\$ 16,593,874</u>
LIABILITIES			
Accounts payable	\$ 26,509	\$ 4,982	\$ 31,491
Customers' deposits	-	47,278	47,278
Accrued interest payable	56,906	20,350	77,256
Long-term liabilities:			
Due within one year	440,438	160,979	601,417
Due in more than one year	4,388,763	3,360,546	7,749,309
Total liabilities	<u>\$ 4,912,616</u>	<u>\$ 3,594,135</u>	<u>\$ 8,506,751</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 3,975,558	\$ 913,872	\$ 4,889,430
Unrestricted (deficit)	2,793,985	403,708	3,197,693
Total net assets	<u>\$ 6,769,543</u>	<u>\$ 1,317,580</u>	<u>\$ 8,087,123</u>

The notes to the financial statements are an integral part of this statement.

Town of Bluefield, Virginia
Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-type Activities	
			Grants and Contributions	Capital Grants and Contributions		Total	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,385,303	\$ -	\$ -	\$ -	\$ (1,385,303)	\$ -	\$ (1,385,303)
Public safety	1,514,967	117,319	207,756	-	(1,189,892)	-	(1,189,892)
Public works	1,643,054	333,718	994,711	200,000	(114,625)	-	(114,625)
Parks, recreation, and cultural	372,835	92,023	-	-	(280,812)	-	(280,812)
Community development	264,006	2,015	100,546	-	(161,445)	-	(161,445)
Interest on long-term debt	197,842	-	-	-	(197,842)	-	(197,842)
Total governmental activities	\$ 5,378,007	\$ 545,075	\$ 1,303,013	\$ 200,000	\$ (3,329,919)	\$ -	\$ (3,329,919)
Business-type activities:							
Water and Sewer	\$ 1,339,675	\$ 1,187,797	\$ -	\$ -	\$ -	\$ (151,878)	\$ (151,878)
Total primary government	\$ 6,717,682	\$ 1,732,872	\$ 1,303,013	\$ 200,000	\$ (3,329,919)	\$ (151,878)	\$ (3,481,797)
General revenues:							
General property taxes	\$ 945,358	\$ -	\$ -	\$ -	\$ 945,358	\$ -	\$ 945,358
Other local taxes:							
Local sales and use tax	336,943				336,943	-	336,943
Business license taxes	579,818				579,818	-	579,818
Restaurant food taxes	1,041,505				1,041,505	-	1,041,505
Other local taxes	490,979				490,979	-	490,979
Unrestricted revenues from use of money and property	5,243				5,243	784	6,027
Miscellaneous	64,770				64,770	-	64,770
Grants and contributions not restricted to specific programs	154,917				154,917	-	154,917
Total general revenues	\$ 3,619,533	\$ -	\$ -	\$ -	\$ 3,619,533	\$ 784	\$ 3,620,317
Change in net assets	\$ 289,614	\$ -	\$ -	\$ -	\$ 289,614	\$ (151,094)	\$ 138,520
Net assets - beginning	6,479,929				6,479,929	1,468,674	7,948,603
Net assets - ending	\$ 6,769,543	\$ -	\$ -	\$ -	\$ 6,769,543	\$ 1,317,580	\$ 8,087,123

The notes to the financial statements are an integral part of this statement.

Town of Bluefield, Virginia
Balance Sheet
Governmental Funds
June 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 828,724	\$ 91,485	\$ 920,209
Investments	1,696,157	53,775	1,749,932
Receivables (net of allowance for uncollectibles):			
Taxes receivable	61,567	-	61,567
Accounts receivable	150,058	-	150,058
Due from other funds	39,089	-	39,089
Due from other governmental units	108,684	8,589	117,273
Total assets	<u>\$ 2,884,279</u>	<u>\$ 153,849</u>	<u>\$ 3,038,128</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 24,262	\$ 2,247	\$ 26,509
Deferred revenue	55,553	-	55,553
Total liabilities	<u>\$ 79,815</u>	<u>\$ 2,247</u>	<u>\$ 82,062</u>
Fund balances:			
Unreserved, reported in:			
General fund	\$ 2,804,464	\$ -	\$ 2,804,464
Special revenue funds	-	151,602	151,602
Total fund balances	<u>\$ 2,804,464</u>	<u>\$ 151,602</u>	<u>\$ 2,956,066</u>
Total liabilities and fund balances	<u>\$ 2,884,279</u>	<u>\$ 153,849</u>	<u>\$ 3,038,128</u>

The notes to the financial statements are an integral part of this statement.

Town of Bluefield, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 June 30, 2010

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 2,956,066
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,559,221
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	55,553
Bond issuance costs are recorded as an expenditure in the fund financial statements, however issuance costs are amortized in the governmental activity financial statements using the effective interest method over the life of the related bonds.	84,810
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(4,886,107)
Net assets of governmental activities	<u>\$ 6,769,543</u>

The notes to the financial statements are an integral part of this statement.

Town of Bluefield, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 963,451	\$ -	\$ 963,451
Other local taxes	2,449,245	-	2,449,245
Permits, privilege fees, and regulatory licenses	25,799	-	25,799
Fines and forfeitures	51,535	-	51,535
Revenue from the use of money and property	4,529	714	5,243
Charges for services	422,107	45,634	467,741
Miscellaneous	57,670	7,100	64,770
Recovered costs	42,892	-	42,892
Intergovernmental revenues:			
Commonwealth	1,490,777	109,369	1,600,146
Federal	13,949	43,835	57,784
Total revenues	<u>\$ 5,521,954</u>	<u>\$ 206,652</u>	<u>\$ 5,728,606</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,068,112	\$ -	\$ 1,068,112
Public safety	1,449,174	-	1,449,174
Public works	1,333,788	222,287	1,556,075
Parks, recreation, and cultural	360,908	12,814	373,722
Community development	254,334	-	254,334
Non-departmental	118,976	-	118,976
Capital projects	167,640	-	167,640
Debt service:			
Principal retirement	308,402	-	308,402
Interest and other fiscal charges	195,148	-	195,148
Total expenditures	<u>\$ 5,256,482</u>	<u>\$ 235,101</u>	<u>\$ 5,491,583</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 265,472</u>	<u>\$ (28,449)</u>	<u>\$ 237,023</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 69,635	\$ 69,635
Transfers out	(69,635)	-	(69,635)
Issuance of capital leases	123,300	-	123,300
Total other financing sources (uses)	<u>\$ 53,665</u>	<u>\$ 69,635</u>	<u>\$ 123,300</u>
Net change in fund balances	\$ 319,137	\$ 41,186	\$ 360,323
Fund balances - beginning	2,485,327	110,416	2,595,743
Fund balances - ending	<u>\$ 2,804,464</u>	<u>\$ 151,602</u>	<u>\$ 2,956,066</u>

The notes to the financial statements are an integral part of this statement.

Town of Bluefield, Virginia
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2010

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

Net change in fund balances - total governmental funds	\$ 360,323
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.	(154,882)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(18,093)
The issuance of long-term debt (e.g. bonds, leases) 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 treatment of long-term debt and related items.	185,102
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.	(82,836)
Change in net assets of governmental activities	<u>\$ 289,614</u>

The notes to the financial statements are an integral part of this statement.

Town of Bluefield, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2010

	<u>Enterprise Fund Water and Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 220,745
Investments	123,542
Restricted cash and cash equivalents:	
Customers' deposits	47,278
Accounts receivable, net of allowance for uncollectibles	141,621
Total current assets	<u>\$ 533,186</u>
Noncurrent assets:	
Deferred charges	\$ 20,380
Capital assets:	
Land	22,868
Utility plant in service	7,389,242
Machinery and equipment	194,291
Less accumulated depreciation	(3,329,430)
Construction in progress	120,267
Total capital assets	<u>\$ 4,397,238</u>
Total noncurrent assets	<u>\$ 4,417,618</u>
Total assets	<u>\$ 4,950,804</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 4,982
Customers' deposits	47,278
Accrued interest payable	20,350
Due to other funds	39,089
Compensated absences	28,619
Bonds payable - current portion	123,061
Leases and other obligations - current portion	9,299
Total current liabilities	<u>\$ 272,678</u>
Noncurrent liabilities:	
Revenue bonds payable - net of current portion	\$ 3,346,667
Compensated absences - net of current portion	9,540
Long-term lease and other obligations - net of current portion	4,339
Total noncurrent liabilities	<u>\$ 3,360,546</u>
Total liabilities	<u>\$ 3,633,224</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 913,872
Unrestricted	403,708
Total net assets	<u>\$ 1,317,580</u>

The notes to the financial statements are an integral part of this statement.

