

CITY OF BUENA VISTA, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2016



CITY OF BUENA VISTA, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
JUNE 30, 2016**

Prepared by

Timothy Dudley, Director of Finance

Buena Vista, Virginia

CITY OF BUENA VISTA, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2016

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INTRODUCTORY SECTION

CITY OF BUENA VISTA

City Manager's Office
2039 Sycamore Avenue
Buena Vista, Virginia 24416
(540) 261-8600



November 30, 2016

The Honorable Mayor, City Council Members and Citizens of the City of Buena Vista

Commonwealth of Virginia law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2016.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Robinson, Farmer, Cox Associates, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Buena Vista's financial statements for the year ended June 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) on pages 11-19 of the CAFR provides an overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Buena Vista is situated at the foot of the Blue Ridge Mountains and is centrally located in the historic and scenic Shenandoah Valley in west-central Virginia, approximately 50 miles north of Roanoke; 135 miles west of Richmond; and 180 miles southwest of Washington, D.C. This position in west-central Virginia is at the heart of a major transportation network and has immediate access to air, rail, and highway transportation. It is within a one-day drive of half of the population of the United States. Buena Vista is served by interstates 81 and 64, the Blue Ridge Parkway and Route 60 that flows through the city. Thousands of tourists travel to our visitor's center from the Blue Ridge Parkway every year.

Buena Vista was a focal point of the Shenandoah Valley land boom initiated in 1889 by several land development companies, one of which was the Buena Vista Company. In less than three years, Buena Vista grew from a sparsely populated rural area to a town with 19 industries that employed in excess of 1,000 workers. Buena Vista was incorporated as a city by the Virginia General Assembly in 1892 encompassing a land area of approximately 6.5 square miles. It was during the land boom era that Buena Vista established its role as an industrial city, and is currently the industrial and manufacturing nucleus of the area.

The City of Buena Vista is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Buena Vista has operated under the council-manager form of government since 1892. Policy-making and legislative authority are vested in a governing City Council, consisting of the mayor and six other members, all elected on a non-partisan basis. The Council appoints the government's manager, who in turn appoints the heads of the various departments. Council members serve four-year terms, with three members elected every two years. The mayor is elected for a two-year term.

The City of Buena Vista provides a full range of services, including police, fire, rescue squad, public works, water treatment plant, water and sewer, parks and recreation including a golf course. The City of Buena Vista also is financially accountable for a legally separate school district that is reported separately within the City of Buena Vista's financial statements.

The Council is required to adopt a final budget by no later than May 30 for the next fiscal year. This annual budget serves as the foundation for the City of Buena Vista's financial planning and control. The budget is prepared by fund, department and general account code. Department heads may transfer resources within a department, except personnel, as they see fit. Transfers between departments, however, need special approval from the governing council.

Local Economy

Buena Vista City Council is committed to creating jobs for its citizens and generating new revenue sources by encouraging business and industry to locate in the City. The current labor force is 3,156 with 2,992 employed for an unemployment rate of 5.2 percent.

The City of Buena Vista has experienced devastating floods in 1969 and 1985. To eliminate future flood damage arising from the flood of record (1969); the City has completed an extensive capital expenditure program with the aid of federal and state governments to construct a flood wall and concrete channelization of its interior streams. Dedication of the flood wall was in October 1997. Such improvements protect the existing industrial facilities and permit reuse of two plants closed following the 1985 flood. This results in protecting and creating many industrial jobs. The flood improvements also protect the City's commercial district and assist in downtown redevelopment.

Southern Virginia University (SVU) is a tremendous asset to the City. SVU has an ongoing capital campaign that has raised more than \$28 million toward its \$50 million goal. The funds have been used to build student housing, athletic field complex to include a soccer field, new softball field, new bleachers, new lighting system for the fields. The funds have also been used to renovate the Kimball student center, install heating and air conditioning in the Main Hall and fund scholarships and professorships. Future plans include renovating and remodeling existing campus facilities, constructing a multi-purpose facility, a fine and performing arts center, new residential units, as well as more scholarships and professorships. SVU is responsible for approximately \$9 million dollars in the City's economy every year.

It has been a period of reinvestment into our community. The City has gotten back to doing the core infrastructure and development projects that make communities strong. The City is working to assist the development of small business. The City Council created a new façade grant program that will be administered through our Economic Development Authority. This

program will provide a 50/50 match up to \$7,500 per business for improvements to the main façade of the building. This partnership will help improve the appearance of our downtown and assist our businesses in creating an inviting environment.

The City staff is also working with the Small Business Development Center in Harrisonburg to provide business counseling services and training for our business owners.

Meals and lodging taxes generated in the City increased 8 percent over the previous fiscal year showing continued growth for these businesses.

Buena Vista has increased marketing efforts to help attract new businesses and families to our community. The City was able to create a video centering on the outdoors and our musical heritage. The video had over 1,000 views the first week and still tracks well as a centerpiece of our website page.

Major Initiatives and Accomplishments

The past fiscal year saw the completion of some significant projects as well as the beginning or approval of other major initiatives.

The engineering/public works department oversaw an active program of projects related to water distribution, roads, sidewalks, drainage and sewers. The City received a \$1 Million dollar VDOT grant to update the sidewalks, right-of-ways and streets. The project has continued into FY 2017. This project along with additional sidewalk work through a safe route to schools grant are another step in creating a link to our outdoor trails and making our City a walkable community.

The City received a Transportation Alternative Grant from VDOT to build a connection under the Route 60 Russell Robey Memorial Bridge to extend the Chessie Trail and create a connection to the Buena Vista River Walk. This work is all part of larger regional initiative for outdoor recreation. City staff has been working with Rockbridge Regional Tourism to build an inventory and create a new website dedicated to our outdoor activities in the Rockbridge Region.

Efforts to improve the appearance of the community have been increased. City staff is sweeping the City for code enforcement violations and will be bringing additional ordinance changes to assist with that effort.

The City has engaged volunteers for many projects. Groups have helped build playground improvements, painted fences, removed graffiti, and helped preserve buildings for years to come.

City staff is also working with Southern Virginia University and other volunteers to clear and repair trails in Glen Maury Park in an effort to offer greater recreational access in the community.

The City also partnered with Dabney S. Lancaster Community College, local businesses, and city schools to create a community garden. The City provided land and materials for 21 raised beds on a site that could not be developed due to flood restrictions. This provided a beautification effort as well as provided food for needy families in the community.

The City also purchased three new public safety vehicles and public works purchased a new refuse truck to replace outdated trucks.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Buena Vista for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. The report satisfied both GAAP and applicable legal requirements.

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

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the finance and administration department. We also would like to thank the Mayor, members of the City Council, and the City staff for their interest and support in planning and conducting the financial operations of the City in a responsive and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tim Dudley", with a stylized flourish at the end.

Tim Dudley
Finance Director



Government Finance Officers Association

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

Presented to

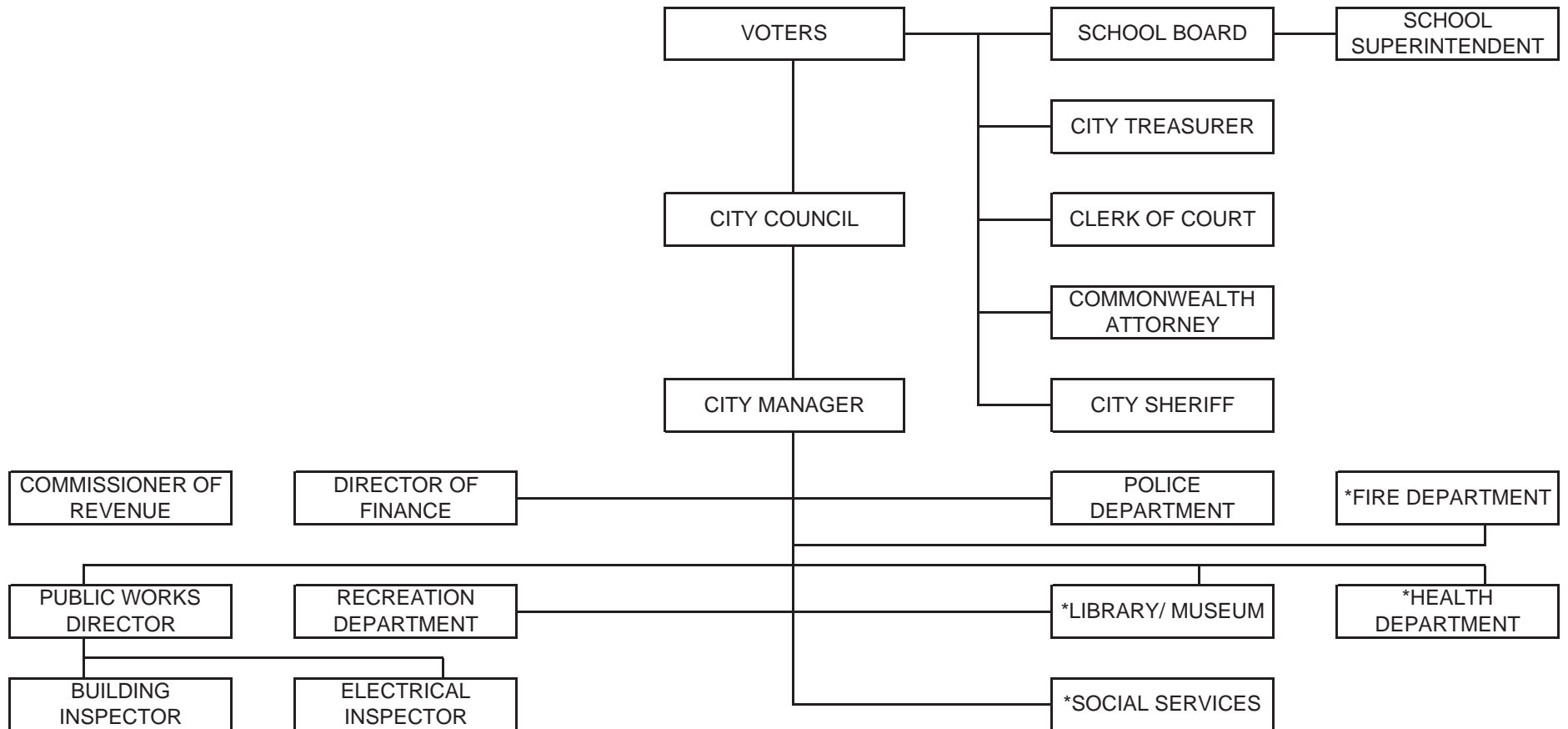
**City of Buena Vista
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

**CITY OF BUENA VISTA
ORGANIZATION CHART**



*=ADMINISTERED BY OTHER LOCAL GOVERNMENTAL UNITS

CITY OF BUENA VISTA, VIRGINIA

**DIRECTORY OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2016**

CITY COUNCIL

Lewis Plogger	Frankie Hogan	Lisa Clark
Larry Tolley		Steve Baldridge
Jane Armstrong		Melvin Henson

CITY OFFICIALS

Frankie Hogan	Mayor
Larry Tolley.	Vice-Mayor
Jay Scudder	City Manager
MarVita F. Flint	Commissioner of Revenue
Timothy Dudley	Director of Finance
Yolanda C. Boatwright	City Treasurer
Keith Hartman	Interim Chief of Police
Chris Coleman	Clerk of Court
Randy Hamilton	Sheriff
Chris Russell	Commonwealth's Attorney
Brian Kearney	City Attorney

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE CITY COUNCIL
CITY OF BUENA VISTA, VIRGINIA
BUENA VISTA, VIRGINIA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Buena Vista, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Buena Vista, Virginia, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2016, the City adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, 82 Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 11-19, 95, and 96-101, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Buena Vista, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016 on our consideration of the City of Buena Vista, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Buena Vista, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2016

Management's Discussion and Analysis

As management of the City of Buena Vista, Virginia we offer readers of the City of Buena Vista's financial statements this narrative overview and analysis of the financial activities of the City of Buena Vista for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal that can be found on pages 1-4 of this report.

Financial Highlights

The net position of the City of Buena Vista's, Primary Government at the close of the current fiscal year was \$9,412,224 (net position). Of this amount, (\$35,023) (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net position increased \$576,136 from the prior fiscal year largely due to the increase in cash and cash equivalents, property taxes receivable, and decrease in accounts payable and overall liabilities.

As of the close of the current fiscal year, the City of Buena Vista's governmental funds reported combined ending fund balances of \$3,346,705, an increase of \$453,597 in comparison with the prior year. Of this amount, \$2,967,189 is unassigned and available for spending at the government's discretion (unassigned fund balance). The difference is mainly an increase in the General Fund cash and cash equivalents and property taxes.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,044,256 or 27.1 percent of total General Fund expenditures.

The City of Buena Vista's long-term debt increased \$20,687, or .001 percent. The Long-term debt retirements included \$410,344 on the revenue bond for the Des Champs property. The Literary Loan for the building of Parry McCluer High School, was reduced by \$375,000. Also the 2.5 million dollar loans to finance the Dabney Lancaster Community College educational satellite was reduced by \$53,115. The City also paid \$14,377 for a loan on a medical building. The net pension liability increased \$744,096 to offset the decreases. Additionally, the City entered into capital leases for the lease-purchase of new school buses in the amount of \$294,292. The total long-term debt for the City stands at \$25,684,107. Of this amount, there is a charge of \$454,001 for Other Postemployment Benefits. This charge is an actuarial estimate of the costs of future retiree benefits. Also included in long-term indebtedness is \$342,042 for employee compensated absences. The amount of pension liability is \$2,859,536, an increase of \$744,096.

Overview of the Financial Statements

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Buena Vista's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the City of Buena Vista that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Buena Vista include general government, judicial administration, public works, health and welfare, education, parks recreation and cultural, community development, and interest expense. The business-type activities of the City of Buena Vista include water and sewer and the golf course operation.

The government-wide financial statements include not only the City of Buena Vista itself (known as the primary government), but also a legally separate school district for which the City of Buena Vista is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government.

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

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

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

The City of Buena Vista maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and School Construction Fund. The other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. The City of Buena Vista maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Buena Vista uses enterprise funds to account for its Water and Sewer Fund and the Golf Course Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer and the operation of the golf course, both of which are considered major funds of the City of Buena Vista.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary fund statements provide information on the Special Welfare Fund. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are not available to support the City of Buena Vista's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents a statistical section and compliance section.

General Fund Budgetary Highlights

The FY 2016 General Fund Budget required a \$315,052 or 2% increase over FY 2015 expenditures. The schools budget remained level and there was level funding for many of our departmental service operations. Some areas of the budget include both increases and reductions as a result of accurate budgeting adjustments that reflect the true cost of the activity or commodity.

There were some increases in the budget this year that were not in our control. These were primarily mandated Virginia Retirement System costs, insurances increases, Rockbridge Regional Jail per diem increases and Regional 911 communications costs. Our current level of services was maintained with a budget increase in the Real Estate Property Rate. The FY 2017 budget reflects a rate increase of 11 cents to \$1.21 cents per \$100 assessed value.

The FY 2016 budget included additional revenue enhancement measures such as increased commercial waste collection fees and Glen Maury Park fees. These alternative taxing areas reduce the pressure on increasing the real property rate and capture a broader population of tax payers.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Buena Vista, primary government assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,412,224 at the close of fiscal year 2016 for the primary government.

The City of Buena Vista's governmental activities net position of \$8,551,947 reflects its investment in capital assets of 86 percent (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Buena Vista uses these capital assets to provide services to citizens. These assets are not available for future spending. Although the City of Buena Vista's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The net position of the governmental activities increased \$1,299,041 during FY 2016. Key components of this change are discussed on page 16 in the MD&A.