Town of Bluefield, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	Enterprise Fund Water and Sewer
OPERATING REVENUES	
Charges for services:	
Water/sewer revenues	\$ 1,187,797
Total operating revenues	<u>\$ 1,187,797</u>
OPERATING EXPENSES	
Salaries and fringes	\$ 566,422
Utilities	70,963
Maintenance and repairs	161,606
Office expense	24,512
Chemicals	61,305
Permits	6,451
Professional services	11,058
Miscellaneous	830
Depreciation	284,775
Total operating expenses	<u>\$ 1,187,922</u>
Operating income (loss)	<u>\$ (125)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	\$ 784
Interest expense	(151,753)
Total nonoperating revenues (expenses)	<u>\$ (150,969)</u>
Change in net assets	<u>\$ (151,094)</u>
Total net assets - beginning	1,468,674
Total net assets - ending	<u><u>\$ 1,317,580</u></u>

The notes to the financial statements are an integral part of this statement.

Town of Bluefield, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	<u>Enterprise Fund Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,164,623
Payments to and for employees	(585,798)
Payments for goods and services	(337,585)
Net cash provided (used) by operating activities	<u>\$ 241,240</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (26,402)
Principal payments on bonds	(119,564)
Principal payments on lease obligations	(11,113)
Interest payments	(152,621)
Net cash provided (used) by capital and related financing activities	<u>\$ (309,700)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 784
Net cash provided (used) by investing activities	<u>\$ 784</u>
Net increase (decrease) in cash and cash equivalents	\$ (67,676)
Cash and cash equivalents - beginning	459,241
Cash and cash equivalents - ending	<u><u>\$ 391,565</u></u>
Reconciliation of operating income (loss) to net cash provided(used) by operating activities:	
Operating income (loss)	\$ (125)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	\$ 284,775
(Increase) decrease in accounts receivable	(30,754)
Increase (decrease) in customer deposits	7,580
Increase (decrease) in accounts payable	(1,736)
Increase (decrease) in accrued wages	(14,588)
Increase (decrease) in compensated absences	(4,788)
Increase (decrease) in due to other funds	876
Total adjustments	<u>\$ 241,365</u>
Net cash provided (used) by operating activities	<u><u>\$ 241,240</u></u>

The notes to the financial statements are an integral part of this statement.

Town of Bluefield, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	<u>Cemetery Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 187,422
Investments	327,983
Total assets	<u>\$ 515,405</u>
NET ASSETS	
Held in trust for Cemetery expenses	<u>\$ 515,405</u>

The notes to the financial statements are an integral part of this statement.

Town of Bluefield, Virginia
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2010

	<u>Cemetery Trust Fund</u>
ADDITIONS	
Contributions:	
Contributions from the Town of Bluefield	\$ 4,367
Total contributions	<u>\$ 4,367</u>
Investment earnings:	
Interest	\$ 18,445
Net increase (decrease) in the fair market value of investments	5,297
Total investment earnings	<u>\$ 23,742</u>
Less investment expense	<u>(2,737)</u>
Net investment earnings	<u>\$ 21,005</u>
Total additions	<u>\$ 25,372</u>
Change in net assets	\$ 25,372
Net assets - beginning	490,033
Net assets - ending	<u><u>\$ 515,405</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF BLUEFIELD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1-Summary of Significant Accounting Policies:

The financial statements of the Town conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. Reporting Entity:

The Town of Bluefield, Virginia (government) is a municipal corporation governed by an elected six-member Town Council. The accompanying financial statements present the government. Related organizations, if any, are described below.

Blended Component Units - None

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations – Sanitary Board of Bluefield

B. Government-wide financial statements:

The government-wide financial statements (i.e., the statement of net assets 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*.

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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 1-Summary of Significant Accounting Policies: (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 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. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The government 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 other funds.

The government reports the following major proprietary funds:

The Town operates a sewage collection and treatment system and a water distribution system. The activities of the systems are accounted for in the water and sewer fund.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 1-Summary of Significant Accounting Policies: (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (Continued)

Additionally, the government reports the following fund type:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Trust funds consist of the Cemetery Fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's water and sewer function 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 *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, liabilities, and net assets or equity:

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the government are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, and net assets or equity: (Continued)

2. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on December 5th. Personal property taxes are due and collectible annually on December 5th. The Town bills and collects its own property taxes.

3. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$145,130 at June 30, 2010. The allowance consists of delinquent taxes in the amount of \$106,963 and delinquent water and sewer bills of \$38,167.

4. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) 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 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost 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 was capitalized in the enterprise fund in the current or prior fiscal year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, and net assets or equity: (Continued)

5. Capital assets (Continued)

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

Assets	Years
Buildings	20 - 40
Building improvements	20 - 40
Utility plant and equipment	10 - 40
Machinery and equipment	4 - 30
Infrastructure	10 - 40

6. Compensated absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The Town accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

7. Long-term obligations

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, and net assets or equity: (Continued)

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets.

10. Interfund Transfers

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Note 2-Reconciliation of Government-Wide and Fund Financial Statements:

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$(4,886,107) difference for the primary government are as follows:

	Primary Government
Bonds payable	\$ (3,320,000)
Capital Leases	(1,187,539)
Interest payable	(56,906)
Tax exempt loan	(76,124)
Net OPEB Obligation	(37,780)
Compensated absences	(207,758)
	<hr/>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ (4,886,107)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (Continued)

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$(154,882) difference for the primary government are as follows:

	<u>Primary Government</u>
Capital outlays	\$ 323,394
Depreciation expense	<u>(478,276)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (154,882)</u>

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) 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." The details of this \$185,102 difference in the primary government are as follows:

	<u>Primary Government</u>
Debt Issued or incurred:	
Issuance of capital leases	\$ (123,300)
Principal repayments:	
General obligation debt	100,000
Tax exempt loan	25,249
Capital leases	<u>183,153</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 185,102</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (Continued)

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities: (Continued)

Another element of that reconciliation states, "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." The details of this \$(82,836) difference for the primary government are as follows:

	Primary Government
(Increase) Decrease in compensated absences	\$ (42,362)
(Increase) Decrease in accrued interest	1,354
(Increase) Decrease in Net OPEB Obligation	(37,780)
Amortization of bond issuance costs	<u>(4,048)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ (82,836)</u>

Note 3-Stewardship, Compliance, and Accountability:

- A. Budgetary information

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

1. Prior to May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The General, Water and Sewer, Transit, and Cemetery Funds have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. Only the Town Council can revise the appropriation for each fund. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units.
8. The accompanying financial statements present the original and revised budgets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 3-Stewardship, Compliance, and Accountability: (Continued)

A. Budgetary information (Continued)

9. 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 applicable appropriations, is not part of the Town's accounting system.

B. Excess of expenditures over appropriations

The Treasurer, Fire Department, Town Hall Buildings Maintenance, Cemetery, and Special Projects departments exceeded its appropriations.

C. Deficit fund equity

At June 30, 2010, no funds had deficit fund equity.

Note 4-Deposits and Investments:

Deposits: All cash of the Town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities: The Town has not adopted an investment policy for credit risk. The Town's rated debt investments as of June 30, 2010 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

Town's Rated Debt Investments' Values			
Rated Debt Investments	Fair Quality Ratings		
	AAA ^{Am}	AAA	Unrated
LGIP	\$ 1,854,942	\$ -	\$ -
First American Prime Obligation Fund	18,532	-	-
US Government Agency Obligations	-	130,982	197,001
	<u>\$ 1,873,474</u>	<u>\$ 130,982</u>	<u>\$ 197,001</u>

The fair value of the positions in the external investment pool (Local Government Investment Pool (LGIP)) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a - 7.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 4-Deposits and Investments: (Continued)Interest Rate Risk:

The Town has not adopted an investment policy for interest rate risk. Listed below are the Town's investments subject to investment rate risk and their corresponding maturity dates.