The following is a condensed summary of the City's statement of net position for the fiscal years ending June 30, 2016 and June 30, 2015:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 6,344,026	\$ 5,815,222	\$ 3,108,956	\$ 3,114,653	\$ 9,452,982	\$ 8,929,875
Capital Assets	14,063,337	14,108,373	14,745,557	15,140,636	28,808,894	29,249,009
Total Assets	<u>\$ 20,407,363</u>	<u>\$ 19,923,595</u>	<u>\$ 17,854,513</u>	<u>\$ 18,255,289</u>	<u>\$ 38,261,876</u>	<u>\$ 38,178,884</u>
Deferred Outflows of Resources	\$ 657,124	\$ 352,030	\$ 132,599	\$ 83,896	\$ 789,723	\$ 435,926
Long-term Liabilities	\$ 8,423,702	\$ 8,355,592	\$ 17,260,405	\$ 17,307,828	\$ 25,684,107	\$ 25,663,420
Other liabilities	1,563,097	1,823,785	1,187,264	672,002	2,750,361	2,495,787
Total Liabilities	<u>\$ 9,986,799</u>	<u>\$ 10,179,377</u>	<u>\$ 18,447,669</u>	<u>\$ 17,979,830</u>	<u>\$ 28,434,468</u>	<u>\$ 28,159,207</u>
Deferred Inflows of Resources	\$ 1,128,217	\$ 1,445,818	\$ 76,690	\$ 173,697	\$ 1,204,907	\$ 1,619,515
Net Position:						
Net investment in capital assets	\$ 8,551,947	\$ 7,963,203	\$ (125,963)	\$ 49,145	\$ 8,425,984	\$ 8,012,348
Restricted	205,881	204,585	815,382	839,260	1,021,263	1,043,845
Unrestricted (deficit)	1,191,643	482,642	(1,226,666)	(702,747)	(35,023)	(220,105)
Total Net Position	<u>\$ 9,949,471</u>	<u>\$ 8,650,430</u>	<u>\$ (537,247)</u>	<u>\$ 185,658</u>	<u>\$ 9,412,224</u>	<u>\$ 8,836,088</u>

Governmental Activities. Net position of governmental activities increased for the City of Buena Vista by \$1,299,041 for FY 2016, while net position of business-type activities decreased \$722,905 for the fiscal year. Key components of the change are discussed on page 16 of the MD&A.

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**CITY OF BUENA VISTA'S CHANGE IN NET POSITION
YEARS ENDING JUNE 30, 2016 AND JUNE 30, 2015**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	\$ 881,497	\$ 870,430	\$ 2,417,924	\$ 2,499,301	\$ 3,299,421	\$ 3,369,731
Operating grants	3,330,959	2,869,831	-	-	3,330,959	2,869,831
Capital grants	-	-	100	38,901	100	38,901
General Revenues:						
Property taxes	5,974,703	5,600,403	-	-	5,974,703	5,600,403
Other taxes	1,519,303	1,531,192	-	-	1,519,303	1,531,192
Grants and contributions not restricted to specific programs	982,759	1,039,468	-	-	982,759	1,039,468
Use of money and property	182,946	190,386	40	-	182,986	190,386
Miscellaneous	235,226	214,621	16	7	235,242	214,628
Total Revenue	<u>\$ 13,107,393</u>	<u>\$ 12,316,331</u>	<u>\$ 2,418,080</u>	<u>\$ 2,538,209</u>	<u>\$ 15,525,473</u>	<u>\$ 14,854,540</u>
Expenses:						
General Government						
Admin	\$ 1,433,595	\$ 1,331,648	\$ -	\$ -	\$ 1,433,595	\$ 1,331,648
Judicial Admin	784,356	739,630	-	-	784,356	739,630
Public Safety	2,265,851	2,078,802	-	-	2,265,851	2,078,802
Public Works	1,960,690	1,710,983	-	-	1,960,690	1,710,983
Health and Welfare	1,487,186	1,515,132	-	-	1,487,186	1,515,132
Education	2,461,405	3,987,920	-	-	2,461,405	3,987,920
Parks, Recreation, Cultural	541,016	467,036	-	-	541,016	467,036
Community Development	437,882	443,371	-	-	437,882	443,371
Interest on long-term debt	195,175	237,479	-	-	195,175	237,479
Water and Sewer	-	-	2,309,955	2,110,906	2,309,955	2,110,906
Golf Course	-	-	1,072,226	1,171,247	1,072,226	1,171,247
Total Expenses	<u>\$ 11,567,156</u>	<u>\$ 12,512,001</u>	<u>\$ 3,382,181</u>	<u>\$ 3,282,153</u>	<u>\$ 14,949,337</u>	<u>\$ 15,794,154</u>
Increase (decrease) in net position before transfers	\$ 1,540,237	\$ (195,670)	\$ (964,101)	\$ (743,944)	\$ 576,136	\$ (939,614)
Transfers	(241,196)	(441,351)	241,196	441,351	-	-
Increase (decrease) in net position	\$ 1,299,041	\$ (637,021)	\$ (722,905)	\$ (302,593)	\$ 576,136	\$ (939,614)
Net position, beginning	<u>8,650,430</u>	<u>9,287,451</u>	<u>185,658</u>	<u>488,251</u>	<u>8,836,088</u>	<u>9,775,702</u>
Net position, ending	<u>\$ 9,949,471</u>	<u>\$ 8,650,430</u>	<u>\$ (537,247)</u>	<u>\$ 185,658</u>	<u>\$ 9,412,224</u>	<u>\$ 8,836,088</u>

Governmental Activities

Key factors contributing to the increase of \$1,299,041 in net position for governmental activities were:

- The City had an increase in cash and cash equivalents of \$192,476 and \$256,274 in property taxes. Due from other governmental units increased \$112,802.
- Total liabilities decreased \$192,578 or 1.9% for FY 2016 primarily from a decrease in due to other governmental units and component unit.
- Net investment in capital assets also increased \$588,744 for the fiscal year primarily due to purchasing public safety and public works vehicles.

Business-type Activities

The Golf Course Fund received a transfer from the General Fund (Governmental Activities) in the amount of \$241,196. This is slightly smaller than the \$441,351 that was transferred in FY2015. Prior to this transfer, net position of the golf course business-type activity decreased by \$719,800. The golf course required a transfer of \$241,196 to fund operations. Both funds that make up the business-type activities of the City (Water/Sewer Fund and Golf Course Fund) combined, experienced a decrease in net position of \$722,905, mainly due to the golf course operating losses. Additional information follows concerning the City's Business-Type Activities:

- Since the inception of the golf course in 2004, it has had an operating loss of \$3,689,687. The golf course was originally planned to bring development to the community of Buena Vista. It was hoped that both single family dwellings and commercial development would offset some of the cost of the course through a higher tax base and user fees. The recent economical climate in both the national and regional economies has had a detrimental effect on both the rounds of golf being played and the development of the area. The golf course revenues are not able to support both the operational expenditures and the interest and fiscal charges. The General Fund has subsidized the golf course with transfers totaling \$5,663,228 leaving the golf course with a (\$3,689,687) ending balance of net position. For the fiscal budget 2016, the City council did not appropriate funds for the debt service. The council met with ACA Financial Guaranty Corp. and could not reach an acceptable compromise to restructuring the debt.
- The Water/Sewer Fund posted a decrease in net position of \$244,301 for the fiscal year. Most of this decrease is due to an increase in water and sewer expenditures across all departments and decrease in water/sewer revenues.

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Financial Analysis of the Government's Funds

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

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

As of the end of FY 2016, the City of Buena Vista's governmental funds reported combined ending fund balances of \$3,346,705, an increase of \$453,597 in comparison with the prior year. The main reasons for the increase are actual current and delinquent property taxes and local taxes collected were more for FY 2016. Approximately 88.7 percent or \$2,967,189 represents unassigned fund balance that is available for spending at the government's discretion. The remainder of fund balance is designated to indicate that it is not available for new spending because it has already been assigned toward such items as 1) for subsequent expenditure in the School Construction Fund 2) for subsequent expenditure in capital projects and special revenue funds 3) for debt service and prepaid expense in the general fund.

The General Fund is the chief operating fund of the City of Buena Vista. At the end of FY 2016, unassigned fund balance of the general fund was \$3,044,256. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to the general fund total expenditures. Unassigned fund balance represents 27.1 percent of total general fund expenditures.

Proprietary funds. The City of Buena Vista's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

- The Water and Sewer fund had a loss of \$244,301. As discussed earlier, the loss is primarily due to an increase in the water and sewer expenditures and decrease in water/sewer revenues. The cash position of the Water and Sewer fund had an increase of \$52,489. The fund began the year with \$1,435,394 unrestricted cash. The fund ended the year with \$1,487,883 in unrestricted cash. The City increased water rates \$2.55 in FY 2012 to cover debt service on the new bond financing and anticipates that water and sewer rates will cover depreciation and other operational expenses for the foreseeable future. For grant purposes, the City keeps the water rate at a level that will not impact households and therefore disqualify the City from grant revenue.
- The golf course has been subsidized by the general fund since it began operation. This has resulted in net position of (\$3,689,687), at June 30, 2016.

Capital project funds. The City's capital project funds are used to account for activities related to City capital projects.

- The Floodwall debt was paid off in FY 2015. The School Construction Fund balance increased \$29 for FY 2016. It was a steady year for revenues and expenditures.

Capital Assets and Debt Administration

Capital Assets. The City of Buena Vista's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$28,808,894 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, and infrastructure. The total decrease in the City of Buena Vista's capital assets for FY 2016 was \$440,115 or 1.5 percent. The main reason was the annual depreciation expenses.

The City completed a variety of public works projects to include, pavement of City streets, curb and guttering, and water and sewer line replacement. The following is a summary of the City's capital assets. Further information on the City's capital assets can be found at (Note 17-Capital Assets) to the financial statements.

CITY OF BUENA VISTA'S CAPITAL ASSETS NET OF DEPRECIATION JUNE 30, 2016

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,108,097	\$ 2,108,097	\$ 1,364,900	\$ 1,364,900	\$ 3,472,997	\$ 3,472,997
Buildings and Improvements	9,039,065	9,329,037	517,528	533,115	9,556,593	9,862,152
Infrastructure	2,169,290	2,330,281	12,747,711	13,168,142	14,917,001	15,498,423
Machinery and Equipment	746,885	340,958	115,418	74,479	862,303	415,437
Total	<u>\$ 14,063,337</u>	<u>\$ 14,108,373</u>	<u>\$ 14,745,557</u>	<u>\$ 15,140,636</u>	<u>\$ 28,808,894</u>	<u>\$ 29,249,009</u>

Long – term liabilities. At the end of FY 2016, the City of Buena Vista primary government had total long-term debt outstanding of \$25,684,107. This represents a 0.001 percent increase or \$20,687 from the last fiscal year. Further information on the City's long-term debt can be found at (Note 10-Long-term Obligations) to the financial statements.

CITY OF BUENA VISTA'S LONG-TERM DEBT JUNE 30, 2016

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 440,430	\$ 463,611	\$ -	\$ -	\$ 440,430	\$ 463,611
Lease-Revenue Bonds	-	-	11,136,798	11,186,749	11,136,798	11,186,749
Revenue Bonds	-	-	4,178,500	4,348,500	4,178,500	4,348,500
Literary Loans	2,250,000	2,625,000	-	-	2,250,000	2,625,000
Capital Leases	289,678	47,437	-	-	289,678	47,437
Loan Payable	2,531,282	3,009,116	1,201,840	1,201,840	3,733,122	4,210,956
OPEB	359,726	338,791	94,275	89,210	454,001	428,001
Compensated absences	250,100	173,785	91,942	63,941	342,042	237,726
Net Pension Liability	2,302,486	1,697,852	557,050	417,588	2,859,536	2,115,440
Total	<u>\$ 8,423,702</u>	<u>\$ 8,355,592</u>	<u>\$ 17,260,405</u>	<u>\$ 17,307,828</u>	<u>\$ 25,684,107</u>	<u>\$ 25,663,420</u>

State statutes limit the amount of general bonded debt a governmental entity may issue up to 10 percent of its total assessed valuation. The current debt limit for the City of Buena Vista is approximately \$36,474,282.

Next Year's Budgets and Rates

The following factors were considered in preparing the City of Buena Vista's budget for FY 2017.

- Fund balances should be maintained in normal budget operations such that emergency needs may be met and sufficient funds are available to operate before tax proceeds are received.
- The City shall not sacrifice the maintenance of buildings, equipment or infrastructure for new projects or programs.
- The City shall continue to provide adequate employee compensation and training recognizing our workforce is a very important resource. An attractive compensation package helps attract and retain a quality group of employees.
- The City will actively evaluate the adequacy of current user charges for enterprise activities and will adjust rates as necessary to ensure these activities are self-sustaining.
- The City's real estate tax rate increased to \$1.21 per \$100 of assessed valuation. The City's personal property tax rate is \$5.85 per \$100 of assessed valuation.
- The City did not make any adjustments to the operation portion of the water rate or the sewer rate. The water rate is \$7.48 per 1000 gallons used and the sewer rate is \$7.44 per 1000 gallons used.

Requests for Information

This financial report is designed to provide a general overview of the City of Buena Vista's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 2039 Sycamore Avenue, Buena Vista, Virginia 24416.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Cash and cash equivalents	\$ 3,613,953	\$ 1,488,699	\$ 5,102,652	\$ 319,256
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,324,561	-	1,324,561	-
Accounts receivable	291,097	407,742	698,839	48,201
Due from primary government	-	-	-	796,389
Due from other governmental units	810,393	-	810,393	248,287
Internal balances	59,363	(59,363)	-	-
Inventories	-	-	-	8,926
Prepaid items	133,251	12,718	145,969	-
Restricted assets:				
Cash and cash equivalents	111,408	1,142,697	1,254,105	-
Cash and cash equivalents (in custody of others)	-	116,463	116,463	-
Net pension asset	-	-	-	398,916
Capital assets (net of accumulated depreciation):				
Land	2,108,097	1,364,900	3,472,997	4,634
Buildings and improvements	9,039,065	517,528	9,556,593	4,005,534
Machinery and equipment	746,885	115,418	862,303	8,040
Infrastructure	2,169,290	12,747,711	14,917,001	-
Total assets	\$ 20,407,363	\$ 17,854,513	\$ 38,261,876	\$ 5,838,183
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date	\$ 391,418	\$ 68,315	\$ 459,733	\$ 730,582
Items related to measurement of net pension liability	265,706	64,284	329,990	58,000
Total Deferred Outflows of Resources	\$ 657,124	\$ 132,599	\$ 789,723	\$ 788,582
LIABILITIES				
Accounts payable	\$ 373,152	\$ 97,744	\$ 470,896	\$ 320,564
Accrued liabilities	155,796	43,833	199,629	762,428
Accrued interest payable	36,210	977,437	1,013,647	-
Due to other governmental units	201,550	-	201,550	-
Due to component unit	796,389	-	796,389	-
Deposits held in escrow	-	68,250	68,250	-
Unearned revenue	-	-	-	1,800
Long-term liabilities:				
Due within one year	680,478	9,733,023	10,413,501	281,216
Due in more than one year	7,743,224	7,527,382	15,270,606	9,143,739
Total liabilities	\$ 9,986,799	\$ 18,447,669	\$ 28,434,468	\$ 10,509,747
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 820,023	\$ -	\$ 820,023	\$ -
Items related to measurement of net pension liability	308,194	76,690	384,884	754,085
Total Deferred Inflows of Resources	\$ 1,128,217	\$ 76,690	\$ 1,204,907	\$ 754,085
NET POSITION				
Net investment in capital assets	\$ 8,551,947	\$ (125,963)	\$ 8,425,984	\$ 4,018,208
Restricted:				
Community development block grant	94,473	-	94,473	-
Repayment of loans payable	111,408	815,382	926,790	-
Unrestricted (deficit)	1,191,643	(1,226,666)	(35,023)	(8,655,275)
Total net position	\$ 9,949,471	\$ (537,247)	\$ 9,412,224	\$ (4,637,067)

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

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City of Buena Vista, Virginia

Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
Governmental activities:					
General government administration	\$ 1,433,595	\$ 6,111	\$ 369,432	\$ -	
Judicial administration	784,356	1,657	372,217	-	
Public safety	2,265,851	72,387	382,277	-	
Public works	1,960,690	714,462	1,296,169	-	
Health and welfare	1,487,186	-	910,864	-	
Education	2,461,405	-	-	-	
Parks, recreation, and cultural	541,016	86,880	-	-	
Community development	437,882	-	-	-	
Interest on long-term debt	195,175	-	-	-	
Total governmental activities	<u>\$ 11,567,156</u>	<u>\$ 881,497</u>	<u>\$ 3,330,959</u>	<u>\$ -</u>	
Business-type activities:					
Water and Sewer	\$ 2,309,955	\$ 2,065,614	\$ -	\$ -	
Golf Course	1,072,226	352,310	-	100	
Total business-type activities	<u>\$ 3,382,181</u>	<u>\$ 2,417,924</u>	<u>\$ -</u>	<u>\$ 100</u>	
Total primary government	<u><u>\$ 14,949,337</u></u>	<u><u>\$ 3,299,421</u></u>	<u><u>\$ 3,330,959</u></u>	<u><u>\$ 100</u></u>	
COMPONENT UNIT:					
School Board	\$ 10,580,299	\$ 131,379	\$ 8,180,645	\$ -	
Total component unit	<u>\$ 10,580,299</u>	<u>\$ 131,379</u>	<u>\$ 8,180,645</u>	<u>\$ -</u>	

General revenues:

- General property taxes
- Other local taxes:
 - Local sales and use taxes
 - Consumers' utility taxes
 - Meals taxes
 - Business and professional license taxes
 - Motor vehicle license taxes
 - Other local taxes
- Unrestricted revenues from use of money and property
- Miscellaneous
- Grants and contributions not restricted to specific programs
- Transfers
 - Total general revenues and transfers
- Change in net position
- Net position - beginning
- Net position - ending

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	School Board	
\$ (1,058,052)	\$ -	\$ (1,058,052)	\$ -	-
(410,482)	-	(410,482)	-	-
(1,811,187)	-	(1,811,187)	-	-
49,941	-	49,941	-	-
(576,322)	-	(576,322)	-	-
(2,461,405)	-	(2,461,405)	-	-
(454,136)	-	(454,136)	-	-
(437,882)	-	(437,882)	-	-
(195,175)	-	(195,175)	-	-
<u>\$ (7,354,700)</u>	<u>\$ -</u>	<u>\$ (7,354,700)</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ (244,341)	\$ (244,341)	\$ -	-
-	(719,816)	(719,816)	-	-
<u>\$ -</u>	<u>\$ (964,157)</u>	<u>\$ (964,157)</u>	<u>\$ -</u>	<u>-</u>
<u>\$ (7,354,700)</u>	<u>\$ (964,157)</u>	<u>\$ (8,318,857)</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ (2,268,275)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,268,275)</u>	<u>-</u>
\$ 5,974,703	\$ -	\$ 5,974,703	\$ -	-
378,543	-	378,543	-	-
263,677	-	263,677	-	-
340,008	-	340,008	-	-
174,412	-	174,412	-	-
166,467	-	166,467	-	-
196,196	-	196,196	-	-
182,946	40	182,986	5,310	-
235,226	16	235,242	65,029	-
982,759	-	982,759	2,123,640	-
(241,196)	241,196	-	-	-
<u>\$ 8,653,741</u>	<u>\$ 241,252</u>	<u>\$ 8,894,993</u>	<u>\$ 2,193,979</u>	<u>-</u>
\$ 1,299,041	\$ (722,905)	\$ 576,136	\$ (74,296)	-
8,650,430	185,658	8,836,088	(4,562,771)	-
<u>\$ 9,949,471</u>	<u>\$ (537,247)</u>	<u>\$ 9,412,224</u>	<u>\$ (4,637,067)</u>	<u>-</u>

FUND FINANCIAL STATEMENTS

Balance Sheet
Governmental Funds
June 30, 2016

	<u>General</u>	<u>School Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 3,518,305	\$ -	\$ 95,648	\$ 3,613,953
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,324,561	-	-	1,324,561
Accounts receivable	229,490	-	61,607	291,097
Due from other funds	110,964	-	-	110,964
Due from other governmental units	810,393	-	-	810,393
Prepaid items	132,433	-	818	133,251
Restricted assets:				
Cash and cash equivalents	111,408	-	-	111,408
Total assets	<u>\$ 6,237,554</u>	<u>\$ -</u>	<u>\$ 158,073</u>	<u>\$ 6,395,627</u>
LIABILITIES				
Accounts payable	\$ 338,805	\$ 14,375	\$ 19,972	\$ 373,152
Accrued liabilities	142,279	-	13,517	155,796
Due to other funds	-	-	51,601	51,601
Due to other governmental units	201,550	-	-	201,550
Due to component unit	796,389	-	-	796,389
Total liabilities	<u>\$ 1,479,023</u>	<u>\$ 14,375</u>	<u>\$ 85,090</u>	<u>\$ 1,578,488</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	<u>\$ 1,470,434</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,470,434</u>
FUND BALANCES (DEFICITS)				
Nonspendable:				
Prepaid items	\$ 132,433	\$ -	\$ 818	\$ 133,251
Restricted:				
Repayment of loans payable	111,408	-	-	111,408
Community development block grant	-	-	94,473	94,473
Assigned:				
Senior Center	-	-	7,382	7,382
Green Hill Cemetary	-	-	33,002	33,002
Unassigned:				
General fund	3,044,256	-	-	3,044,256
School construction fund	-	(14,375)	-	(14,375)
Parks and recreation	-	-	(62,692)	(62,692)
Total fund balances	<u>\$ 3,288,097</u>	<u>\$ (14,375)</u>	<u>\$ 72,983</u>	<u>\$ 3,346,705</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,237,554</u>	<u>\$ -</u>	<u>\$ 158,073</u>	<u>\$ 6,395,627</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	3,346,705
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		14,063,337
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds.		342,217
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		391,418
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(8,194,206)</u>
Net position of governmental activities	\$	<u><u>9,949,471</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	General	School Construction Fund	Other Governmental Funds	Total
REVENUES				
General property taxes	\$ 5,741,167	\$ -	\$ -	\$ 5,741,167
Other local taxes	1,519,303	-	-	1,519,303
Permits, privilege fees, and regulatory licenses	40,924	-	-	40,924
Fines and forfeitures	57,242	-	-	57,242
Revenue from the use of money and property	52,068	18,281	112,597	182,946
Charges for services	738,976	-	44,355	783,331
Miscellaneous	233,598	-	1,628	235,226
Recovered costs	3,034	-	7,742	10,776
Intergovernmental:				
Local government	-	193,474	-	193,474
Commonwealth	4,053,919	-	-	4,053,919
Federal	66,325	-	-	66,325
Total revenues	\$ 12,506,556	\$ 211,755	\$ 166,322	\$ 12,884,633
EXPENDITURES				
Current:				
General government administration	\$ 1,171,159	\$ -	\$ -	\$ 1,171,159
Judicial administration	789,640	-	-	789,640
Public safety	2,205,651	-	-	2,205,651
Public works	2,193,090	-	-	2,193,090
Health and welfare	1,479,931	-	7,811	1,487,742
Education	2,220,877	-	-	2,220,877
Parks, recreation, and cultural	119,993	-	411,506	531,499
Community development	444,948	-	-	444,948
Capital projects	-	294,357	-	294,357
Debt service:				
Principal retirement	477,837	450,232	-	928,069
Interest and other fiscal charges	143,578	73,522	-	217,100
Total expenditures	\$ 11,246,704	\$ 818,111	\$ 419,317	\$ 12,484,132
Excess (deficiency) of revenues over (under) expenditures	\$ 1,259,852	\$ (606,356)	\$ (252,995)	\$ 400,501
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 10,000	\$ 312,093	\$ 265,695	\$ 587,788
Transfers out	(818,984)	-	(10,000)	(828,984)
Issuance of capital leases	-	294,292	-	294,292
Total other financing sources (uses)	\$ (808,984)	\$ 606,385	\$ 255,695	\$ 53,096
Net change in fund balances	\$ 450,868	\$ 29	\$ 2,700	\$ 453,597
Fund balances - beginning	2,837,229	(14,404)	70,283	2,893,108
Fund balances - ending	\$ 3,288,097	\$ (14,375)	\$ 72,983	\$ 3,346,705

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

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds	\$ 453,597
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.	(45,036)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	631,571
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 position. Also, governmental funds report the effect of 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.	633,774
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.	<u>(374,865)</u>
Change in net position of governmental activities	\$ <u><u>1,299,041</u></u>

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

Statement of Net Position
 Proprietary Funds
 June 30, 2016

	Enterprise Funds		
	Water & Sewer Fund	Golf Course Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,487,883	\$ 816	\$ 1,488,699
Accounts receivable, net of allowance for uncollectibles	406,410	1,332	407,742
Prepaid expenses	9,845	2,873	12,718
Total current assets	<u>\$ 1,904,138</u>	<u>\$ 5,021</u>	<u>\$ 1,909,159</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 1,142,697	\$ -	\$ 1,142,697
Cash and cash equivalents (in custody of others)	-	116,463	116,463
Total restricted assets	<u>\$ 1,142,697</u>	<u>\$ 116,463</u>	<u>\$ 1,259,160</u>
Capital assets:			
Land	\$ -	\$ 1,364,900	\$ 1,364,900
Buildings	-	722,543	722,543
Equipment	358,096	455,722	813,818
Infrastructure	16,579,314	5,854,800	22,434,114
Accumulated depreciation	(9,686,620)	(903,198)	(10,589,818)
Total capital assets	<u>\$ 7,250,790</u>	<u>\$ 7,494,767</u>	<u>\$ 14,745,557</u>
Total noncurrent assets	<u>\$ 8,393,487</u>	<u>\$ 7,611,230</u>	<u>\$ 16,004,717</u>
Total assets	<u>\$ 10,297,625</u>	<u>\$ 7,616,251</u>	<u>\$ 17,913,876</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	\$ 52,871	\$ 15,444	\$ 68,315
Items related to measurement of net pension liability	55,713	8,571	64,284
Total deferred outflows of resources	<u>\$ 108,584</u>	<u>\$ 24,015</u>	<u>\$ 132,599</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 79,255	\$ 18,489	\$ 97,744
Accrued liabilities	31,497	12,336	43,833
Due to other funds	-	59,363	59,363
Accrued interest payable	88,591	888,846	977,437
Customer deposits	68,250	-	68,250
Other obligations - current portion	-	1,201,840	1,201,840
Bonds payable - current portion	195,061	8,267,165	8,462,226
Compensated absences - current portion	36,023	32,934	68,957
Total current liabilities	<u>\$ 498,677</u>	<u>\$ 10,480,973</u>	<u>\$ 10,979,650</u>
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 6,117,229	\$ 735,843	\$ 6,853,072
Net OPEB obligation	76,601	17,674	94,275
Compensated absences - net of current portion	12,007	10,978	22,985
Net pension liability	482,777	74,273	557,050
Total noncurrent liabilities	<u>\$ 6,688,614</u>	<u>\$ 838,768</u>	<u>\$ 7,527,382</u>
Total liabilities	<u>\$ 7,187,291</u>	<u>\$ 11,319,741</u>	<u>\$ 18,507,032</u>
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 66,478	\$ 10,212	\$ 76,690
Total deferred inflows of resources	<u>\$ 66,478</u>	<u>\$ 10,212</u>	<u>\$ 76,690</u>
NET POSITION			
Net investment in capital assets	\$ 1,382,278	\$ (1,508,241)	\$ (125,963)
Restricted for debt service and bond covenants	698,919	116,463	815,382
Unrestricted	1,071,243	(2,297,909)	(1,226,666)
Total net position	<u>\$ 3,152,440</u>	<u>\$ (3,689,687)</u>	<u>\$ (537,247)</u>

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended June 30, 2016

	Enterprise Funds		
	Water & Sewer Fund	Golf Course	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 1,054,812	\$ -	\$ 1,054,812
Sewer revenues	892,870	-	892,870
Penalties	57,975	-	57,975
Course fees	-	126,315	126,315
Golf cart rentals	-	187,926	187,926
Golf clubs and balls	-	12,972	12,972
Meter service charges	44,947	-	44,947
Reconnection fees and other charges	15,010	-	15,010
Food and beverage sales	-	25,097	25,097
Miscellaneous	-	16	16
Total operating revenues	<u>\$ 2,065,614</u>	<u>\$ 352,326</u>	<u>\$ 2,417,940</u>
OPERATING EXPENSES			
Personal services	\$ 677,293	\$ 258,287	\$ 935,580
Fringe benefits	252,142	67,394	319,536
Contractual services	62,824	130	62,954
Other charges	534,306	178,367	712,673
Depreciation	399,690	50,353	450,043
Rentals and leases	195	-	195
Total operating expenses	<u>\$ 1,926,450</u>	<u>\$ 554,531</u>	<u>\$ 2,480,981</u>
Operating income (loss)	<u>\$ 139,164</u>	<u>\$ (202,205)</u>	<u>\$ (63,041)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	\$ 40	\$ -	\$ 40
Interest expense	(337,798)	(517,695)	(855,493)
Nutrient credit purchase	(45,707)	-	(45,707)
Total nonoperating revenues (expenses)	<u>\$ (383,465)</u>	<u>\$ (517,695)</u>	<u>\$ (901,160)</u>
Income before contributions and transfers	<u>\$ (244,301)</u>	<u>\$ (719,900)</u>	<u>\$ (964,201)</u>
Other capital contributions and construction grants	\$ -	\$ 100	\$ 100
Transfers in	-	241,196	241,196
Change in net position	<u>\$ (244,301)</u>	<u>\$ (478,604)</u>	<u>\$ (722,905)</u>
Total net position - beginning	<u>3,396,741</u>	<u>(3,211,083)</u>	<u>185,658</u>
Total net position - ending	<u><u>\$ 3,152,440</u></u>	<u><u>\$ (3,689,687)</u></u>	<u><u>\$ (537,247)</u></u>

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

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016

	Enterprise Funds		
	Water & Sewer Fund	Golf Course	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,046,045	\$ 413,120	\$ 2,459,165
Payments to suppliers	(537,857)	(166,498)	(704,355)
Payments to employees	(928,476)	(296,045)	(1,224,521)
Net cash provided by (used for) operating activities	\$ 579,712	\$ (49,423)	\$ 530,289
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	\$ -	\$ 241,196	\$ 241,196
Net cash provided by (used for) noncapital financing activities	\$ -	\$ 241,196	\$ 241,196
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	\$ (54,964)	\$ -	\$ (54,964)
Purchase of nutrient credits	(45,707)	-	(45,707)
Principal payments on bonds	(188,768)	(31,183)	(219,951)
Capital grants and contributions	-	100	100
Interest expense	(340,546)	(89,272)	(429,818)
Net cash provided by (used for) capital and related financing activities	\$ (629,985)	\$ (120,355)	\$ (750,340)
Net increase (decrease) in cash and cash equivalents	\$ (50,233)	\$ 71,418	\$ 21,185
Cash and cash equivalents - beginning, including restricted cash of \$1,245,919 and \$37,599, respectively	2,680,813	45,861	2,726,674
Cash and cash equivalents - ending, including restricted cash of \$1,142,697 and \$116,463, respectively	\$ 2,630,580	\$ 117,279	\$ 2,747,859
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 139,164	\$ (202,205)	\$ (63,041)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 399,690	\$ 50,353	\$ 450,043
(Increase) decrease in accounts receivable	(21,194)	1,431	(19,763)
(Increase) decrease in prepaid items	(9,845)	(2,873)	(12,718)
(Increase) decrease in deferred outflows of resources	(39,408)	(9,295)	(48,703)
Increase (decrease) in compensated absences	(4,706)	32,707	28,001
Increase (decrease) in net OPEB obligation	4,389	676	5,065
Increase (decrease) in accounts payable	69,313	14,872	84,185
Increase (decrease) in customer deposits	1,625	-	1,625
Increase (decrease) in due to other funds	-	59,363	59,363
Increase (decrease) in accrued liabilities	3,937	(160)	3,777
Increase (decrease) in deferred inflows of resources	(84,077)	(12,930)	(97,007)
Increase (decrease) in net pension liability	120,824	18,638	139,462
Total adjustments	\$ 440,548	\$ 152,782	\$ 593,330
Net cash provided by (used for) operating activities	\$ 579,712	\$ (49,423)	\$ 530,289

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2016

	Blues Education Foundation Private-Purpose Trust	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 12,429	\$ 2,368
Total assets	<u>\$ 12,429</u>	<u>\$ 2,368</u>
LIABILITIES		
Amounts held for social services clients	\$ -	\$ 2,368
Total liabilities	<u>\$ -</u>	<u>\$ 2,368</u>
NET POSITION		
Restricted for grant awards	<u>\$ 12,429</u>	

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

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 Year Ended June 30, 2016

	Blues Education Foundation Private-Purpose Trust
	<hr/>
ADDITIONS	
Contributions:	
Donations	\$ 3,036
Total contributions	\$ 3,036
Total additions	\$ 3,036
	<hr/>
DEDUCTIONS	
Grants awarded	\$ 2,721
Administrative expenses	27
Total deductions	\$ 2,748
	<hr/>
Change in net position	\$ 288
Net position - beginning	12,141
Net position - ending	\$ 12,429
	<hr/> <hr/>

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

CITY OF BUENA VISTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The City of Buena Vista, Virginia (government) is a municipal corporation governed by an elected seven-member City Council. The accompanying financial statements present the government and its component unit, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Units – The City has no blended component units for the year ended June 30, 2016.

Discretely Presented Component Units – The component unit column in the financial statements includes the financial data of the City's discretely presented component unit. It is reported in a separate column to emphasize that they are legally separate from the City.

The Buena Vista City School Board operates the elementary and secondary public schools in the City. School Board members are popularly elected. The School Board is fiscally dependent upon the City because the City approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The Buena Vista City School Board does not prepare separate financial statements.

The Buena Vista City School Board maintains an internal service fund entitled Health Insurance Fund that has been included in the discretely presented component unit financial statements. The purpose of this fund is to disclose the School Board's self-insured health insurance transactions for the fiscal year as required by GASB 10.

Other Organizations:

Included in the City's Financial Report: None

Excluded from the City's Financial Report:

Rockbridge Area Community Services Board:

The Rockbridge Area Community Services Board is considered an intergovernmental (joint) venture and therefore its operations are not included in the City's financial statements. The Cities of Lexington and Buena Vista and the County of Rockbridge provide the financial support for the Board and appoint its governing Board in which is vested the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over its operations. Summary financial information is included in Note 5 of these financial statements. Complete financial statements can be obtained from the Rockbridge Area Community Services Board.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

A. Financial Reporting Entity (continued)

Other Organizations: (continued)

Maury Service Authority:

The Maury Service Authority is responsible for acquiring, financing, constructing, and maintaining facilities for the improvement, treatment, storage and transmission of potable water. The Maury Service Authority is considered an intergovernmental (joint) venture and therefore its operations are not included in the City's financial statements. The Cities of Buena Vista and Lexington and the County of Rockbridge appoint the Board of Directors and each provides substantially all of the Authority's revenues. Summary financial information is included in Note 5 of these financial statements. Complete financial statements of the Maury Service Authority are available at the Authority's office in Lexington, Virginia.

Rockbridge County Regional Jail Commission:

The Rockbridge County Regional Jail Commission is a regional board organized to manage and confine prisoners from the localities of Lexington, Buena Vista, and Rockbridge County. The City of Buena Vista, City of Lexington, and the County of Rockbridge each appoint one member to the Commission. The Commission is considered an intergovernmental (joint) venture and therefore its operations are not included in the City's financial statements. Summary financial information is included in Note 5 of these financial statements. Complete financial statements of the Rockbridge County Regional Jail Commission are available at the Rockbridge County Jail, 258 Greenhouse Road, Lexington, VA 24450.

Rockbridge Regional Public Safety Communications Center:

The Rockbridge Regional Public Safety Communications Center is organized for the purpose of establishing a mutually beneficial basis for the use and operation of a consolidated public safety dispatch center for the County of Rockbridge and Cities of Lexington and Buena Vista, Virginia. The Cities of Buena Vista and Lexington and the County of Rockbridge appoint the Board of Directors and each provides substantially all of the Center's revenues. The Center is not included in these financial statements because the City does not have ability to designate the management and exercise significant control over the operations of the entity. Summary financial information is included in Note 5 of these financial statements. Complete financial statements of the Rockbridge Regional Public Safety Communications Center are available at the Center's office in Lexington, Virginia.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of net position is designed to display financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide statement of net position and will report depreciation expenses – the cost of “using up” capital assets – in the statement of activities. The net position of a government will be broken down into three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. Government-wide and fund financial statements (continued)

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

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

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund 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.

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

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 cash is received by the government.

The government reports the following major governmental funds:

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

Capital project funds account for and report financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. Major capital project funds consist of the School Construction Fund.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

The government reports the following major proprietary funds:

The *Water and Sewer Fund* operates the sewage treatment plants, sewage pumping stations and collection systems, and the water distribution system.

The *Golf Course Fund* operates the golf course constructed by the City.

Additionally, the government reports the following fund types:

Special revenue funds account for and report the proceeds of the specific revenue sources (other than major capital projects) that are legally restricted to expenditures. Senior Center, Park and Recreation, and Green Hill Cemetery funds are nonmajor special revenue funds of the City.

Capital projects funds account for and report financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. The Community Development Block Grant fund is a nonmajor capital projects fund of the City.

Fiduciary funds (Trust and Agency) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. The City's two fiduciary funds are the Special Welfare fund and the Blues Education Foundation Private-Purpose Trust. The Special Welfare fund maintains funds belonging to individuals, primarily children, in the care of the local social services agency. The Blues Education Foundation Private-Purpose Trust consists of funds held in trust to be used to award grants to selected recipients. All resources of the Private-purpose trust, including any earnings on invested resources, may be used to support charitable and educational grant activities. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Buena Vista, Virginia's own programs.

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 and golf course functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and Cash Equivalents

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.

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposits (CDs) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) All other outstanding balances between funds are reported as "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. 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 in two installments on June 5th and December 5th. Personal property taxes are also payable in two installments on June 5th and December 5th. The City bills and collects its own property taxes.

4. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$212,188 at June 30, 2016 and is comprised of property tax and water and sewer receivables of \$118,182, and \$94,006, respectively.

5. 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)****6. 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 acquisition value at the date of donation.

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

The City has elected to record infrastructure costs beginning with costs incurred in 1980. No infrastructure costs prior to 1980 have been recorded.

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 current or previous year.

Property, plant, and equipment and infrastructure of the primary government's governmental activities, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Governmental Funds</u>
Buildings	50 years
Building improvements	50 years
Infrastructure, lines, and accessories	30-50 years
Machinery and equipment	5-10 years

Property, plant and equipment and infrastructure purchased by the Enterprise Funds are stated at cost or estimated historical cost. Donated property is recorded at acquisition value at the date of donation. Depreciation has been provided over the following estimated useful lives using the straight-line method:

<u>Assets</u>	<u>Enterprise Funds</u>
Water/sewer infrastructure	30-50 years
Equipment (all proprietary)	8-10 years
Golf Course	50 years

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

7. *Compensated Absences*

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the Statement of Net Position. In accordance with the provisions of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting 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 City accrues salary-related payments associated with the payment of compensated absences. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. *Long-term obligations*

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

9. *Fund equity*

The City reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, funds must be committed through action by City Council, its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; City Council has delegated this authority to the City Manager.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

9. Fund equity (continued)

When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

10. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

11. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted - net position is applied.

12. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

13. Restricted Assets

The enterprise funds maintain restricted cash for debt service that are limited by applicable bond covenants. At June 30, 2016 the general, golf, and water and sewer funds had restricted cash for debt service of \$111,408, \$116,463, and \$698,919, respectively. Additionally, the water and sewer fund had unspent bond proceeds of \$443,778.

As of June 30, 2016 the City was not in compliance with the bond agreement for the Series 2005A lease revenue bonds for the golf course fund. The 2005A bond agreement indicates that the City is required to maintain the lesser of the maximum annual debt services on the bonds or 10% of the stated principal amount of the bonds in a debt service reserve account. At year end the balance in the restricted debt service account was \$116,463.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

14. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items to report in this category. One item is comprised of certain items related to the measurement of the net pension asset or liability. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. The other item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as an increase to or a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet.

This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset or liability are reported as deferred inflows of resources. These include the difference between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

15. *Pensions*

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

16. Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*

The City implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the City to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the City's financial statement as a result of the implementation of Statement No. 72.

Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*

The City implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the City's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 4.

Governmental Accounting Standards Board Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*

The City early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 CONTINUED

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 position**

The governmental fund balance sheet includes a reconciliation between *fund balances—total governmental funds* and *net position—governmental activities* as reported in the government-wide statements of net position. 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 these \$(8,194,206) and \$(9,366,955) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
Bonds payable	\$ (440,430)	\$ -
Accrued interest payable	(36,210)	-
Net OPEB obligation	(359,726)	(435,000)
Capital leases	(289,678)	-
Loans payable and literary loan	(4,781,282)	-
Compensated absences	(250,100)	(374,955)
Net pension liability	(2,302,486)	(8,615,000)
Items related to measurement of net pension liability	<u>265,706</u>	<u>58,000</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	\$ <u><u>(8,194,206)</u></u>	\$ <u><u>(9,366,955)</u></u>

Another element of that reconciliation states that “other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.” The details of these \$342,217 and \$(754,085) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
Unavailable revenue - property taxes	\$ 650,411	\$ -
Items related to measurement of net pension asset/liability	<u>(308,194)</u>	<u>(754,085)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u><u>342,217</u></u>	\$ <u><u>(754,085)</u></u>

**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 reconciliation between *net changes in fund balances—total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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 these \$(45,036) and \$(75,704) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
Capital outlay	\$ 287,555	\$ 354,870
Depreciation expense	(386,420)	(376,745)
Allocation of debt financed school assets	53,829	(53,829)
Net adjustment to increase (decrease) <i>net changes in fund balances—total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ (45,036)	\$ (75,704)

Another element of that reconciliation states that “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 position. Also, governmental funds report the effect of 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 \$633,774 difference in the primary government are as follows:

	Primary Government
Debt issued or incurred:	
Issuance of capital lease	\$ (294,292)
Principal repayments:	
General obligation debt	23,181
Revenue bond	477,834
Loans payable and literary loan	375,000
Capital leases	52,051
Net adjustment to decrease <i>net changes in fund balances—total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 633,774

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 CONTINUED

**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 that “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 these \$(374,865) and \$(590,820) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
Compensated absences	\$ (76,315)	\$ (134,089)
Net OPEB obligation	(20,935)	(40,000)
Accrued interest payable	21,925	-
Net pension liability	(604,634)	(281,000)
Net pension asset	-	(23,105)
Deferred outflows related to pension payments to the measurement date	39,388	(96,626)
Items related to measurement of net pension liability	265,706	(16,000)
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ (374,865)</u>	<u>\$ (590,820)</u>

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of these \$631,571 and \$592,716 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
Property taxes	\$ 233,536	\$ -
Changes in deferred inflows related to the measurement of the net pension liability	398,035	592,716
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ 631,571</u>	<u>\$ 592,716</u>

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**A. Budgetary information**

1. Prior to April 30, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budgets include proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an appropriations ordinance.
4. The Appropriations Ordinance places legal restrictions on expenditures at the department level. The appropriation for each department can be revised only by the City Council. The City Manager is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts between the school system's departments without the approval of the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Capital Projects and Proprietary Funds.
6. Budgets for all funds are legally adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All appropriations lapse at year-end.
8. Budgetary data presented in the accompanying financial statements includes both the original and the amended budget for the year ended June 30, 2016. Several supplemental appropriations were necessary during the year.
9. The following funds have legally adopted budgets: General, Park and Recreation, Emergency 911, Senior Center, School Construction, Flood Protection, Water and Sewer, Golf Course, School Operating and School Cafeteria Funds. The legal level of control, the level on which expenditures may not legally exceed appropriations, is the departmental level.
10. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the City's accounting system.

B. Excess of expenditures over appropriations

For the year ended June 30, 2016, the following funds incurred expenditures exceeding appropriations:

Fund	Excess Expenditures over Appropriations
General	\$ 138,031
Park and Recreation	69,869
Senior Center Fund	3,911
School Construction	298,986
Total All Funds	<u>\$ 510,797</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 CONTINUED

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY: (CONTINUED)

C. Deficit fund equity

At June 30, 2016, the parks and recreation, golf course, and school construction funds had deficit fund equity of \$61,874, \$3,689,687, and \$14,375 respectively.

NOTE 4—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Statutes authorize the City 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).

Custodial Credit Risk (Investments)

The City of Buena Vista sets forth the following authorized investments to mitigate custodial credit risk. Whereas, authorized investments for public funds are limited to those set forth in Chapter 18, Section 2.2-4501 of the Code of Virginia. Investment vehicles for the City of Buena Vista shall be further restricted in consideration of the size of the portfolio and the absence of professional investment personnel. The City's investment policy for credit risk is consistent with the investments allowed by statutes as detailed above. The City does not have a formal policy for investment-related risk.

City's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government	
Investment Pool	\$ 14,733
Total	\$ 14,733

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 CONTINUED

NOTE 4—DEPOSITS AND INVESTMENTS (CONTINUED):

External Investment Pool

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB Statements No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk

The City invests funds in low risk investments backed by U.S. government agencies.

	<u>Fair Value</u>	<u>Less than 1 yr</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>10+ years</u>
LGIP	\$ <u>14,733</u>	\$ <u>14,733</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

NOTE 5—JOINT VENTURES:

As described in Note 1-A, the following boards are construed as operating as joint ventures between the Cities of Lexington and Buena Vista and the County of Rockbridge. Summary financial information for the Boards at June 30, 2016 is provided below:

	<u>Maury Service Authority</u>	<u>Rockbridge County Regional Jail Commission</u>	<u>Rockbridge Area Community Services Board</u>	<u>Rockbridge Regional Public Safety Communications Center</u>
Total assets and deferred outflows of resources	\$ 40,045,761	\$ 3,757,769	\$ 8,387,808	\$ 5,948,150
Total liabilities and deferred inflows of resources	15,702,707	1,630,410	5,262,836	5,783,228
Total net position	\$ <u>24,343,054</u>	\$ <u>2,127,359</u>	\$ <u>3,124,972</u>	\$ <u>164,922</u>
For the year ended June 30, 2016				
Operating revenue	\$ 2,816,879	\$ 3,028,871	\$ 4,290,086	\$ 236,493
Operating expenses	(3,265,818)	(3,123,742)	(7,349,343)	(1,330,177)
Nonoperating income (expense)	1,225,263	14,047	3,312,570	1,095,760
Change in net position	\$ 776,324	\$ (80,824)	\$ 253,313	\$ 2,076
Net position at beginning of year	23,566,730	2,208,183	2,871,659	162,846
Net position at end of year	\$ <u>24,343,054</u>	\$ <u>2,127,359</u>	\$ <u>3,124,972</u>	\$ <u>164,922</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 CONTINUED

NOTE 6—DUE FROM OTHER GOVERNMENTS:

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

	Primary Government	Discretely Presented Component Unit School Board
<u>Federal Government:</u>		
Categorical aid - welfare	\$ 3,783	\$ -
Categorical aid - highway safety grant	120	-
Categorical aid - victim witness grant	4,492	-
Categorical aid - IDEA part B section 611 special education	-	17,926
Categorical aid - title I	-	18,459
Categorical aid - title II part A	-	1,220
Categorical aid - twenty-first century	-	24,388
Categorical aid - title VI	-	538
<u>Commonwealth of Virginia:</u>		
Local sales tax	-	185,756
State sales tax	67,161	-
Personal property tax relief funds	374,445	-
Communications tax	49,818	-
Comprehensive Service Act funds - Rockbridge County	246,463	-
Other state funds	64,111	-
Totals	\$ <u>810,393</u>	\$ <u>248,287</u>

NOTE 7—DUE TO OTHER GOVERNMENTS:

During fiscal year 2013 the City entered into an agreement with the County of Rockbridge, Virginia and the City of Lexington, Virginia in order to fund certain renovation improvements to the Rockbridge County Regional Jail. The agreement stipulates that each locality shall be responsible for a portion of the debt issued to finance the project. The City of Lexington serves as fiscal agent for the project and as such, will pay the annual debt service. The participating localities will reimburse the City of Lexington for the debt service. As of June 30, 2016 the portion of the debt allocable to the City of Buena Vista, Virginia amounted to \$201,550.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 CONTINUED

NOTE 8—INTERFUND OBLIGATIONS:

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:		
General Fund	\$ 796,389	\$ 110,964
Park and Recreation Fund	51,601	-
Golf Course	59,363	-
Total Primary Government	\$ 907,353	\$ 110,964
Component Unit-School Board:		
School Fund	\$ -	\$ 796,389
Total Component Unit	\$ -	\$ 796,389
Total reporting entity	\$ 907,353	\$ 907,353

The amount payable to the component unit School Fund relates to cash necessary to cover accrued payroll in the School Fund and the balance of local appropriations unspent at year-end due back to the School Fund. The amounts payable to the General Fund resulted from cash advances to the Park and Recreation Fund and Golf Course Fund.