Investment Type	Investment Maturities (in years)		
	Fair Value	1-5 yrs	6-10 yrs
US Government Agency Obligations	\$ 327,983	\$ 181,709	\$ 146,274

Investment Type	Fair Value	Maturity Date	Call Options
Government Agency Obligations (U.S. Agencies):			
Federal Home Loan Mortgage	\$ 20,023	10/13/2017	None
Federal Home Loan Mortgage	25,033	7/29/2013	None
Federal Farm Credit Banks	40,788	4/8/2016	None
Federal Home Loan Banks	30,122	12/17/2013	None
Federal Home Loan Banks	50,157	11/10/2016	None
Federal Home Loan Banks	50,703	11/20/2014	None
Federal National Mortgage Association	25,414	1/28/2015	None
Federal National Mortgage Association	35,306	11/18/2015	None
Federal National Mortgage Association	50,437	5/18/2015	None
	<u>\$ 327,983</u>		

Note 5-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	Primary Government
<u>Commonwealth of Virginia:</u>	
Local sales tax	\$ 58,414
Categorical aid - Fire Funds	42,000
Non-Categorical aid	8,270
<u>Federal Government:</u>	
Federal transit authority	<u>8,589</u>
Total	<u>\$ 117,273</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 6-Interfund Activity:

Interfund transfers for the year ended June 30, 2010, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 69,635
Public Transit Fund	69,635	-
Total	<u>\$ 69,635</u>	<u>\$ 69,635</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>
General Fund	\$ -	\$ 39,089
Water and Sewer Fund	39,089	-
Total	<u>\$ 39,089</u>	<u>\$ 39,089</u>

During fiscal year 2009, the Town's General Fund loaned the Water and Sewer Fund \$38,213. In fiscal year 2010, that amount grew to \$39,089. There are no repayment terms.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 7-Long-Term Debt:Primary Government - Governmental Activity Indebtedness:

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

Year Ending June 30,	General Obligation Bonds		Tax Exempt Loan	
	Principal	Interest	Principal	Interest
2011	\$ 105,000	\$ 134,869	\$ 25,798	\$ 2,917
2012	110,000	131,237	26,981	1,734
2013	115,000	127,300	23,345	503
2014	115,000	123,131	-	-
2015	120,000	118,575	-	-
2016-2020	675,000	515,375	-	-
2021-2025	830,000	363,381	-	-
2026-2030	1,020,000	165,813	-	-
2031	230,000	5,031	-	-
Totals	\$ 3,320,000	\$ 1,684,712	\$ 76,124	\$ 5,154

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2010:

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
General obligation bonds	\$ 3,420,000	\$ -	\$ (100,000)	\$ 3,320,000
Lease purchase agreements (Note 8)	1,247,392	123,300	(183,153)	1,187,539
Tax exempt loan	101,373	-	(25,249)	76,124
Net OPEB Obligation (Note 13)	-	64,842	(27,062)	37,780
Compensated absences	165,396	166,409	(124,047)	207,758
Total	\$ 4,934,161	\$ 354,551	\$ (459,511)	\$ 4,829,201

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 7-Long-Term Debt: (Continued)Primary Government - Governmental Activity Indebtedness: (Continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>General Obligation Bond:</u>		
\$3,705,000 general obligation bond bearing interest at 4.17%, issued July 1, 2005, payable in annual installments varying from \$90,000 to \$215,000 beginning August 1, 2006. Interest payments are due semi-annually on August 1st and February 1st.	\$ 3,320,000	\$ 105,000
<u>Tax Exempt Loan:</u>		
\$231,000 tax exempt loan issued January 15, 2003 bearing interest at 4.49%, payable in monthly installments of \$2,393 including principal and interest through September 2013	\$ 76,124	\$ 25,798
<u>Other Obligations:</u>		
Lease purchase agreement (Note 8)	\$ 1,187,539	\$ 153,821
Net OPEB Obligation (Note 13)	37,780	-
Compensated absences	207,758	155,819
Total Other Obligations	\$ 1,433,077	\$ 309,640
Total Long-Term Obligations	\$ 4,829,201	\$ 440,438

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 7-Long-Term Debt: (Continued)Primary Government-Enterprise Activity Indebtedness:

Annual requirements to amortize long-term obligations and the related interest are as follows:

Year Ending June 30,	Refunding Bond		Rural Development Bond	
	Principal	Interest	Principal	Interest
2011	\$ 80,000	\$ 30,450	\$ 41,285	\$ 115,735
2012	75,000	27,450	43,074	113,946
2013	75,000	24,450	44,940	112,079
2014	75,000	21,263	46,888	110,132
2015	75,000	18,450	48,920	108,100
2016-2020	330,000	44,963	278,301	506,799
2021-2025	-	-	344,063	441,036
2026-2030	-	-	425,366	359,734
2031-2035	-	-	525,881	259,219
2036-2040	-	-	650,148	134,952
2041-2042	-	-	293,102	12,808
Totals	<u>\$ 710,000</u>	<u>\$ 167,026</u>	<u>\$ 2,741,968</u>	<u>\$ 2,274,540</u>

The following is a summary of long-term debt transactions of the Enterprise Fund for the year ended June 30, 2010:

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
Refunding bond	\$ 790,000	\$ -	\$ (80,000)	\$ 710,000
Unamortized Premium	19,536	-	(1,776)	17,760
Rural Development Bond	2,781,532	-	(39,564)	2,741,968
Lease purchase agreement (Note 8)	24,751	-	(11,113)	13,638
Compensated absences	42,947	27,422	(32,210)	38,159
Total	<u>\$ 3,658,766</u>	<u>\$ 27,422</u>	<u>\$ (164,663)</u>	<u>\$ 3,521,525</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 7-Long-Term Debt: (Continued)Primary Government-Enterprise Activity Indebtedness: (Continued)Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Refunding Bond:</u>		
\$1,010,000 general obligation bond bearing interest at 4.22%, issued February 8, 2007, payable in semi-annual principal installments of \$37,500 plus interest thereon through December 2021	\$ 710,000	\$ 80,000
Plus: Unamortized Premium on Refunding	<u>17,760</u>	<u>1,776</u>
Total Refunding Bond	<u>\$ 727,760</u>	<u>\$ 81,776</u>
<u>Rural Development Bond:</u>		
\$2,987,400 revenue bond bearing interest at 4.25% issued December 6, 2004, an interest only payment is due on December 6, 2005. Beginning January 6, 2006 monthly installments of \$13,085 are due through December 2042.	<u>\$ 2,741,968</u>	<u>\$ 41,285</u>
<u>Other Obligations:</u>		
Lease Purchase Agreement (Note 8)	\$ 13,638	\$ 9,299
Compensated absences	<u>38,159</u>	<u>28,619</u>
Total Other Obligations	<u>\$ 51,797</u>	<u>\$ 37,918</u>
Total Long-Term Obligations	<u>\$ 3,521,525</u>	<u>\$ 160,979</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 8-Capital Lease:

The Town has entered into several lease agreements to finance the acquisition of several pieces of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception dates.

The assets acquired through capital leases are as follows:

	Governmental Activities	Enterprise Activities
Asset:		
Machinery and equipment	\$ 1,410,119	\$ 58,850
Less: Accumulated depreciation	<u>(187,007)</u>	<u>(32,054)</u>
Total	<u>\$ 1,223,112</u>	<u>\$ 26,796</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, were as follows:

Fiscal Year Ended	Governmental Activities	Enterprise Activities
2011	\$ 227,982	\$ 9,689
2012	211,941	4,382
2013	175,921	-
2014	137,871	-
2015	135,101	-
2016-2020	<u>506,628</u>	<u>-</u>
Total minimum lease payments	\$ 1,395,444	\$ 14,071
Less: Amount representing interest	<u>(207,905)</u>	<u>(433)</u>
Present value of minimum lease payments	<u>\$ 1,187,539</u>	<u>\$ 13,638</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 9-Employee Retirement System and Pension Plans:

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the Town of Bluefield, Virginia 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 of Bluefield, Virginia's contribution rate for the fiscal year ended 2010 was 2.35% of annual covered payroll.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 9-Employee Retirement System and Pension Plans: (Continued)

C. Annual Pension Cost

Primary Government:

For fiscal year 2010, the Town of Bluefield, Virginia's annual pension cost of \$139,775 (which includes the employee portion of \$44,690) was equal to the Town of Bluefield, Virginia's required and actual contributions.

Three - Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)*	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$ 139,775	100.00%	\$ -
6/30/2009	141,382	100.00%	-
6/30/2008	167,317	100.00%	-

* Employer and employee portion

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town of Bluefield, Virginia'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.

D. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 103.94% funded. The actuarial accrued liability for benefits was \$4,047,412, and the actuarial value of assets was \$4,207,029, resulting in an unfunded actuarial accrued liability (UAAL) of (\$159,617). The covered payroll (annual payroll of active employees covered by the plan) was \$1,895,720, and ratio of the UAAL to the covered payroll was -8.42%.

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 liability (AAL) for benefits.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 10-Capital Assets:

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,478,700	\$ -	\$ -	\$ 1,478,700
Total capital assets not being depreciated	<u>\$ 1,478,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,478,700</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 6,367,185	\$ 24,040	\$ -	\$ 6,391,225
Machinery and equipment	4,651,727	281,335	(358,432)	4,574,630
Infrastructure	160,305	18,019	-	178,324
Total capital assets being depreciated	<u>\$ 11,179,217</u>	<u>\$ 323,394</u>	<u>\$ (358,432)</u>	<u>\$ 11,144,179</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (1,014,867)	\$ (211,528)	\$ -	\$ (1,226,395)
Machinery and equipment	(2,926,521)	(262,365)	358,432	(2,830,454)
Infrastructure	(2,426)	(4,383)	-	(6,809)
Total accumulated depreciation	<u>\$ (3,943,814)</u>	<u>\$ (478,276)</u>	<u>\$ 358,432</u>	<u>\$ (4,063,658)</u>
Total capital assets being depreciated, net	<u>\$ 7,235,403</u>	<u>\$ (154,882)</u>	<u>\$ -</u>	<u>\$ 7,080,521</u>
Governmental activities capital assets, net	<u>\$ 8,714,103</u>	<u>\$ (154,882)</u>	<u>\$ -</u>	<u>\$ 8,559,221</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 10-Capital Assets: (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 22,868	\$ -	\$ -	\$ 22,868
Construction in progress	101,465	18,802	-	120,267
Total capital assets not being depreciated	<u>\$ 124,333</u>	<u>\$ 18,802</u>	<u>\$ -</u>	<u>\$ 143,135</u>
Capital assets, being depreciated:				
Utility plant and equipment	\$ 7,389,242	\$ -	\$ -	\$ 7,389,242
Machinery and equipment	186,691	7,600	-	194,291
Total capital assets being depreciated	<u>\$ 7,575,933</u>	<u>\$ 7,600</u>	<u>\$ -</u>	<u>\$ 7,583,533</u>
Less: accumulated depreciation for:				
Utility plant and equipment	\$ (2,942,424)	\$ (268,951)	\$ -	\$ (3,211,375)
Machinery and equipment	(102,231)	(15,824)	-	(118,055)
Total accumulated depreciation	<u>\$ (3,044,655)</u>	<u>\$ (284,775)</u>	<u>\$ -</u>	<u>\$ (3,329,430)</u>
Total capital assets being depreciated, net	<u>\$ 4,531,278</u>	<u>\$ (277,175)</u>	<u>\$ -</u>	<u>\$ 4,254,103</u>
Business-Type activities capital assets, net	<u>\$ 4,655,611</u>	<u>\$ (258,373)</u>	<u>\$ -</u>	<u>\$ 4,397,238</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 10-Capital Assets: (Continued)

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

Governmental activities:	
General government	\$ 197,454
Public safety	162,556
Public works	109,703
Parks, recreation, and culture	<u>8,563</u>
Total depreciation expense-governmental activities	<u>\$ 478,276</u>
Business type activities:	
Water and Sewer	<u>\$ 284,775</u>
Total depreciation expense-business type activities	<u>\$ 284,775</u>

Note 11-Surety Bonds:

<i>Acordia of West Virginia:</i>	
All Town Employees - blanket bond	\$ 25,000

Note 12-Risk Management:

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Claims resulting from losses have not exceeded coverage in any of the prior three fiscal years.

Note 13-Other Post-Employment Benefits:

From an accrual accounting perspective, the cost of post-employment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2010, the Town of Bluefield, Virginia recognizes the cost of post-employment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the Town of Bluefield, Virginia's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2010 liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

Note 13-Other Post-Employment Benefits: (Continued)**A. Plan Description**

The Town of Bluefield, Virginia administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees and their dependents in the health insurance programs available to Town of Bluefield, Virginia employees. The Plan will provide retiring employees, spouses, and children with the option to continue health insurance offered by the Town of Bluefield, Virginia until retirees' death.

To be eligible for this benefit a retiree must meet at least the following criteria: attained age 50 and 10 years of service. The benefits, employee contributions and the employer contributions are governed by the Town Council and can be amended through Council action. The Plan does not issue a publicly available financial report.

B. Funding Policy

The Town of Bluefield, Virginia currently pays for the post-retirement health care benefits on a pay-as-you-go basis. The Town currently has 59 employees that are eligible for the program. In addition, for retiree's pre-Medicare eligible, retiree pays active employee rate. For retirees 65 years of age and older, the retiree pays full cost of the Medicare Supplement. The retiree at any age must pay 100% of the spousal employee premium. All coverage ceases at the retiree's death.

Health benefits include Medical, Dental, Prescription drug, and Vision coverage for retirees and eligible spouses/dependents. The rates are as follows:

	<u>Retiree</u>	<u>Married</u>	<u>Family</u>
Pre-Medicare Eligible	\$ 541	\$ 1,001	\$ 1,461
Post-Medicare Eligible	\$ 181	N/A	N/A

C. Annual OPEB Cost and Net OPEB Obligation:

The Town of Bluefield, Virginia's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution* of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

Annual required contribution	\$ 64,842
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	64,842
Contributions made	(27,062)
Increase in net OPEB obligation	37,780
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ 37,780

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 13-Other Post-Employment Benefits: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were 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>
6/30/2010 \$	64,842	41.74% \$	37,780
*only available for one year			

D. Funded Status and Funding Progress

The funded status of the Plan for the Town as of June 30, 2010, is as follows:

Actuarial accrued liability (AAL)	\$	545,701
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	\$	545,701
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	1,992,617
UAAL as a percentage of covered payroll		27.39%

Actuarial valuation of an ongoing plan involves 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 the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions 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, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. 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 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 13-Other Post-Employment Benefits: (Continued)

E. Actuarial Methods and Assumptions (Continued)

In the June 30, 2010 actuarial valuation, the Entry Age Normal cost method was used. Under this method, the actuarial present value of projected benefits of every active participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service: inflations at 3.00 percent, plus productivity component of 1.25 percent, and investment's rate of return at 4.00 percent, and a health care trend rate of 8.00 percent graded to 4.70 percent over 10 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2010 was 30 years.

Note 14-Commitments and Contingencies:

The Town has obligated funds for the construction projects as follows:

Contractor	Project	Contract Total	Paid as of 6/30/2010	Contract Remaining
T&L Construction	Route 460 Water Extension	\$ 148,145	\$ 120,267	\$ 27,878

Note 15—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$55,553.

Required Supplementary Information

Town of Bluefield, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 990,300	\$ 999,400	\$ 963,451	\$ (35,949)
Other local taxes	2,355,400	2,355,400	2,449,245	93,845
Permits, privilege fees, and regulatory licenses	36,000	36,000	25,799	(10,201)
Fines and forfeitures	46,000	46,000	51,535	5,535
Revenue from the use of money and property	35,000	35,000	4,529	(30,471)
Charges for services	496,189	496,189	422,107	(74,082)
Miscellaneous	149,350	149,350	57,670	(91,680)
Recovered costs	35,000	35,000	42,892	7,892
Intergovernmental revenues:				
Commonwealth	1,180,920	1,561,623	1,490,777	(70,846)
Federal	-	-	13,949	13,949
Total revenues	\$ 5,324,159	\$ 5,713,962	\$ 5,521,954	\$ (192,008)
EXPENDITURES				
Current:				
General government administration	\$ 1,143,537	\$ 1,152,637	\$ 1,068,112	\$ 84,525
Public safety	1,505,646	1,589,661	1,449,174	140,487
Public works	1,286,029	1,486,029	1,333,788	152,241
Parks, recreation, and cultural	386,751	386,751	360,908	25,843
Community development	200,173	300,719	254,334	46,385
Non-departmental	148,452	148,452	118,976	29,476
Capital projects	228,206	228,206	167,640	60,566
Debt service:				
Principal retirement	296,097	296,097	308,402	(12,305)
Interest and other fiscal charges	187,362	187,362	195,148	(7,786)
Total expenditures	\$ 5,382,253	\$ 5,775,914	\$ 5,256,482	\$ 519,432
Excess (deficiency) of revenues over (under) expenditures	\$ (58,094)	\$ (61,952)	\$ 265,472	\$ 327,424
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 10,500	\$ 10,500	\$ -	\$ (10,500)
Transfers out	(147,406)	(147,406)	(69,635)	77,771
Issuance of capital leases	195,000	195,000	123,300	(71,700)
Total other financing sources and uses	\$ 58,094	\$ 58,094	\$ 53,665	\$ (4,429)
Net change in fund balances	\$ -	\$ (3,858)	\$ 319,137	\$ 322,995
Fund balances - beginning	-	3,858	2,485,327	2,481,469
Fund balances - ending	\$ -	\$ -	\$ 2,804,464	\$ 2,804,464