NOTE 9—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2016, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
Governmental activities:		
General Fund	\$ 10,000	\$ 818,984
Park and Recreation Fund	262,756	-
Senior Center Fund	2,939	-
School Construction Fund	312,093	-
Green Hill Cemetery Fund	-	10,000
Total governmental activities	\$ 587,788	\$ 828,984
Business-type activities:		
Golf Course Fund	\$ 241,196	\$ -
Total business-type activities	\$ 241,196	\$ -
Total primary government	\$ 828,984	\$ 828,984

During the year, 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.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 CONTINUED

NOTE 9—INTERFUND TRANSFERS (CONTINUED):

The following table provides the purposes of interfund transfers throughout the year:

Transfers to/from other funds:

Transfer to the General Fund from the Green Hill Cemetery Fund to fund capital projects	\$	10,000
Transfer to the Park and Recreation Fund from the General Fund to supplement Park and Recreation Fund operations		262,756
Transfer to the Senior Center Fund from the General Fund to supplement Senior Center Fund operations		2,939
Transfer to School Construction Fund from the General Fund to fund debt service payments for long-term obligations		312,093
Transfer to the Golf Course Fund from the General Fund to supplement Golf Course Fund operations		<u>241,196</u>
Total transfers	\$	<u><u>828,984</u></u>

NOTE 10—LONG-TERM OBLIGATIONS:

Primary Government-Governmental Activities Obligations

The following is a summary of long-term obligation transactions for the City's governmental activities for the year ended June 30, 2016.

	Balance July 1, 2015	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016
<u>Governmental activities obligations:</u>				
General obligation bonds	\$ 463,611	\$ -	\$ 23,181	\$ 440,430
Literary loan	2,625,000	-	375,000	2,250,000
Capital leases	47,437	294,292	52,051	289,678
Loans payable	3,009,116	-	477,834	2,531,282
Net OPEB obligation	338,791	58,780	37,845	359,726
Compensated absences	173,785	206,656	130,341	250,100
Net pension liability	1,697,852	1,582,145	977,511	2,302,486
Total governmental activities obligations	\$ <u>8,355,592</u>	\$ <u>2,141,873</u>	\$ <u>2,073,763</u>	\$ <u>8,423,702</u>

For governmental activities, net pension liability, compensated absences and the net OPEB obligation are generally liquidated in the General and Parks and Recreation Funds.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 CONTINUED

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Governmental Activities Obligations (Continued)

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2017	\$ 23,181	\$ 19,583
2018	23,181	19,583
2019	23,181	19,583
2020	23,181	19,583
2021	23,181	19,583
2022	23,181	19,583
2023	23,181	19,583
2024	23,181	19,583
2025	23,181	19,583
2026	23,181	19,583
2027	23,181	19,583
2028	23,181	19,583
2029	23,181	19,583
2030	23,181	19,583
2031	23,181	19,583
2032	23,181	19,583
2033	23,181	19,583
2034	23,181	19,583
2035	23,172	9,791
Totals	\$ <u>440,430</u>	\$ <u>362,285</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 CONTINUED

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Governmental Activities Obligations (continued)

Year Ending June 30,	Literary Fund Loan		Capital Leases		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 375,000	\$ 45,000	\$ 44,784	\$ 8,690	\$ 49,938	\$ 78,650
2018	375,000	37,500	46,127	7,347	63,099	100,329
2019	375,000	30,000	47,511	5,963	65,788	97,640
2020	375,000	22,500	48,936	4,538	68,594	94,834
2021	375,000	15,000	50,404	3,070	71,523	91,905
2022	375,000	7,500	51,916	1,558	72,493	89,209
2023	-	-	-	-	77,134	87,234
2024	-	-	-	-	80,613	83,755
2025	-	-	-	-	84,256	80,112
2026	-	-	-	-	88,072	76,296
2027	-	-	-	-	92,069	72,300
2028	-	-	-	-	96,255	68,113
2029	-	-	-	-	100,640	63,728
2030	-	-	-	-	88,056	60,130
2031	-	-	-	-	79,079	56,114
2032	-	-	-	-	82,295	52,898
2033	-	-	-	-	85,645	49,548
2034	-	-	-	-	89,135	46,058
2035	-	-	-	-	92,770	42,423
2036	-	-	-	-	96,558	38,636
2037	-	-	-	-	100,504	34,690
2038	-	-	-	-	104,615	30,579
2039	-	-	-	-	108,898	26,295
2040	-	-	-	-	113,361	21,832
2041	-	-	-	-	118,011	17,182
2042	-	-	-	-	122,858	12,335
2043	-	-	-	-	127,909	7,285
2044	-	-	-	-	111,114	2,021
Totals	\$ 2,250,000	\$ 157,500	\$ 289,678	\$ 31,166	\$ 2,531,282	\$ 1,582,131

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 CONTINUED

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Governmental Activities Obligations (continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Governmental Activities Indebtedness:</u>		
<u>General Obligation Bonds:</u>		
\$509,973 School Tax Credit Bonds, Series 2012-1, dated September 26, 2012 maturing annually with principal payments of \$23,181 through December 1, 2034, with interest payable semi-annually at a rate of 1.9%. Interest is reimbursed by a federal interest subsidy.	\$ 440,430	\$ 23,181
Total general obligation bonds	\$ 440,430	\$ 23,181
<u>Loans Payable:</u>		
\$7,500,000 issued February 2, 2000, due in annual installments of \$375,000 plus interest at 2%, through 2022.	\$ 2,250,000	\$ 375,000
\$1,800,000 loan payable dated March 5, 2009, due in annual installments of \$109,179 including interest at 5% through 2044.	1,619,558	26,581
\$700,000 loan payable dated March 5, 2009, due in annual installments of \$42,459 including interest at 5% through 2044.	635,313	8,264
\$300,000 loan payable dated October 1, 2014, issued to finance the purchase of real property, due in monthly installments of \$2,431 including interest at 4.875% through October 1, 2029.	276,411	15,093
Total loans payable	\$ 4,781,282	\$ 424,938

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 CONTINUED

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Governmental Activities Obligations (continued)

Details of long-term obligations (continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Governmental Activities Indebtedness: (continued)</u>		
<u>Capital Leases:</u>		
\$294,292 capital lease for school buses, dated July 7, 2015, due in annual payment of \$53,474, including interest at 3% through August 15, 2021.	\$ 289,678	\$ 44,784
Sub-total capital leases	\$ 289,678	\$ 44,784
Net OPEB Obligation	\$ 359,726	\$ -
Compensated absences (payable from the General and Park and Recreation Funds)	\$ 250,100	\$ 187,575
Net pension liability	2,302,486	-
Total governmental activities obligations	<u>\$ 8,423,702</u>	<u>\$ 680,478</u>

Primary Government-Business-type Activities Obligations

The following is a summary of changes in long-term obligation transactions for the City's enterprise funds for the year ended June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2016</u>
<u>Business-type activities obligations:</u>				
Revenue bonds	\$ 4,348,500	\$ -	\$ 170,000	\$ 4,178,500
Lease-revenue bonds	11,186,749	-	49,951	11,136,798
Other obligations	1,201,840	-	-	1,201,840
Net OPEB obligations	89,210	14,220	9,156	94,275
Compensated absences	63,941	75,957	47,956	91,942
Net pension liability	417,588	381,448	241,986	557,050
Total enterprise funds obligation	<u>\$ 17,307,828</u>	<u>\$ 471,625</u>	<u>\$ 519,049</u>	<u>\$ 17,260,405</u>

Compensated absences are generally liquidated in the water/sewer fund and golf course fund based on which fund incurred the related liability.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 CONTINUED

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Business-type Activities Obligations (Continued)

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

Year Ending June 30,	Revenue Bonds/Other Obligation	
	Principal	Interest
2017	\$ 9,664,066	\$ 377,412
2018	169,626	366,920
2019	147,135	359,091
2020	254,760	352,304
2021	267,505	339,565
2022	280,377	326,187
2023	293,380	312,165
2024	306,522	297,493
2025	324,807	280,107
2026	343,244	261,670
2027	361,838	242,176
2028	385,598	221,616
2029	404,530	198,184
2030	433,644	173,594
2031	457,945	147,193
2032	716,008	119,294
2033	107,151	74,613
2034	112,074	69,690
2035	117,223	64,541
2036	122,608	59,156
2037	128,240	53,524
2038	134,132	47,632
2039	140,294	41,470
2040	146,739	35,025
2041	153,480	28,284
2042	160,531	21,233
2043	167,905	13,859
2044	175,619	6,145
2045	40,157	290
Total	\$ <u>16,517,138</u>	\$ <u>4,890,433</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 CONTINUED

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Business-type Activities Indebtedness:</u>		
<u>Revenue Bonds:</u>		
\$4,765,000, Series 2011A Revenue Bond, dated July 14, 2011, maturing semi-annually through 2032 with interest payable at rates varying from 3.625% to 6.500%. Principal payments vary from \$90,000 to \$615,000.	\$ 4,178,500	\$ 142,835
\$3,300,000 Rural Development Revenue Bond, Series 2004, dated November 18, 2004, issued through the Industrial Development Authority of Buena Vista at 4.50% interest per annum. Monthly payments of principal and interest of \$15,147 are due through September 18, 2044.	2,901,798	84,391
\$9,205,000 Lease-Revenue Bond, Series 2005A, dated April 14, 2005 issued through the Public Recreation Facilities Authority of Buena Vista at interest rates from 4.125% to 5.500% per annum. Semi-annual interest payments commence January 1, 2006 through maturity. Annual principal payments ranging from \$180,000 to \$630,000 commence July 1, 2010 through July 1, 2035. See Note 22 for additional information on events related to these bonds.	8,235,000	8,235,000
Sub-total revenue bonds	\$ <u>15,315,298</u>	\$ <u>8,462,226</u>
<u>Other Obligations:</u>		
Forbearance agreement dated July 18, 2011 for the deferral of 50% of the annual debt service on the Series 2005A lease revenue bond for fiscal years 2012 through 2016. The Deferred payments are payable to the bond insurer, ACA, in semi-annual installments comencing July 1, 2035 through January 1, 2040. See Note 22 for additional information on events related to this agreement.	\$ 1,201,840	\$ 1,201,840
Net OPEB obligation	\$ 94,275	\$ -
Compensated absences (payable from the Water and Sewer and Golf Course Funds)	\$ 91,942	\$ 68,957
Net pension liability	\$ 557,050	\$ -
Total business-type activities indebtedness	\$ <u><u>17,260,405</u></u>	\$ <u><u>9,733,023</u></u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 CONTINUED

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

Discretely Presented Component Unit—School Board:

The following is a summary of long-term obligation transactions for the Discretely Presented Component Unit—School Board for the year ended June 30, 2016.

	Balance July 1, 2015	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016
<u>General Long-Term Obligations</u>				
Net OPEB obligation	\$ 395,000	\$ 247,000	\$ 207,000	\$ 435,000
Compensated absences	240,866	314,739	180,650	374,955
Net pension liability	8,334,000	1,927,000	1,646,000	8,615,000
Total Long-Term Obligations	<u>\$ 8,969,866</u>	<u>\$ 2,488,739</u>	<u>\$ 2,033,650</u>	<u>\$ 9,424,955</u>

Details of Long-term Indebtedness:

	Total Amount	Amount Due Within One Year
Net OPEB obligation	\$ 435,000	\$ -
Compensated absences (payable from the School Fund)	\$ 374,955	\$ 281,216
Net pension liability	\$ 8,615,000	\$ -
Total Long-term obligations, Discretely Presented Component Unit - School Board	<u>\$ 9,424,955</u>	<u>\$ 281,216</u>

NOTE 11—CAPITAL LEASES:

The government has entered into lease agreements as lessee for financing a street sweeper, general equipment, and school buses. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present values of future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset:	Governmental Activities
Machinery and Equipment	\$ 528,292
Less: Accumulated depreciation	(209,221)
Total	<u>\$ 319,071</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2016, are as follows:

Year Ended June 30,	Governmental Activities
2017	\$ 53,474
2018	53,474
2019	53,474
2020	53,474
2021	53,474
2022	53,474
Total minimum lease payments	\$ 320,844
Less: Amount representing interest	(31,166)
Present value of minimum lease payments	<u>\$ 289,678</u>

NOTE 12—PENSION PLAN:***Plan Description***

All full-time, salaried permanent employees of the City and (nonprofessional) employees of public school divisions are automatically covered by VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTE 12—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

NOTE 12—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

NOTE 12—PENSION PLAN: (Continued)***Plan Description (Continued)***

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

NOTE 12—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

NOTE 12—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

NOTE 12—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Not applicable.

NOTE 12—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Normal Retirement Age VRS: Age 65. Political subdivisions hazardous duty employees: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.	Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

NOTE 12—PENSION PLAN: (Continued)***Plan Description (Continued)***

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

NOTE 12—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

NOTE 12—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> •Hybrid Retirement Plan members are ineligible for ported service. •The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. •Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

NOTE 12—PENSION PLAN: (Continued)***Plan Description (Continued)***

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

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

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	63	21
Inactive members:		
Vested inactive members	7	4
Non-vested inactive members	10	27
Inactive members active elsewhere in VRS	28	8
Total inactive members	45	39
Active members	73	24
Total covered employees	181	84

Contributions

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

The City's contractually required contribution rate for the year ended June 30, 2016 was 14.77% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$459,733 and \$422,230 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 2.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

NOTE 12—PENSION PLAN: (Continued)***Contributions (Continued)***

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$7,829 and \$7,926 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability/Asset

The City's and Component Unit School Board's (nonprofessional) net pension liability/asset were measured as of June 30, 2015. The total pension liabilities used to calculate the net pension liability/asset were determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions – General Employees

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

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:**Pre-Retirement:**

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

NOTE 12—PENSION PLAN: (Continued)

Actuarial Assumptions – General Employees (Continued)

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

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

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees

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

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

NOTE 12—PENSION PLAN: (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

NOTE 12—PENSION PLAN: (Continued)***Long-Term Expected Rate of Return***

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

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

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 CONTINUED

NOTE 12—PENSION PLAN: (Continued)

Discount Rate

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

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 16,481,782	\$ 14,366,342	\$ 2,115,440
Changes for the year:			
Service cost	\$ 376,655	\$ -	\$ 376,655
Interest	1,122,225	-	1,122,225
Differences between expected and actual experience	449,987	-	449,987
Contributions - employer	-	422,230	(422,230)
Contributions - employee	-	142,031	(142,031)
Net investment income	-	649,744	(649,744)
Benefit payments, including refunds of employee contributions	(900,002)	(900,002)	-
Administrative expenses	-	(9,098)	9,098
Other changes	-	(136)	136
Net changes	\$ 1,048,865	\$ 304,769	\$ 744,096
Balances at June 30, 2015	\$ 17,530,647	\$ 14,671,111	\$ 2,859,536

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 CONTINUED

NOTE 12—PENSION PLAN: (Continued)

Changes in Net Pension Liability (Asset)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2014	\$ 1,349,248	\$ 1,771,269	\$ (422,021)
Changes for the year:			
Service cost	\$ 36,673	\$ -	\$ 36,673
Interest	90,772	-	90,772
Differences between expected and actual experience	(1,342)	-	(1,342)
Contributions - employer	-	7,976	(7,976)
Contributions - employee	-	17,257	(17,257)
Net investment income	-	78,925	(78,925)
Benefit payments, including refunds of employee contributions	(105,003)	(105,003)	-
Administrative expenses	-	(1,143)	1,143
Other changes	-	(17)	17
Net changes	\$ 21,100	\$ (2,005)	\$ 23,105
Balances at June 30, 2015	\$ 1,370,348	\$ 1,769,264	\$ (398,916)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
City of Buena Vista, Virginia			
Net Pension Liability	\$ 5,134,746	\$ 2,859,536	\$ 967,274
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ (265,173)	\$ (398,916)	\$ (513,300)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 CONTINUED

NOTE 12—PENSION PLAN: (Continued)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2016, the City and Component Unit School Board (nonprofessional) recognized pension expense of \$341,294 and \$(29,635) respectively. At June 30, 2016, the City and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 329,990	\$ -	\$ -	\$ 519
Net difference between projected and actual earnings on pension plan investments	-	384,884	-	48,566
Employer contributions subsequent to the measurement date	459,733	-	7,829	-
Total	<u>\$ 789,723</u>	<u>\$ 384,884</u>	<u>\$ 7,829</u>	<u>\$ 49,085</u>

\$459,733 and \$7,829 reported as deferred outflows of resources related to pensions resulting from the City's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30,	Primary Government	Component Unit School Board (nonprofessional)
2017	(31,219)	(19,523)
2018	(31,219)	(19,004)
2019	(61,222)	(19,005)
2020	68,766	8,447
Thereafter	-	-

NOTE 12—PENSION PLAN: (Continued)

Component Unit School Board (professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information regarding the plan description can be found in the first section of this note.

Contributions

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

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2014. The actuarial rate for the Teacher Retirement Plan was 18.20%. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$722,753 and \$737,854 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the school division reported a liability of \$8,615,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was .06844% as compared to .06896% at June 30, 2014.

NOTE 12—PENSION PLAN: (Continued)**Component Unit School Board (professional) (Continued)*****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

For the year ended June 30, 2016, the school division recognized pension expense of \$632,000. Since there was a change in proportionate share between June 30, 2014 and June 30, 2015, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 119,000
Net difference between projected and actual earnings on pension plan investments	-	527,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	58,000	59,000
Employer contributions subsequent to the measurement date	<u>722,753</u>	<u>-</u>
Total	<u>\$ 780,753</u>	<u>\$ 705,000</u>

\$722,753 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30,</u>	
2017	(232,000)
2018	(232,000)
2019	(232,000)
2020	69,000
Thereafter	(20,000)

NOTE 12—PENSION PLAN: (Continued)**Component Unit School Board (professional) (Continued)*****Actuarial Assumptions***

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

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:**Pre-Retirement:**

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

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

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

NOTE 12—PENSION PLAN: (Continued)**Component Unit School Board (professional) (Continued)*****Long-Term Expected Rate of Return***

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

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

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

NOTE 12—PENSION PLAN: (Continued)**Component Unit School Board (professional) (Continued)*****Discount Rate***

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

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 12,606,000	\$ 8,615,000	\$ 5,328,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS:

Beginning in fiscal year 2009, the City and School Board implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to postemployment health care and other non-pension benefits, such as the City and School Board retiree health benefit subsidy. Historically, the City and School Board's subsidy was funded on a pay-as-you go basis, but GASB Statement No. 45 requires that the City and School Board accrue the cost of the retiree health subsidy and other postemployment benefits during the period of the employee's active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of postemployment benefits and the financial impact on the City and School Board. This funding methodology mirrors the funding approach used for pension benefits.

City:

A. Plan Description:

The City offers its employees the option to participate in the group health insurance program offered to other employee's upon retirement, through a single-employer defined benefit plan. Employees who retire after June 30, 1997, are 55 years of age, and were employed for at least 10 years of continuous service immediately prior to retirement are eligible to remain enrolled in the health insurance group plan and continue to have the premiums paid for health insurance coverage subject to specific terms. The City will pay a portion of the medical insurance for eligible retirees equal to that received by regular working full time employees (\$470.20 for fiscal year 2016). Retirees shall have participated in the group insurance program for the five years preceding retirement. Spouses and dependents listed for coverage by the employee prior to retirement may remain in the group program. Once the employee has retired, only the deletion or termination of coverage will be permitted. Full cost of dependent coverage will be the responsibility of the retired employee. Eligibility for this benefit terminates at the time the retiree obtains other health coverage or reaches the age of 65. Should an employee be granted full retirement by VRS and/or Social Security because of disability, he/she will be eligible to receive the payments made by the City for retirees regardless of age if he/she has been employed by the City for at least 10 years immediately prior to the disability. The City reserves the right to change the terms of the retirees' health insurance coverage at any time, including the right to terminate any or all coverage provided to retirees.

B. Funding Policy:

The City establishes employer contribution rates for plan participants as part of the budgetary process each year. Retiree contributions are adjusted as insurance rates change, with the maximum City subsidy remaining at \$2,500 per year.

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**City: (continued)****C. Annual OPEB Cost and Net OPEB Obligation:**

The City's general fund has been used in prior years to liquidate the net other post-employment benefit obligation of the governmental funds. The annual cost of other postemployment benefits (OPEB) under GASB 45 is based on the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$74,000 for fiscal year 2016. The City has paid \$47,000 towards this obligation during fiscal year 2016. The ARC is an amount actuarially determined in accordance with the parameters of GASB Statement 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 the components of the City's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the City's net OPEB obligation:

Annual Required Contribution	\$	74,000
Interest on net OPEB obligation		17,000
Adjustment to annual required contributions		(18,000)
Annual OPEB cost (expense)	\$	73,000
Contributions made		(47,000)
Increase in net OPEB obligation	\$	26,000
Net OPEB obligation-beginning of year		428,001
Net OPEB obligation-end of year	\$	454,001

For 2016, the City's expected cash payment of \$47,000 was \$26,000 short of the OPEB cost. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and preceding two years are as follows:

Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
6/30/16	\$ 73,000	64.38%	\$ 454,001
6/30/15	82,001	57.32%	428,001
6/30/14	79,000	48.10%	393,000

D. Funded Status and Funding Progress:

The funded status of the plan as of July 1, 2015, the most recent actuarial valuation date, rolled forward for the current year is as follows:

Actuarial accrued liability (AAL)	\$	938,000
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability	\$	938,000
Funded ratio (actuarial value of plan assets/ AAL)		0.00%
Covered payroll (active plan members)	\$	3,083,000
UAAL as a percentage of covered payroll		30.42%

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 liabilities for benefits.

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

City: (continued)**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 the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Presumptions used in determining the health care cost trends include that Medical Per Capita costs, Average Costs and premiums are assumed to increase 7.5% for Pre-Medicare coverage in 2016. This rate decreases at a rate of .5% per year until an ultimate rate of 5.00% is reached. Additionally, the actuarial valuation uses 2.5% as a “general inflation rate” assumption for the OPEB plan. 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.

Cost Method

The Entry Age Normal cost method is used to determine the Plan’s funding liabilities and costs. Under this cost 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. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year). Under this method, inactive participants have no normal cost, and the actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The Plan’s total annual normal cost and actuarial liability are the sum of the individual participant amounts. An experienced gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method. The actuarial assumptions included a 4.0% rate of return and a medical trend rate of 5.0%. The UAAL is being amortized on an increasing basis. The remaining open amortization at July 1, 2015 was 30 years. Data is net of any retiree contributions.

Interest Assumptions

Funding interest rate	4.00%
Annual amortization increase rate	2.50%

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**School Board:****A. Plan Description:**

The School Board offers its employees the option to participate in the group health insurance program offered to other employee's upon retirement, through a single-employer defined benefit plan. Employees who retire after June 30, 1997, are 55 years of age, and were employed for at least 10 years of continuous service immediately prior to retirement are eligible to remain enrolled in the health insurance group plan. The retiree shall pay the same rate as an active employee for coverage. Retirees shall have participated in the group insurance program for the ten years preceding retirement. Spouses and dependents listed for coverage by the employee prior to retirement may remain in the group program. Once the employee has retired, only the deletion or termination of coverage will be permitted. Full cost of dependent coverage will be the responsibility of the retired employee. Spouses and dependents may maintain coverage after the death of the retiree as long as they meet the eligibility requirements of the plan and assume full responsibility for the premiums. Eligibility for this benefit terminates at the time the retiree obtains other health coverage or reaches the age of 65. Should an employee be granted full retirement by VRS and/or Social Security because of disability, he/she will be eligible to receive the payments made by the School Board for retirees regardless of age if he/she has been employed by the School Board for at least 10 years immediately prior to the disability. The School Board reserves the right to change the terms of the retirees' health insurance coverage at any time, including the right to terminate any or all coverage provided to retirees.

B. Funding Policy:

The School Board establishes employer contribution rates for plan participants as part of the budgetary process each year. Retiree contributions are adjusted as insurance rates change, with the maximum City subsidy remaining at \$2,500 per year.

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other postemployment benefits (OPEB) under GASB 45 is based on the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$247,000 for fiscal year 2016. The School Board has paid \$207,000 towards this obligation during FY16. The ARC is an amount actuarially determined in accordance with the parameters of GASB Statement 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 School Board's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the School Board's net OPEB obligation:

Annual Required Contribution	\$ 247,000
Interest on net OPEB obligation	16,000
Adjustment to annual required contributions	(16,000)
Annual OPEB cost (expense)	\$ 247,000
Contributions made	(207,000)
Increase in net OPEB obligation	\$ 40,000
Net OPEB obligation-beginning of year	395,000
Net OPEB obligation-end of year	<u>\$ 435,000</u>

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**School Board: (continued)****C. Annual OPEB Cost and Net OPEB Obligation: (Continued)**

For 2016, the School Board's expected cash payment of \$207,000 was \$40,000 short of the OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and preceding two years are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/16	\$ 247,000	83.81%	\$ 435,000
6/30/15	292,000	81.51%	395,000
6/30/14	280,000	97.50%	341,000

D. Funded Status and Funding Progress:

The funded status of the plan as of July 1, 2015, the most recent actuarial valuation date, rolled forward for the current year is as follows:

Actuarial accrued liability (AAL)	\$ 2,626,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability	\$ 2,626,000
Funded ratio (actuarial value of plan assets/ AAL)	0.00%
Covered payroll (active plan members)	\$ 4,812,000
UAAL as a percentage of covered payroll	54.57%

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

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Presumptions used in determining the health care cost trends include that Medical Per Capita costs, Average Costs and premiums are assumed to increase 7.5% for Pre-Medicare coverage in 2016. This rate decreases at a rate of .5% per year until an ultimate rate of 5.00% is reached. 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.

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**School Board: (continued)****E. Actuarial Methods and Assumptions: (Continued)****Cost Method**

The Entry Age Normal cost method is used to determine the Plan's funding liabilities and costs. Under this cost 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. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year). Under this method, inactive participants have no normal cost, and the actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The Plan's total annual normal cost and actuarial liability are the sum of the individual participant amounts. An experienced gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method. The actuarial assumptions included a 4.0% rate of return and a medical trend rate of 5.0%. The UAAL is being amortized on an increasing basis. The remaining open amortization at July 1, 2015 was 30 years. Data is net of any retiree contributions.

Interest Assumptions

Funding interest rate	4.00%
Annual amortization increase rate	2.50%

VRS Health Insurance Credit Program**A. Plan Description**

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4.00 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a maximum monthly credit, which is \$4.00 multiplied by the smaller of (i) twice the amount of their creditable service for (ii) the amount of creditable service they would have completed at age sixty if they had remained in service to that age.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 10.

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

School Board: (continued)

VRS Health Insurance Credit Program (Continued)

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.06% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2016, 2015, and 2014 were \$55,577, \$53,442, and \$55,802, respectively and equaled the required contributions for each year.

NOTE 14—DEFERRED, UNAVAILABLE, AND UNEARNED REVENUE:

Deferred and unavailable revenue represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred and unavailable revenue in the government-wide financial statements and fund financial statements totaling \$820,023, and \$1,470,434, respectively is comprised of the following:

- A. Prepaid Property Taxes—Property taxes due subsequent to June 30, 2016 but paid in advance by the taxpayers totaled \$202,150 at June 30, 2016.
- B. Unbilled Property Taxes—Property taxes for the second half of 2016 that had not been billed as of June 30, 2016 amounted to \$617,873.
- C. Unavailable Property Taxes—Uncollected tax billings not available for funding of current expenditures totaled \$650,411.

Unearned revenue reported in the component unit school board representing non-resident tuition fees not available to fund current expenditures totaled \$1,800.

NOTE 15—CONTINGENT LIABILITIES:

Federal programs in which the City and its component unit participate were audited in accordance with the Uniform Guidance. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Pursuant to the terms of an annexation agreement, the City is obligated to make certain improvements to the City infrastructure. While the exact cost of these improvements is unknown, the cost will be significant.

The City along with the City of Lexington and County of Rockbridge, have entered into an agreement with the Rockbridge Regional Public Safety Communications Center, for the purpose of providing contributions for the payment of debt associated with its radio upgrade project through June 30, 2030. Each locality will contribute a percentage of the total cost of the upgrade based upon its annual assessed value of real estate. The County of Rockbridge is serving as fiscal agent for the radio upgrade project. The amount owed by the Rockbridge Regional Public Safety Communications Center on the capital lease obligation at June 30, 2016 was \$4,945,909 and an annual payment of \$435,327 will be paid by the Center through June 2030.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 CONTINUED

NOTE 16—HEALTH INSURANCE FUND:

The Buena Vista City School Board maintains an internal service fund entitled Health Insurance Fund that has been included in the discretely presented component unit financial statements. The purpose of this fund is to disclose the School Board's self-insured health insurance transactions for the fiscal year as required by GASB 10. The School Board uses Piedmont Community Health as the administrator of their self-insured plan. The Health Insurance fund pays Piedmont Community Health an administrative fee for these services.

This fund serves the School Board component unit and accounts for the health insurance activities of the aforementioned funds but does not constitute a transfer of risk from the City.

Significant losses, over \$80,000, are covered by commercial insurance. Stop loss insurance coverage began in October 2015. As of June 30, 2016, no settlement amounts have exceeded coverage during this time period.

The School Board records an estimated liability for indemnity health care claims. Claims liabilities are based on estimates of the ultimate cost of reported claims and an estimate for claims incurred but not reported (IBNR) based on historical experience.