Town of Bluefield, Virginia
Schedule of OPEB and Pension Funding Progress
As of June 30, 2010

Primary Government:

Town Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2009	\$ 4,207,029	\$ 4,047,412	\$ (159,617)	103.94%	\$ 1,895,720	-8.42%
6/30/2008	4,136,117	3,748,023	(388,094)	110.35%	1,710,402	-22.69%
6/30/2007	3,719,154	3,370,156	(348,998)	110.36%	1,611,363	-21.66%

Town Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ -	\$ 545,701	\$ 545,701	0.00%	\$ 1,992,617	27.39%

OTHER SUPPLEMENTARY INFORMATION SECTION

Supplementary Financial Statements

Town of Bluefield, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue Funds		
	Public Transit Fund	Cemetery Fund	Total
ASSETS			
Cash and cash equivalents	\$ 23,173	\$ 68,312	\$ 91,485
Due from other governmental units	8,589	-	8,589
Investments	-	53,775	53,775
Total assets	<u>\$ 31,762</u>	<u>\$ 122,087</u>	<u>\$ 153,849</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,092	\$ 155	\$ 2,247
Total liabilities	<u>\$ 2,092</u>	<u>\$ 155</u>	<u>\$ 2,247</u>
Fund balances:			
Unreserved:			
Designated for subsequent expenditure	\$ 29,670	\$ 121,932	\$ 151,602
Total fund balances	<u>\$ 29,670</u>	<u>\$ 121,932</u>	<u>\$ 151,602</u>
Total liabilities and fund balances	<u>\$ 31,762</u>	<u>\$ 122,087</u>	<u>\$ 153,849</u>

Town of Bluefield, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue Funds		
	Public Transit Fund	Cemetery Fund	Total
REVENUES			
Revenue from the use of money and property	\$ -	\$ 714	\$ 714
Charges for services	7,259	38,375	45,634
Miscellaneous	7,100	-	7,100
Intergovernmental revenues:			
Commonwealth	109,369	-	109,369
Federal	43,835	-	43,835
Total revenues	\$ 167,563	\$ 39,089	\$ 206,652
EXPENDITURES			
Current:			
Public works	\$ 222,287	\$ -	\$ 222,287
Parks, recreation, and cultural	-	12,814	12,814
Total expenditures	\$ 222,287	\$ 12,814	\$ 235,101
Excess (deficiency) of revenues over (under) expenditures	\$ (54,724)	\$ 26,275	\$ (28,449)
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 69,635	\$ -	\$ 69,635
Total other financing sources and uses	\$ 69,635	\$ -	\$ 69,635
Net change in fund balances	\$ 14,911	\$ 26,275	\$ 41,186
Fund balances - beginning	14,759	95,657	110,416
Fund balances - ending	\$ 29,670	\$ 121,932	\$ 151,602

Town of Bluefield, Virginia
Public Transit Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 10,500	\$ 10,500	\$ -	\$ (10,500)
Charges for services	9,000	9,000	7,259	(1,741)
Miscellaneous	1,000	1,000	7,100	6,100
Intergovernmental revenues:				
Commonwealth	22,688	191,797	109,369	(82,428)
Federal	103,385	103,385	43,835	(59,550)
Total revenues	<u>\$ 146,573</u>	<u>\$ 315,682</u>	<u>\$ 167,563</u>	<u>\$ (148,119)</u>
EXPENDITURES				
Current:				
Public works	\$ 221,219	\$ 390,328	\$ 222,287	\$ 168,041
Total expenditures	<u>\$ 221,219</u>	<u>\$ 390,328</u>	<u>\$ 222,287</u>	<u>\$ 168,041</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (74,646)</u>	<u>\$ (74,646)</u>	<u>\$ (54,724)</u>	<u>\$ 19,922</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 74,646	\$ 74,646	\$ 69,635	\$ (5,011)
Total other financing sources and uses	<u>\$ 74,646</u>	<u>\$ 74,646</u>	<u>\$ 69,635</u>	<u>\$ (5,011)</u>
Net change in fund balances	\$ -	\$ -	\$ 14,911	\$ 14,911
Fund balances - beginning	-	-	14,759	14,759
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,670</u>	<u>\$ 29,670</u>

Town of Bluefield, Virginia
Cemetery Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>		Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>			
REVENUES					
Revenue from the use of money and property	\$ 1,050	\$ 1,050	\$ 714	\$ (336)	
Charges for services	32,000	32,000	38,375	6,375	
Total revenues	\$ 33,050	\$ 33,050	\$ 39,089	\$ 6,039	
EXPENDITURES					
Current:					
Parks, recreation, and cultural	\$ 33,050	\$ 33,050	\$ 12,814	\$ 20,236	
Total expenditures	\$ 33,050	\$ 33,050	\$ 12,814	\$ 20,236	
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 26,275	\$ 26,275	
Net change in fund balances	\$ -	\$ -	\$ 26,275	\$ 26,275	
Fund balances - beginning	-	-	95,657	95,657	
Fund balances - ending	\$ -	\$ -	\$ 121,932	\$ 121,932	

Supporting Schedules

Town of Bluefield, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 1
Page 1 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 700,000	\$ 700,000	\$ 673,142	\$ (26,858)
Real and Personal PSC Tax	26,000	26,000	21,736	(4,264)
Personal Property Tax	232,500	241,600	267,368	25,768
Mobile Home Tax	1,500	1,500	1,205	(295)
Machinery and Tools Tax	24,000	24,000	-	(24,000)
Penalties	5,000	5,000	-	(5,000)
Interest	1,300	1,300	-	(1,300)
Total general property taxes	<u>\$ 990,300</u>	<u>\$ 999,400</u>	<u>\$ 963,451</u>	<u>\$ (35,949)</u>
Other local taxes:				
Local sales and use taxes	\$ 335,000	\$ 335,000	\$ 336,943	\$ 1,943
Consumers' utility taxes	130,000	130,000	125,544	(4,456)
Cigarette Tax	205,000	205,000	173,552	(31,448)
Business license taxes	498,400	498,400	579,818	81,418
Consumption taxes	36,000	36,000	30,907	(5,093)
Motor vehicle licenses	1,000	1,000	2,149	1,149
Bank stock taxes	150,000	150,000	158,827	8,827
Restaurant food taxes	1,000,000	1,000,000	1,041,505	41,505
Total other local taxes	<u>\$ 2,355,400</u>	<u>\$ 2,355,400</u>	<u>\$ 2,449,245</u>	<u>\$ 93,845</u>
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 32,000	\$ 32,000	\$ 23,784	\$ (8,216)
Zoning permits	2,500	2,500	1,261	(1,239)
Erosion and sediment permits	1,000	1,000	754	(246)
Permits and other licenses	500	500	-	(500)
Total permits, privilege fees, and regulatory licenses	<u>\$ 36,000</u>	<u>\$ 36,000</u>	<u>\$ 25,799</u>	<u>\$ (10,201)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 46,000	\$ 46,000	\$ 51,535	\$ 5,535
Total fines and forfeitures	<u>\$ 46,000</u>	<u>\$ 46,000</u>	<u>\$ 51,535</u>	<u>\$ 5,535</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 35,000	\$ 35,000	\$ 4,529	\$ (30,471)
Total revenue from use of money and property	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 4,529</u>	<u>\$ (30,471)</u>
Charges for services:				
Charges for recreation user fees	\$ 8,000	\$ 8,000	\$ 6,335	\$ (1,665)
Charges for fire calls	56,062	56,062	42,000	(14,062)
Charges for weed cutting	1,000	1,000	-	(1,000)
Charges for refuse collections	330,383	330,383	326,459	(3,924)
Charges for container rent	58,244	58,244	-	(58,244)
Charges for Harmony Acres pool	42,500	42,500	47,313	4,813
Total charges for services	<u>\$ 496,189</u>	<u>\$ 496,189</u>	<u>\$ 422,107</u>	<u>\$ (74,082)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 149,350	\$ 149,350	\$ 57,670	\$ (91,680)
Total miscellaneous revenue	<u>\$ 149,350</u>	<u>\$ 149,350</u>	<u>\$ 57,670</u>	<u>\$ (91,680)</u>
Recovered costs:				
Other recovered costs	\$ 35,000	\$ 35,000	\$ 42,892	\$ 7,892
Total recovered costs	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 42,892</u>	<u>\$ 7,892</u>
Total revenue from local sources	<u>\$ 4,143,239</u>	<u>\$ 4,152,339</u>	<u>\$ 4,017,228</u>	<u>\$ (135,111)</u>