Piedmont Community Health has established a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. At June 30, 2016 the plan liability was \$257,379. The net position of the Plan maintained by the School Board can be found on Exhibit 25. The following represents the change in approximate aggregate liabilities for the fund:

	Beginning of Fiscal Year (Surplus) Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End (Surplus) Liability
2015-2016 \$	- \$	791,019 \$	533,640 \$	257,379

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 CONTINUED
NOTE 17—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2016 was as follows:

Primary Government

	Balance July 1, 2015	Increases	Decreases	Transfers/ Reclassifications	Balance June 30, 2016
Governmental activities					
Capital assets not being depreciated:					
Land	\$ 2,108,097	\$ -	\$ -	\$ -	\$ 2,108,097
Total capital assets not being depreciated	\$ 2,108,097	\$ -	\$ -	\$ -	\$ 2,108,097
Capital assets being depreciated:					
Buildings and improvements	\$ 13,080,375	\$ -	\$ -	\$ -	\$ 13,080,375
Infrastructure	28,114,633	24,000	-	-	28,138,633
Machinery and Equipment	2,326,770	263,555	-	294,292	2,884,617
Total capital assets being depreciated	\$ 43,521,778	\$ 287,555	\$ -	\$ 294,292	\$ 44,103,625
Accumulated depreciation:					
Buildings and improvements	\$ (3,751,338)	\$ (114,473)	\$ -	\$ (175,499)	\$ (4,041,310)
Infrastructure	(25,784,352)	(184,991)	-	-	(25,969,343)
Machinery and Equipment	(1,985,812)	(86,956)	-	(64,964)	(2,137,732)
Total accumulated depreciation	\$ (31,521,502)	\$ (386,420)	\$ -	\$ (240,463)	\$ (32,148,385)
Capital assets being depreciated, net	\$ 12,000,276	\$ (98,865)	\$ -	\$ 53,829	\$ 11,955,240
Governmental activities capital assets, net	\$ 14,108,373	\$ (98,865)	\$ -	\$ 53,829	\$ 14,063,337

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 1,364,900	\$ -	\$ -	\$ 1,364,900
Total capital assets not being depreciated	\$ 1,364,900	\$ -	\$ -	\$ 1,364,900
Capital assets being depreciated:				
Infrastructure	\$ 22,434,114	\$ -	\$ -	\$ 22,434,114
Buildings	722,543	-	-	722,543
Machinery and equipment	758,854	54,964	-	813,818
Total capital assets being depreciated	\$ 23,915,511	\$ 54,964	\$ -	\$ 23,970,475
Accumulated depreciation:				
Infrastructure	\$ (9,265,972)	\$ (420,431)	\$ -	\$ (9,686,403)
Buildings	(189,428)	(15,587)	-	(205,015)
Machinery and equipment	(684,375)	(14,025)	-	(698,400)
Total accumulated depreciation	\$ (10,139,775)	\$ (450,043)	\$ -	\$ (10,589,818)
Capital assets being depreciated, net	\$ 13,775,736	\$ (395,079)	\$ -	\$ 13,380,657
Business-type activities capital assets, net	\$ 15,140,636	\$ (395,079)	\$ -	\$ 14,745,557

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 CONTINUED**NOTE 17—CAPITAL ASSETS:****Primary Government (Continued)**

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

Governmental activities:	
General government administration	\$ 263,882
Judicial administration	6,675
Public safety	58,999
Public works	44,869
Health and welfare	2,478
Education	240,463
Parks, recreation and cultural	9,517
Total depreciation expense - governmental activities	<u>\$ 626,883</u>
Business-type activities:	
Water and Sewer	\$ 399,690
Golf course	50,353
Total depreciation expense - business-type activities	<u>\$ 450,043</u>

Discretely Presented Component Unit**School Board**

	Balance July 1, 2015	Increases	Decreases	Transfers/ Reclassifications	Balance June 30, 2016
Governmental activities					
Capital assets not being depreciated:					
Land and land improvements	\$ 4,634	\$ -	\$ -	\$ -	\$ 4,634
Total capital assets not being depreciated	<u>\$ 4,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,634</u>
Capital assets being depreciated:					
Buildings and improvements	\$ 7,827,738	\$ 47,673	\$ -	\$ -	\$ 7,875,411
Machinery and equipment	516,733	307,197	-	(294,292)	529,638
Total capital assets being depreciated	<u>\$ 8,344,471</u>	<u>\$ 354,870</u>	<u>\$ -</u>	<u>\$ (294,292)</u>	<u>\$ 8,405,049</u>
Accumulated depreciation:					
Buildings and improvements	\$ (3,738,598)	\$ (306,776)	\$ -	\$ 175,497	\$ (3,869,877)
Machinery and equipment	(516,595)	(69,969)	-	64,966	(521,598)
Total accumulated depreciation	<u>\$ (4,255,193)</u>	<u>\$ (376,745)</u>	<u>\$ -</u>	<u>\$ 240,463</u>	<u>\$ (4,391,475)</u>
Capital assets being depreciated, net	<u>\$ 4,089,278</u>	<u>\$ (21,875)</u>	<u>\$ -</u>	<u>\$ (53,829)</u>	<u>\$ 4,013,574</u>
Governmental activities capital assets, net	<u>\$ 4,093,912</u>	<u>\$ (21,875)</u>	<u>\$ -</u>	<u>\$ (53,829)</u>	<u>\$ 4,018,208</u>

Depreciation expense for the Component Unit School Board was \$136,282 for the year ended June 30, 2016 and was charged to the education function.

The City retains 100% of the value of School Board assets financed with general City debt on the City's books until the related debt associated with each asset is fully defeased.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 CONTINUED

NOTE 18—RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together with other local governments in Virginia to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The City pays an annual premium to the association for its workers compensation, auto property, liability, flood, and crime coverage.

In the event of the loss, deficit or depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The City continues to carry commercial insurance for all other risks of loss, including general liability and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 19—ARBITRAGE REBATE COMPLIANCE:

As of June 30, 2016 and for the year then ended, the City was not liable for any amounts due under current rules governing arbitrage earnings.

NOTE 20—LITIGATION:

In June 2016, ACA Financial Guaranty Corporation filed suit against the City for its default on \$9.2 million in Lease Revenue Bonds issued in 2005 to refund debt the City had incurred building Vista Links, a municipal golf course. The Series 2005A lease revenue bonds are secured by the City's municipal building and police station in addition to the Vista Links municipal golf course. It is anticipated that failure to pay the debt service on the bonds may result in the loss of these properties, and will likely have a negative impact on the City's ability to borrow funds in future years. The City Council has since filed a dismissal of the suit that was filed by ACA.

NOTE 21—UPCOMING PRONOUNCEMENTS:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

NOTE 21—UPCOMING PRONOUNCEMENTS: (Continued)

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after November 30, 2016.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after November 30, 2016.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

NOTE 22—COMMITMENTS AND CONTINGENCIES:

The City's Public Recreational Facilities Authority issued Series 2005A lease revenue bonds dated April 14, 2005 to finance the procurement and construction of the Vista Links municipal golf course. The City entered into an agreement to lease the golf course from the Public Recreational Facilities Authority. Under the terms of the agreement, the City is responsible for the annual debt service on the Series 2005a lease revenue bonds issued in the Public Recreational Facilities Authority's name.

NOTE 22—COMMITMENTS AND CONTINGENCIES: (Continued)

On July 1, 2011, City Council moved to accept a forbearance and reimbursement agreement for the repayment of the Series 2005A lease revenue bonds as scheduled, however, for a period of 5 years from the date of the agreement, the City would defer one half of the original amount due. At the conclusion of the scheduled debt payments, the City would repay the trustee the deferred amount over a 5 year period.

On December 8, 2014, City Council passed an ordinance that redirected funds originally budgeted to pay the fiscal year 2015 golf course rent to the City's general operating fund. In the same meeting, City Council passed a resolution to discontinue rent payments to the Public Recreational Facilities Authority of the City of Buena Vista, Virginia and to enter into negotiations to resolve the debt associated with the Vista Links golf course.

The Series 2005A lease revenue bonds are secured by the City's municipal building and police station in addition to the Vista Links golf course. It is anticipated that failure to pay the debt service on the bonds may result in the loss of these buildings, and it will likely have a negative impact on the City's ability to borrow funds in future years.

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 5,543,810	\$ 5,543,810	\$ 5,741,167	\$ 197,357
Other local taxes	1,452,167	1,452,167	1,519,303	67,136
Permits, privilege fees, and regulatory licenses	32,950	32,950	40,924	7,974
Fines and forfeitures	60,700	60,700	57,242	(3,458)
Revenue from the use of money and property	62,000	62,000	52,068	(9,932)
Charges for services	731,530	731,530	738,976	7,446
Miscellaneous	151,800	151,800	233,598	81,798
Recovered costs	-	-	3,034	3,034
Intergovernmental:				
Commonwealth	3,657,348	3,657,348	4,053,919	396,571
Federal	90,000	90,000	66,325	(23,675)
Total revenues	<u>\$ 11,782,305</u>	<u>\$ 11,782,305</u>	<u>\$ 12,506,556</u>	<u>\$ 724,251</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,190,858	\$ 1,190,858	\$ 1,171,159	\$ 19,699
Judicial administration	850,199	850,199	789,640	60,559
Public safety	2,294,450	2,299,814	2,205,651	94,163
Public works	1,692,473	1,692,473	2,193,090	(500,617)
Health and welfare	1,499,822	1,499,822	1,479,931	19,891
Education	2,615,211	2,615,211	2,220,877	394,334
Parks, recreation, and cultural	120,612	120,612	119,993	619
Community development	481,233	481,233	444,948	36,285
Debt service:				
Principal retirement	190,665	190,665	477,837	(287,172)
Interest and other fiscal charges	167,786	167,786	143,578	24,208
Total expenditures	<u>\$ 11,103,309</u>	<u>\$ 11,108,673</u>	<u>\$ 11,246,704</u>	<u>\$ (138,031)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 678,996</u>	<u>\$ 673,632</u>	<u>\$ 1,259,852</u>	<u>\$ 586,220</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 10,000	\$ 10,000
Transfers out	<u>(678,996)</u>	<u>(673,632)</u>	<u>(818,984)</u>	<u>(145,352)</u>
Total other financing sources (uses)	<u>\$ (678,996)</u>	<u>\$ (673,632)</u>	<u>\$ (808,984)</u>	<u>\$ (135,352)</u>
Net change in fund balances	\$ -	\$ -	\$ 450,868	\$ 450,868
Fund balances - beginning	-	-	2,837,229	2,837,229
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,288,097</u>	<u>\$ 3,288,097</u>

Schedule of OPEB Funding Progress
June 30, 2016

PRIMARY GOVERNMENT:**City Other Postemployment Benefit Program**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
6/30/2015	\$ -	\$ 938,000	\$ 938,000	0.00%	\$ 3,083,000	30.42%
6/30/2012 ®	-	1,017,000	1,017,000	0.00%	2,998,484	33.92%
6/30/2012 ®	-	982,000	982,000	0.00%	2,925,350	33.57%
6/30/2012	-	903,000	903,000	0.00%	2,854,000	31.64%
6/30/2010 ®	-	1,557,000	1,557,000	0.00%	2,731,000	57.01%

® Roll-forward of valuation date results

DISCRETELY PRESENTED COMPONENT UNIT:**School Board Other Postemployment Benefit Program**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
6/30/2015	\$ -	\$ 2,626,000	\$ 2,626,000	0.00%	\$ 4,812,000	54.57%
6/30/2012 ®	-	3,289,001	3,289,001	0.00%	5,118,645	64.26%
6/30/2012 ®	-	3,235,000	3,235,000	0.00%	4,993,800	64.78%
6/30/2012	-	3,221,000	3,221,000	0.00%	4,872,000	66.11%
6/30/2011 ®	-	3,648,000	3,648,000	0.00%	5,126,000	71.17%

® Roll-forward of valuation date results

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Primary Government
Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 376,655	\$ 357,099
Interest	1,122,225	1,081,457
Differences between expected and actual experience	449,987	-
Benefit payments, including refunds of employee contributions	(900,002)	(812,332)
Net change in total pension liability	\$ 1,048,865	\$ 626,224
Total pension liability - beginning	16,481,782	15,855,558
Total pension liability - ending (a)	\$ 17,530,647	\$ 16,481,782
Plan fiduciary net position		
Contributions - employer	\$ 422,230	\$ 421,903
Contributions - employee	142,031	147,251
Net investment income	649,744	1,976,108
Benefit payments, including refunds of employee contributions	(900,002)	(812,332)
Administrative expense	(9,098)	(10,762)
Other	(136)	104
Net change in plan fiduciary net position	\$ 304,769	\$ 1,722,272
Plan fiduciary net position - beginning	14,366,342	12,644,070
Plan fiduciary net position - ending (b)	\$ 14,671,111	\$ 14,366,342
City's net pension liability - ending (a) - (b)	\$ 2,859,536	\$ 2,115,440
Plan fiduciary net position as a percentage of the total pension liability	83.69%	87.16%
Covered payroll	\$ 2,867,942	\$ 2,947,103
City's net pension liability as a percentage of covered payroll	99.71%	71.78%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Components of and Changes in Net Pension Liability (Asset) and Related Ratios
 Component Unit School Board (nonprofessional)
 Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 36,673	\$ 35,849
Interest	90,772	89,028
Differences between expected and actual experience	(1,342)	-
Benefit payments, including refunds of employee contributions	(105,003)	(94,923)
Net change in total pension liability	\$ 21,100	\$ 29,954
Total pension liability - beginning	1,349,248	1,319,294
Total pension liability - ending (a)	<u>\$ 1,370,348</u>	<u>\$ 1,349,248</u>
Plan fiduciary net position		
Contributions - employer	\$ 7,976	\$ 16,821
Contributions - employee	17,257	16,427
Net investment income	78,925	246,211
Benefit payments, including refunds of employee contributions	(105,003)	(94,923)
Administrative expense	(1,143)	(1,367)
Other	(17)	13
Net change in plan fiduciary net position	\$ (2,005)	\$ 183,182
Plan fiduciary net position - beginning	1,771,269	1,588,087
Plan fiduciary net position - ending (b)	<u>\$ 1,769,264</u>	<u>\$ 1,771,269</u>
School Division's net pension liability (asset) - ending (a) - (b)	\$ (398,916)	\$ (422,021)
Plan fiduciary net position as a percentage of the total pension liability	129.11%	131.28%
Covered payroll	\$ 346,316	\$ 328,542
School Division's net pension liability (asset) as a percentage of covered payroll	-115.19%	-128.45%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
 Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.06844%	0.06896%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 8,615,000	\$ 8,334,000
Employer's Covered Payroll	\$ 5,088,648	\$ 5,027,238
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	169.30%	165.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.68%	70.88%

Schedule is intended to show information for 10 years. Information prior to 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2016	\$ 459,733	\$ 459,733	\$ -	\$ 3,112,616	14.77%
2015	422,230	422,230	-	2,867,942	14.72%
2014	421,903	421,903	-	2,947,103	14.32%
2013	415,104	415,104	-	2,906,889	14.28%
2012	293,068	293,068	-	2,864,790	10.23%
2011	293,015	293,015	-	2,864,273	10.23%
2010	242,981	242,981	-	3,025,911	8.03%
2009	260,033	260,033	-	3,238,274	8.03%
2008	280,373	280,373	-	3,136,160	8.94%
2007	259,334	259,334	-	3,090,987	8.39%
Component Unit School Board (nonprofessional)					
2016	\$ 7,829	\$ 7,829	\$ -	\$ 337,453	2.32%
2015	7,926	7,926	-	346,316	2.29%
2014	16,821	16,821	-	328,542	5.12%
2013	16,769	16,769	-	327,519	5.12%
2012	-	-	-	385,558	0.00%
2011	-	-	-	334,395	0.00%
2010	-	-	-	361,393	0.00%
2009	-	-	-	394,481	0.00%
2008	-	-	-	459,574	0.00%
2007	4,699	4,699	-	415,033	1.13%
Component Unit School Board (professional)					
2016	\$ 722,753	\$ 722,753	\$ -	\$ 5,140,491	14.06%
2015	737,854	737,854	-	5,088,648	14.50%
2014	586,176	586,176	-	5,027,238	11.66%
2013	532,330	532,330	-	4,565,437	11.66%
2012	324,200	324,200	-	5,121,643	6.33%
2011	211,283	211,283	-	5,376,158	3.93%
2010	372,292	372,292	-	4,225,789	8.81%
2009	525,202	525,202	-	5,961,430	8.81%
2008	569,820	569,820	-	5,532,233	10.30%
2007	566,051	566,051	-	5,479,681	10.33%

Current year contributions are from City records and prior year contributions are from the VRS actuarial valuation performed each year.

Notes to Required Supplementary Information
Year Ended June 30, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

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

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

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

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

OTHER SUPPLEMENTARY INFORMATION

MAJOR CAPITAL PROJECT FUNDS

School Construction Fund – The School Construction Fund was created to account for School capital projects constructed with funds from the City.