Town of Bluefield, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 1
Page 2 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund :(Continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 2,977	\$ 2,977	\$ -	\$ (2,977)
Wine taxes	3,120	3,120	-	(3,120)
Rolling stock tax	5,500	5,500	-	(5,500)
Mobile home titling tax	750	750	795	45
Telecommunications Tax	44,000	44,000	45,675	1,675
Personal property tax relief funds	108,477	108,477	108,447	(30)
Total noncategorical aid	<u>\$ 164,824</u>	<u>\$ 164,824</u>	<u>\$ 154,917</u>	<u>\$ (9,907)</u>
Other categorical aid:				
DJCP law enforcement grants	\$ 180,466	\$ 205,717	\$ 131,196	\$ (74,521)
Litter control grant	2,100	2,100	4,345	2,245
State fire funds	8,500	63,406	62,611	(795)
Street maintenance	825,030	1,025,030	837,162	(187,868)
VDOT revenue sharing	-	-	200,000	200,000
Sanders house improvements	-	100,546	100,546	-
Total other categorical aid	<u>\$ 1,016,096</u>	<u>\$ 1,396,799</u>	<u>\$ 1,335,860</u>	<u>\$ (60,939)</u>
Total categorical aid	<u>\$ 1,180,920</u>	<u>\$ 1,561,623</u>	<u>\$ 1,490,777</u>	<u>\$ (70,846)</u>
Total revenue from the Commonwealth	<u>\$ 1,180,920</u>	<u>\$ 1,561,623</u>	<u>\$ 1,490,777</u>	<u>\$ (70,846)</u>
Revenue from the Federal Government:				
Categorical aid:				
Department of transportation	\$ -	\$ -	\$ 13,949	\$ 13,949
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,949</u>	<u>\$ 13,949</u>
Total General Fund	<u>\$ 5,324,159</u>	<u>\$ 5,713,962</u>	<u>\$ 5,521,954</u>	<u>\$ (192,008)</u>
Special Revenue Funds:				
Public Transit Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 10,500	\$ 10,500	\$ -	\$ (10,500)
Total revenue from use of money and property	<u>\$ 10,500</u>	<u>\$ 10,500</u>	<u>\$ -</u>	<u>\$ (10,500)</u>
Charges for services:				
Charges for fares	\$ 9,000	\$ 9,000	\$ 7,259	\$ (1,741)
Total charges for services	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 7,259</u>	<u>\$ (1,741)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 1,000	\$ 1,000	\$ 7,100	\$ 6,100
Total miscellaneous revenue	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 7,100</u>	<u>\$ 6,100</u>
Total revenue from local sources	<u>\$ 20,500</u>	<u>\$ 20,500</u>	<u>\$ 14,359</u>	<u>\$ (6,141)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Public transportation grant	\$ 22,688	\$ 191,797	\$ 109,369	\$ (82,428)
Total categorical aid	<u>\$ 22,688</u>	<u>\$ 191,797</u>	<u>\$ 109,369</u>	<u>\$ (82,428)</u>
Total revenue from the Commonwealth	<u>\$ 22,688</u>	<u>\$ 191,797</u>	<u>\$ 109,369</u>	<u>\$ (82,428)</u>

Town of Bluefield, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 1
Page 3 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Public Transit Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Public transportation grant	\$ 103,385	\$ 103,385	\$ 43,835	\$ (59,550)
Total categorical aid	\$ 103,385	\$ 103,385	\$ 43,835	\$ (59,550)
Total revenue from the federal government	\$ 103,385	\$ 103,385	\$ 43,835	\$ (59,550)
Total Public Transit Fund	\$ 146,573	\$ 315,682	\$ 167,563	\$ (148,119)
Cemetery Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,050	\$ 1,050	\$ 714	\$ (336)
Total revenue from use of money and property	\$ 1,050	\$ 1,050	\$ 714	\$ (336)
Charges for services:				
Charges for grave openings	\$ 20,000	\$ 20,000	\$ 23,475	\$ 3,475
Charges for plots	12,000	12,000	14,900	2,900
Total charges for services	\$ 32,000	\$ 32,000	\$ 38,375	\$ 6,375
Total revenue from local sources	\$ 33,050	\$ 33,050	\$ 39,089	\$ 6,039
Total Cemetery Fund	\$ 33,050	\$ 33,050	\$ 39,089	\$ 6,039
Total Primary Government	\$ 5,503,782	\$ 6,062,694	\$ 5,728,606	\$ (334,088)

Town of Bluefield, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

<u>Funds, Functions and Departments</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative	\$ 60,062	\$ 60,062	\$ 55,347	\$ 4,715
General and financial administration:				
Town manager	\$ 306,820	\$ 306,820	\$ 293,080	\$ 13,740
Legal services	36,000	36,000	26,606	9,394
Vehicle maintenance	474,367	474,367	426,370	47,997
Treasurer	146,381	155,481	157,073	(1,592)
Bookkeeper	99,907	99,907	89,687	10,220
Audit services	20,000	20,000	19,949	51
Total general and financial administration	\$ 1,083,475	\$ 1,092,575	\$ 1,012,765	\$ 79,810
Total general government administration	\$ 1,143,537	\$ 1,152,637	\$ 1,068,112	\$ 84,525
Public safety:				
Law enforcement and traffic control:				
Police	\$ 1,296,610	\$ 1,321,861	\$ 1,214,898	\$ 106,963
Total law enforcement and traffic control	\$ 1,296,610	\$ 1,321,861	\$ 1,214,898	\$ 106,963
Fire and rescue services:				
Fire department	\$ 131,610	\$ 190,374	\$ 194,840	\$ (4,466)
Total fire and rescue services	\$ 131,610	\$ 190,374	\$ 194,840	\$ (4,466)
Inspections:				
Building	\$ 77,426	\$ 77,426	\$ 39,436	\$ 37,990
Total inspections	\$ 77,426	\$ 77,426	\$ 39,436	\$ 37,990
Total public safety	\$ 1,505,646	\$ 1,589,661	\$ 1,449,174	\$ 140,487
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Street department	\$ 972,129	\$ 1,172,129	\$ 1,033,162	\$ 138,967
Total maintenance of highways, streets, bridges & sidewalks	\$ 972,129	\$ 1,172,129	\$ 1,033,162	\$ 138,967
Sanitation and waste removal:				
Refuse collections	\$ 193,807	\$ 193,807	\$ 175,716	\$ 18,091
Total sanitation and waste removal	\$ 193,807	\$ 193,807	\$ 175,716	\$ 18,091
Maintenance of general buildings and grounds:				
General properties	\$ 120,093	\$ 120,093	\$ 124,910	\$ (4,817)
Total maintenance of general buildings and grounds	\$ 120,093	\$ 120,093	\$ 124,910	\$ (4,817)
Total public works	\$ 1,286,029	\$ 1,486,029	\$ 1,333,788	\$ 152,241
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation department	\$ 317,101	\$ 317,101	\$ 287,981	\$ 29,120
Total parks and recreation	\$ 317,101	\$ 317,101	\$ 287,981	\$ 29,120
Cultural enrichment:				
Cemetery department	\$ 69,650	\$ 69,650	\$ 72,927	\$ (3,277)
Total cultural enrichment	\$ 69,650	\$ 69,650	\$ 72,927	\$ (3,277)
Total parks, recreation, and cultural	\$ 386,751	\$ 386,751	\$ 360,908	\$ 25,843
Community development:				
Planning and community development:				
Planning commission	\$ 8,490	\$ 8,490	\$ 5,677	\$ 2,813
Zoning administration	97,359	97,359	80,954	16,405
Contributions and community activities	77,324	77,324	61,409	15,915

Town of Bluefield, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

<u>Funds, Functions and Departments</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Planning and community development: (Continued)				
Sanders House Project	\$ -	\$ 100,546	\$ 100,546	\$ -
Downtown internet	1,000	1,000	1,199	(199)
Economic development	16,000	16,000	4,549	11,451
Total planning and community development	<u>\$ 200,173</u>	<u>\$ 300,719</u>	<u>\$ 254,334</u>	<u>\$ 46,385</u>
Total community development	<u>\$ 200,173</u>	<u>\$ 300,719</u>	<u>\$ 254,334</u>	<u>\$ 46,385</u>
Non-departmental	\$ 148,452	\$ 148,452	\$ 118,976	\$ 29,476
Total non-departmental	<u>\$ 148,452</u>	<u>\$ 148,452</u>	<u>\$ 118,976</u>	<u>\$ 29,476</u>
Capital projects:				
Doe Meadows project	\$ -	\$ -	\$ 4,800	\$ (4,800)
Special projects	-	-	8,948	(8,948)
Water fountain	-	-	2,103	(2,103)
Other capital projects	228,206	228,206	151,789	76,417
Total capital projects	<u>\$ 228,206.00</u>	<u>\$ 228,206.00</u>	<u>\$ 167,640</u>	<u>\$ 60,566</u>
Debt service:				
Principal retirement	\$ 296,097	\$ 296,097	\$ 308,402	\$ (12,305)
Interest and other fiscal charges	187,362	187,362	195,148	(7,786)
Total debt service	<u>\$ 483,459</u>	<u>\$ 483,459</u>	<u>\$ 503,550</u>	<u>\$ (20,091)</u>
Total General Fund	<u>\$ 5,382,253</u>	<u>\$ 5,775,914</u>	<u>\$ 5,256,482</u>	<u>\$ 519,432</u>
Special Revenue Funds:				
Public Transit Fund:				
Public works:				
Public transportation:				
Transit system	\$ 221,219	\$ 390,328	\$ 222,287	\$ 168,041
Total Public Transit Fund	<u>\$ 221,219</u>	<u>\$ 390,328</u>	<u>\$ 222,287</u>	<u>\$ 168,041</u>
Cemetery Fund:				
Parks, recreation, and cultural:				
Cultural enrichment:				
Cemetery	\$ 33,050	\$ 33,050	\$ 12,814	\$ 20,236
Total Cemetery Fund	<u>\$ 33,050</u>	<u>\$ 33,050</u>	<u>\$ 12,814</u>	<u>\$ 20,236</u>
Total Primary Government	<u>\$ 5,636,522</u>	<u>\$ 6,199,292</u>	<u>\$ 5,491,583</u>	<u>\$ 707,709</u>

Other Statistical Information

Table 1

Town of Bluefield, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years (1)

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Non-departmental	Interest on Long-Term Debt	Water and Sewer	Total
2003-04	\$ 787,812	\$ 1,224,269	\$ 1,273,528	\$ 196,833	\$ 1,116,734	\$ -	\$ 53,983	\$ 1,196,612	\$ 5,849,771
2004-05	806,974	1,102,301	1,314,889	345,487	671,897	127,668	46,788	1,209,521	5,625,525
2005-06	950,084	1,343,094	1,398,297	304,934	1,184,986	-	189,590	1,221,934	6,592,919
2006-07	1,277,327	1,279,935	1,400,546	292,604	914,124	-	188,607	1,149,926	6,503,069
2007-08	1,272,809	1,381,652	1,684,336	326,119	258,879	-	152,596	1,341,135	6,417,526
2008-09	1,350,375	1,512,050	1,745,948	215,530	227,317	-	167,349	1,434,771	6,653,340
2009-10	1,385,303	1,514,967	1,643,054	372,835	264,006	-	197,842	1,339,675	6,717,682

(1) Information has only been available for 7 years.

Table 2

Town of Bluefield, Virginia
Government-Wide Revenues
Last Ten Fiscal Years (1)

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	
2003-04	\$ 1,638,747	\$ 1,934,562	\$ -	\$ -	\$ 871,604	\$ 1,813,155	\$ -	\$ 23,287	\$ 13,988	\$ 68,911	\$ 121,454	\$ 6,485,708
2004-05	1,672,465	1,186,309	-	-	852,092	1,965,748	43,385	29,207	29,128	23,914	231,620	6,033,868
2005-06	1,702,463	859,794	-	-	930,229	2,134,419	30,751	41,549	131,295	40,630	1,063,468	6,934,598
2006-07	1,842,441	1,720,048	-	-	975,047	2,251,303	-	-	86,513	22,904	120,771	7,019,027
2007-08	1,798,928	1,123,170	-	-	1,017,638	2,499,005	-	-	70,027	235,434	115,806	6,860,008
2008-09	1,788,489	1,374,954	-	-	951,698	2,546,705	-	-	33,854	48,492	115,998	6,860,190
2009-10	1,732,872	1,303,013	200,000	-	945,358	2,449,245	-	-	6,027	64,770	154,917	6,856,202

(1) Information has only been available for 7 years.

Table 3

Town of Bluefield, Virginia
General Governmental Expenditures by Function
Last Ten Fiscal Years

Fiscal Year	General and Financial Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Capital Projects	Non-departmental	Debt Service	Total
2000-01	\$ 660,162	\$ 997,278	\$ 947,379	\$ 224,499	\$ 124,041	\$ 8,155	\$ -	\$ 342,754	\$ 3,304,268
2001-02	715,629	963,375	1,155,067	286,312	207,398	8,000	-	296,091	3,631,872
2002-03	876,915	1,012,649	1,160,997	235,761	276,232	993,789	-	315,225	4,871,568
2003-04	785,451	1,163,858	1,117,870	316,283	1,116,734	446,386	-	300,312	5,246,894
2004-05	780,332	1,034,903	1,260,956	360,675	646,762	613,079	127,668	269,479	5,093,854
2005-06	907,082	1,231,763	1,265,940	287,308	1,157,462	3,039,464	222,044	473,784	8,584,847
2006-07	1,052,787	1,327,729	1,322,527	287,443	900,642	576,892	130,283	696,769	6,295,072
2007-08	1,045,397	1,387,110	1,783,907	345,893	246,500	-	119,380	346,380	5,274,567
2008-09	1,079,618	2,600,811	1,593,368	360,872	218,394	361,642	141,114	400,067	6,755,886
2009-10	1,068,112	1,449,174	1,556,075	373,722	254,334	167,640	118,976	503,550	5,491,583

Table 4

Town of Bluefield, Virginia
General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2000-01	\$ 767,424	\$ 1,191,173	\$ 2,289	\$ 37,965	\$ 73,360	\$ 303,344	\$ 45,807	\$ 41,963	\$ 777,875	\$ 3,241,200
2001-02	815,190	1,314,056	17,856	27,113	57,814	368,320	52,477	35,270	920,447	3,608,543
2002-03	842,512	1,463,924	31,291	27,829	19,839	400,746	238,649	54,132	2,015,402	5,094,324
2003-04	861,465	1,813,155	62,348	23,287	11,913	435,443	64,964	31,794	2,056,016	5,360,385
2004-05	872,685	1,965,748	43,385	29,207	24,965	467,940	23,849	30,666	1,417,929	4,876,374
2005-06	916,135	2,134,419	30,751	41,549	122,128	463,231	40,630	42,156	1,923,262	5,714,261
2006-07	936,764	2,251,303	40,051	63,835	70,561	484,237	22,904	36,535	1,840,819	5,747,009
2007-08	1,009,688	2,499,005	32,760	65,009	52,906	501,286	235,434	69,874	1,238,976	5,704,938
2008-09	972,346	2,546,705	25,521	72,465	27,286	466,826	48,492	36,017	1,490,952	5,686,610
2009-10	963,451	2,449,245	25,799	51,535	5,243	467,741	64,770	42,892	1,657,930	5,728,606

Table 5

Town of Bluefield, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1,2)	Current Tax Collections (1,2)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2000-01	\$ 855,061	\$ 802,526	93.86%	\$ 20,729	\$ 823,255	96.28%	\$ 143,343	16.76%
2001-02	903,049	877,031	97.12%	27,963	904,994	100.22%	120,316	13.32%
2002-03	958,487	915,027	95.47%	24,976	940,003	98.07%	109,598	11.43%
2003-04	956,299	930,826	97.34%	29,112	959,938	100.38%	113,545	11.87%
2004-05	961,714	936,677	97.40%	31,511	968,188	100.67%	105,157	10.93%
2005-06	1,023,403	1,010,931	98.78%	21,077	1,032,008	100.84%	112,358	10.98%
2006-07	1,032,759	1,025,049	99.25%	13,879	1,038,928	100.60%	130,744	12.66%
2007-08	1,084,067	1,093,869	100.90%	16,343	1,110,212	102.41%	111,590	10.29%
2008-09	1,114,308	1,046,895	93.95%	33,526	1,080,421	96.96%	124,166	11.14%
2009-10	1,053,211	1,019,891	96.84%	52,007	1,071,898	101.77%	168,531	16.00%

(1) Exclusive of penalties and interest.

(2) Includes amount paid under the Personal Property Tax Relief Act.

Table 6

Town of Bluefield, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)		Personal Property and Mobile Homes		Machinery and Tools		Public Utility (2)	Total
							Real Estate and Personal Property	
2000-01	\$	226,265,332	\$	42,098,048	\$	2,223,400	\$ 10,414,511	\$ 281,001,291
2001-02		246,169,400		41,549,294		2,746,300	9,929,488	300,394,482
2002-03		262,185,900		43,888,177		3,562,000	10,005,487	319,641,564
2003-04		261,047,796		43,743,957		3,750,013	10,167,943	318,709,709
2004-05		266,563,800		43,769,896		3,718,900	8,927,013	322,979,609
2005-06		276,566,700		48,725,773		3,600,700	9,744,072	338,637,245
2006-07		393,126,100		50,039,555		4,009,900	10,885,435	458,060,990
2007-08		393,651,800		51,222,820		4,052,600	11,435,588	460,362,808
2008-09		395,692,500		58,380,755		2,751,500	11,142,517	467,967,272
2009-10		396,833,200		49,214,478		2,275,800	11,825,759	460,149,237

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

Table 7

Town of Bluefield, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Machinery and Tools
2000-01	\$ 0.250	\$ 0.250	\$ 0.600	\$ 0.600
2001-02	0.250	0.250	0.600	0.600
2002-03	0.250	0.250	0.600	0.600
2003-04	0.250	0.250	0.600	0.600
2004-05	0.250	0.250	0.600	0.600
2005-06	0.250	0.250	0.600	0.600
2006-07	0.185	0.185	0.600	0.600
2007-08	0.185	0.185	0.600	0.600
2008-09	0.185	0.185	0.600	0.600
2009-10	0.185	0.185	0.600	0.600

(1) Per \$100 of assessed value.

Table 8

Town of Bluefield, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2000-01	5,078	\$ 281,001,291	\$ 2,364,847	0.84%	\$ 466
2001-02	5,078	300,394,482	2,171,015	0.72%	428
2002-03	5,078	319,641,564	2,145,217	0.67%	422
2003-04	5,078	318,709,709	1,977,186	0.62%	389
2004-05	5,078	322,979,609	2,912,093	0.90%	573
2005-06	5,078	338,637,245	4,717,500	1.39%	929
2006-07	5,078	458,060,990	4,691,973	1.02%	924
2007-08	5,078	460,362,808	4,390,000	0.95%	865
2008-09	5,078	467,967,272	4,210,000	0.90%	829
2009-10	5,078	460,149,237	4,030,000	0.88%	794

(1) Center for Public Service at the University of Virginia.

(2) Real property assessed at 100% of fair market value.

(3) Includes all long-term general obligation bonded debt and bonded anticipation notes.

Excludes capital leases and compensated absences.

Table 9

Town of Bluefield, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures
Last Ten Fiscal Years (1)

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2002-03	\$ 252,173	\$ 63,052	\$ 315,225	\$ 4,871,568	6.47%
2003-04	241,714	58,598	300,312	5,246,894	5.72%
2004-05	218,551	50,928	269,479	5,093,854	5.29%
2005-06	240,400	128,381	368,781	8,584,847	4.30%
2006-07	446,155	250,614	696,769	6,295,072	11.07%
2007-08	252,302	94,078	346,380	5,274,567	6.57%
2008-09	234,799	165,268	400,067	6,755,886	5.92%
2009-10	308,402	195,148	503,550	5,491,583	9.17%

(1) Information has only been available for 8 years.

Table 10

Town of Bluefield, Virginia
Computation of Legal Debt Margin
June 30, 2010

Assessed valuations:	
Assessed value	<u>\$ 396,833,200</u>
Legal debt margin	
Debt limitation - 10 percent of total assessed value	39,683,320
Total debt applicable to limitation	<u>4,030,000</u>
Legal debt margin	<u>\$ 35,653,320</u>

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 Members of the Town Council
Town of Bluefield, Virginia
Bluefield, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the major funds, and the aggregate remaining fund information of the Town of Bluefield, Virginia as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 5, 2010. In our report, our opinion was qualified because tax balances provided included penalties and interest on underlying balances, and we were unable to reconcile tax collections to tax billings. 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 the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

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

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

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (reference 2010-1, 2010-2, 2010-3).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Bluefield, Virginia'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 responses as item 2010-4.

We noted certain matters that we reported to management of the Town of Bluefield, Virginia in a separate letter dated December 5, 2010.

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

This report is intended solely for the information and use of management, Town Council and others within the Town of Bluefield, Virginia and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Faure, Cox Associates

Christiansburg, Virginia
December 5, 2010

Schedule of Findings and Responses
 Year Ended June 30, 2010

Section I - Summary of Auditor's Results**Financial Statements**

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies?	No
Noncompliance material to financial statements noted?	Yes

Section II - Financial Statement Findings**2010-1**

Criteria:	Per Statement on Auditing Standards 115, identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The Town's financial statements required material adjustments by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles.
Context:	The trial balance given to the Auditors at final fieldwork did not contain the necessary adjustments to comply with General Accepted Accounting Principles.
Effect:	There is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls over financial reporting.
Cause:	The Town failed to have their consultant prepare adjusting entries prior to the Auditor's arrival.
Recommendation:	The Town should schedule the consultant's work prior to the Auditor's arrival for final fieldwork.

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Schedule of Findings and Responses
Year Ended June 30, 2010

2010-1 (Continued)

Management's

Response: To comply with standards established by Statement on Auditing Standards 115, the Town employed an external accounting firm to prepare all necessary year-end accounting adjustments and to assist in the selection and application of accounting principles for the fiscal year ending June 30, 2010. As the Town's consultant becomes more familiar with accounting concepts unique to local government, the potential for misstatements in the annual financial report should decrease significantly.

2010-2

Criteria: A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.

Condition: The Town does not have a proper segregation of duties over the payroll, accounts payable and billing and collection functions.

Context: The Auditor's risk assessments disclosed segments of the accounting process that lacked proper segregation of duties.

Effect: There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

Cause: Budgets constraints on most local governments limit their ability to comply with proper segregation of duties.

Recommendation: The Town should try to reduce some of the segregation issues by implemented controls that will mitigate the risk of one person having too much control.

Management's

Response: Management acknowledges that internal controls over the billing and collection function as well as the accounts payable and payroll functions lack proper segregation of duties, however to alleviate same would require additional staff.

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Schedule of Findings and Responses
Year Ended June 30, 2010

2010-3

Criteria:	A billing system should provide an adequate audit trail to allow for the reconciliation of billings and collections. In addition, the billing system should provide an adequate breakdown of receivables. Finally, the billing system should separate taxes collected into the appropriate category (real estate, personal property, etc.)
Condition:	The Town implemented new billing software during the 2009 fiscal year. We reviewed reports produced by the software and determined that delinquent tax reports produced by the software included penalty and interest amounts that were due from delinquent taxpayers as well as the base tax due. These reports did not separate penalty and interest amounts from the base tax that was due from each taxpayer. As a result, we were unable to determine the underlying "base tax" due to the Town and therefore we were unable to reconcile tax collections to tax billings for the fiscal year. In addition, the system posted substantially all tax collections to the line item "prorated taxes" in the general ledger and did not adequately breakdown tax collections by type (for instance: real estate, personal property, machinery and tools).
Context:	The Auditor's analysis of property taxes disclosed that the accounts receivable balances at year-end included penalty and interest and therefore, was unable to reconcile the analysis.
Effect:	Delinquent tax balances and tax revenues reported in the financial statements could contain errors that go undetected.
Recommendation:	The Town should have the software provider make changes so that principal balances can be reconciled.
Management's Response:	Management has advised the software vendor of the findings noted above and expect the vendor to provide updated software that will address the audit findings.

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Schedule of Findings and Responses
Year Ended June 30, 2010

2010-4

Criteria: Per the Code of Virginia, 1950 as amended, the Town should require an appropriation prior to the expenditure of funds.

Condition: Expenditures exceeded appropriations for several departments within the General Fund.

Context: A comparison of year-to-date expenditures to appropriations disclosed a number of departments that were over expended.

Effect: The over expended departments caused the Town to not be in compliance with the Code of Virginia.

Recommendation: The Town should make the necessary changes to the budget throughout the year through an additional appropriation approved by Town Council.

Management's Response: Management concurs with the finding and will require Council approved appropriations prior to the expenditure of funds in the future.