School Construction Fund-Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Revenue from the use of money and property	\$ 18,173	\$ 18,173	\$ 18,281	\$ 108
Intergovernmental:				
Local government	188,861	188,861	193,474	4,613
Total revenues	<u>\$ 207,034</u>	<u>\$ 207,034</u>	<u>\$ 211,755</u>	<u>\$ 4,721</u>
EXPENDITURES				
Capital projects	\$ -	\$ -	\$ 294,357	\$ (294,357)
Debt service:				
Principal retirement	445,619	445,619	450,232	(4,613)
Interest and other fiscal charges	73,506	73,506	73,522	(16)
Total expenditures	<u>\$ 519,125</u>	<u>\$ 519,125</u>	<u>\$ 818,111</u>	<u>\$ (298,986)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (312,091)</u>	<u>\$ (312,091)</u>	<u>\$ (606,356)</u>	<u>\$ (294,265)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 312,091	\$ 312,091	\$ 312,093	\$ 2
Proceeds of capital leases	-	-	294,292	294,292
Total other financing sources (uses)	<u>\$ 312,091</u>	<u>\$ 312,091</u>	<u>\$ 606,385</u>	<u>\$ 294,294</u>
Net change in fund balances	\$ -	\$ -	\$ 29	\$ 29
Fund balances - beginning	-	-	(14,404)	(14,404)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,375)</u>	<u>\$ (14,375)</u>

FIDUCIARY FUND

Special Welfare Fund – The Special Welfare Fund accounts for funds held in an agency capacity for social service recipients.

Statement of Changes in Assets and Liabilities
 Agency Fund
 Year Ended June 30, 2016

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
ASSETS				
Cash and cash equivalents	\$ 2,710	\$ 259	\$ 601	\$ 2,368
Total assets	<u>\$ 2,710</u>	<u>\$ 259</u>	<u>\$ 601</u>	<u>\$ 2,368</u>
LIABILITIES				
Amounts held for social services clients	\$ 2,710	\$ 259	\$ 601	\$ 2,368
Total liabilities	<u>\$ 2,710</u>	<u>\$ 259</u>	<u>\$ 601</u>	<u>\$ 2,368</u>

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report specific revenues that are legally restricted to expenditures for particular purposes.

Park and recreation fund – This fund is issued to account for activities related to the operation of the City's Parks and Recreation Department. Funds generated by the Department are restricted and used to support operations of the Department.

Senior Center fund – This fund was created to account for revenues and expenditures of the Senior Center pursuant to an operating agreement with Rockbridge City in which the City will reimburse certain expenditures of the funds.

Green Hill Cemetery – This fund was created to account for revenues received for the maintenance of the Green Hill Cemetery.

CAPITAL PROJECT FUNDS

Capital projects funds are used to account for and report the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Community Development Block Grant Fund – The Community Development Block Grant Fund was created to account for Federal revenues earmarked for community development capital projects.

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 41,749	\$ 53,899	\$ 95,648
Receivables (net of allowance for uncollectibles):			
Accounts receivable	21,033	40,574	61,607
Prepaid items	818	-	818
Total assets	<u>\$ 63,600</u>	<u>\$ 94,473</u>	<u>\$ 158,073</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 19,972	\$ -	\$ 19,972
Accrued liabilities	13,517	-	13,517
Due to other funds	51,601	-	51,601
Total liabilities	<u>\$ 85,090</u>	<u>\$ -</u>	<u>\$ 85,090</u>
Fund balances:			
Nonspendable:			
Prepaid items	\$ 818	\$ -	\$ 818
Restricted:			
Community development block grant	-	94,473	94,473
Assigned:			
Green Hill Cemetary	33,002	-	33,002
Senior citizens program	7,382	-	7,382
Unassigned	(62,692)	-	(62,692)
Total fund balances	<u>\$ (21,490)</u>	<u>\$ 94,473</u>	<u>\$ 72,983</u>
Total liabilities and fund balances	<u>\$ 63,600</u>	<u>\$ 94,473</u>	<u>\$ 158,073</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2016

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 112,200	\$ 397	\$ 112,597
Charges for services	44,355	-	44,355
Miscellaneous	1,628	-	1,628
Recovered costs	7,742	-	7,742
Total revenues	<u>\$ 165,925</u>	<u>\$ 397</u>	<u>\$ 166,322</u>
EXPENDITURES			
Current:			
Health and welfare	\$ 7,811	\$ -	\$ 7,811
Parks, recreation, and cultural	411,506	-	411,506
Total expenditures	<u>\$ 419,317</u>	<u>\$ -</u>	<u>\$ 419,317</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (253,392)</u>	<u>\$ 397</u>	<u>\$ (252,995)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 265,695	\$ -	\$ 265,695
Transfers out	(10,000)	-	(10,000)
Total other financing sources (uses)	<u>\$ 255,695</u>	<u>\$ -</u>	<u>\$ 255,695</u>
Net change in fund balances	\$ 2,303	\$ 397	\$ 2,700
Fund balances - beginning	(23,793)	94,076	70,283
Fund balances - ending	<u><u>\$ (21,490)</u></u>	<u><u>\$ 94,473</u></u>	<u><u>\$ 72,983</u></u>

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2016

	Park and Recreation Fund	Senior Center Fund	Green Hill Cemetery Fund	Total
ASSETS				
Cash and cash equivalents	\$ 803	\$ 7,944	\$ 33,002	\$ 41,749
Receivables (net of allowance for uncollectibles):				
Accounts receivable	21,033	-	-	21,033
Prepaid items	818	-	-	818
Total assets	<u>\$ 22,654</u>	<u>\$ 7,944</u>	<u>\$ 33,002</u>	<u>\$ 63,600</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 19,410	\$ 562	\$ -	\$ 19,972
Accrued liabilities	13,517	-	-	13,517
Due to other funds	51,601	-	-	51,601
Total liabilities	<u>\$ 84,528</u>	<u>\$ 562</u>	<u>\$ -</u>	<u>\$ 85,090</u>
Fund balances:				
Nonspendable:				
Prepaid items	\$ 818	\$ -	\$ -	\$ 818
Assigned:				
Green Hill Cemetery	-	-	33,002	33,002
Senior citizens program	-	7,382	-	7,382
Unassigned	(62,692)	-	-	(62,692)
Total fund balances	<u>\$ (61,874)</u>	<u>\$ 7,382</u>	<u>\$ 33,002</u>	<u>\$ (21,490)</u>
Total liabilities and fund balances	<u>\$ 22,654</u>	<u>\$ 7,944</u>	<u>\$ 33,002</u>	<u>\$ 63,600</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2016

	Park and Recreation Fund	Senior Center Fund	Green Hill Cemetery Fund	Total
REVENUES				
Revenue from the use of money and property	\$ 112,153	\$ -	\$ 47	\$ 112,200
Charges for services	39,705	-	4,650	44,355
Miscellaneous	1,628	-	-	1,628
Recovered costs	-	7,742	-	7,742
Total revenues	<u>\$ 153,486</u>	<u>\$ 7,742</u>	<u>\$ 4,697</u>	<u>\$ 165,925</u>
EXPENDITURES				
Current:				
Health and welfare	\$ -	\$ 7,811	\$ -	\$ 7,811
Parks, recreation, and cultural	411,506	-	-	411,506
Total expenditures	<u>\$ 411,506</u>	<u>\$ 7,811</u>	<u>\$ -</u>	<u>\$ 419,317</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (258,020)</u>	<u>\$ (69)</u>	<u>\$ 4,697</u>	<u>\$ (253,392)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 262,756	\$ 2,939	\$ -	\$ 265,695
Transfers out	-	-	(10,000)	(10,000)
Total other financing sources (uses)	<u>\$ 262,756</u>	<u>\$ 2,939</u>	<u>\$ (10,000)</u>	<u>\$ 255,695</u>
Net change in fund balances	\$ 4,736	\$ 2,870	\$ (5,303)	\$ 2,303
Fund balances - beginning	(66,610)	4,512	38,305	(23,793)
Fund balances - ending	<u><u>\$ (61,874)</u></u>	<u><u>\$ 7,382</u></u>	<u><u>\$ 33,002</u></u>	<u><u>\$ (21,490)</u></u>

City of Buena Vista, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2016

	Park & Recreation Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 95,800	\$ 95,800	\$ 112,153	\$ 16,353
Charges for services	37,300	37,300	39,705	2,405
Miscellaneous	23,716	23,716	1,628	(22,088)
Recovered costs	-	-	-	-
Total revenues	\$ 156,816	\$ 156,816	\$ 153,486	\$ (3,330)
EXPENDITURES				
Current:				
Health and welfare	\$ -	\$ -	\$ -	\$ -
Parks, recreation, and cultural	341,637	341,637	411,506	(69,869)
Total expenditures	\$ 341,637	\$ 341,637	\$ 411,506	\$ (69,869)
Excess (deficiency) of revenues over (under) expenditures	\$ (184,821)	\$ (184,821)	\$ (258,020)	\$ (73,199)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 184,821	\$ 184,821	\$ 262,756	\$ 77,935
Transfers out	-	-	-	-
Total other financing sources (uses)	\$ 184,821	\$ 184,821	\$ 262,756	\$ 77,935
Net change in fund balances	\$ -	\$ -	\$ 4,736	\$ 4,736
Fund balances - beginning	-	-	(66,610)	(66,610)
Fund balances - ending	\$ -	\$ -	\$ (61,874)	\$ (61,874)

Senior Center Fund				Green Hill Cemetery Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ 47	\$ 47	\$ 47	\$ -
-	-	-	-	4,650	4,650	4,650	-
-	-	-	-	-	-	-	-
7,700	7,700	7,742	42	-	-	-	-
<u>\$ 7,700</u>	<u>\$ 7,700</u>	<u>\$ 7,742</u>	<u>\$ 42</u>	<u>\$ 4,697</u>	<u>\$ 4,697</u>	<u>\$ 4,697</u>	<u>\$ -</u>
\$ 3,900	\$ 3,900	\$ 7,811	\$ (3,911)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
<u>\$ 3,900</u>	<u>\$ 3,900</u>	<u>\$ 7,811</u>	<u>\$ (3,911)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 3,800</u>	<u>\$ 3,800</u>	<u>\$ (69)</u>	<u>\$ (3,869)</u>	<u>\$ 4,697</u>	<u>\$ 4,697</u>	<u>\$ 4,697</u>	<u>\$ -</u>
\$ -	\$ -	\$ 2,939	\$ 2,939	\$ -	\$ -	\$ -	\$ -
(3,800)	(3,800)	-	3,800	(4,697)	(4,697)	(10,000)	(5,303)
<u>\$ (3,800)</u>	<u>\$ (3,800)</u>	<u>\$ 2,939</u>	<u>\$ 6,739</u>	<u>\$ (4,697)</u>	<u>\$ (4,697)</u>	<u>\$ (10,000)</u>	<u>\$ (5,303)</u>
\$ -	\$ -	\$ 2,870	\$ 2,870	\$ -	\$ -	\$ (5,303)	\$ (5,303)
-	-	4,512	4,512	-	-	38,305	38,305
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,382</u>	<u>\$ 7,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,002</u>	<u>\$ 33,002</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Capital Projects Fund
Year Ended June 30, 2016

	Community Development Block Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 397	\$ 397
Total revenues	\$ -	\$ -	\$ 397	\$ 397
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 397	\$ 397
Net change in fund balances	\$ -	\$ -	\$ 397	\$ 397
Fund balances - beginning	-	-	94,076	94,076
Fund balances - ending	\$ -	\$ -	\$ 94,473	\$ 94,473

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

School Operating Fund – The School Operating Fund accounts for the operations of the City's school system. Financing is provided by the State and Federal governments as well as contributions from the General Fund.

NONMAJOR GOVERNMENTAL FUNDS

School Cafeteria Fund – The School Cafeteria Fund is a special revenue fund that accounts for the City's school lunch program. Financing is provided from lunch sales and State and Federal reimbursements.

INTERNAL SERVICE FUND

Health Insurance Fund – The Health Insurance Fund is an internal service fund that accounts for the School Board's self-insured health insurance transactions. Financing is provided by employee and School Board contributions.

Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2016

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 228,207	\$ 91,049	\$ 319,256
Receivables (net of allowance for uncollectibles):			
Accounts receivable	40,115	8,086	48,201
Due from primary government	796,389	-	796,389
Due from other governmental units	248,287	-	248,287
Inventories	-	8,926	8,926
Total assets	<u>\$ 1,312,998</u>	<u>\$ 108,061</u>	<u>\$ 1,421,059</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 63,185	\$ -	\$ 63,185
Contracts payable	762,428	-	762,428
Due to other funds	257,379	-	257,379
Unearned revenue	1,800	-	1,800
Total liabilities	<u>\$ 1,084,792</u>	<u>\$ -</u>	<u>\$ 1,084,792</u>
Fund balances:			
Nonspendable:			
Inventories	\$ -	\$ 8,926	\$ 8,926
Committed:			
School capital projects	228,206	-	228,206
School lunch program	-	99,135	99,135
Total fund balances	<u>\$ 228,206</u>	<u>\$ 108,061</u>	<u>\$ 336,267</u>
Total liabilities and fund balances	<u>\$ 1,312,998</u>	<u>\$ 108,061</u>	<u>\$ 1,421,059</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances per above	\$ 336,267
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,018,208
The net pension asset is not an available resource and, therefore, is not reported in the funds.	398,916
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds.	(754,085)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	730,582
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(9,366,955)</u>
Net position of governmental activities	<u>\$ (4,637,067)</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 Year Ended June 30, 2016

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 5,310	\$ -	\$ 5,310
Charges for services	21,913	109,466	131,379
Miscellaneous	65,029	-	65,029
Recovered costs	241,407	-	241,407
Intergovernmental:			
Local government	2,177,469	-	2,177,469
Commonwealth	7,143,376	7,481	7,150,857
Federal	638,870	261,772	900,642
Total revenues	<u>\$ 10,293,374</u>	<u>\$ 378,719</u>	<u>\$ 10,672,093</u>
EXPENDITURES			
Current:			
Education	\$ 10,357,887	\$ 314,694	\$ 10,672,581
Total expenditures	<u>\$ 10,357,887</u>	<u>\$ 314,694</u>	<u>\$ 10,672,581</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (64,513)</u>	<u>\$ 64,025</u>	<u>\$ (488)</u>
Net change in fund balances	\$ (64,513)	\$ 64,025	\$ (488)
Fund balances - beginning	292,719	44,036	336,755
Fund balances - ending	<u>\$ 228,206</u>	<u>\$ 108,061</u>	<u>\$ 336,267</u>

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above \$ (488)

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. (75,704)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 592,716

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. (590,820)

Change in net position of governmental activities \$ (74,296)

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
Year Ended June 30, 2016

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 5,310	\$ 5,310
Charges for services	25,000	25,000	21,913	(3,087)
Miscellaneous	8,400	8,400	65,029	56,629
Recovered costs	207,600	207,600	241,407	33,807
Intergovernmental:				
Local government	2,583,803	2,583,803	2,177,469	(406,334)
Commonwealth	7,370,914	7,370,914	7,143,376	(227,538)
Federal	796,951	796,951	638,870	(158,081)
Total revenues	<u>\$ 10,992,668</u>	<u>\$ 10,992,668</u>	<u>\$ 10,293,374</u>	<u>\$ (699,294)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 10,992,668</u>	<u>\$ 10,992,668</u>	<u>\$ 10,357,887</u>	<u>\$ 634,781</u>
Total expenditures	<u>\$ 10,992,668</u>	<u>\$ 10,992,668</u>	<u>\$ 10,357,887</u>	<u>\$ 634,781</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (64,513)	\$ (64,513)
Net change in fund balances	\$ -	\$ -	\$ (64,513)	\$ (64,513)
Fund balances - beginning	-	-	292,719	292,719
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,206</u>	<u>\$ 228,206</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Fund - Discretely Presented Component Unit - School Board
Year Ended June 30, 2016

	School Cafeteria Fund			Variance with Final Budget Positive Negative
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ 152,998	\$ 152,998	\$ 109,466	\$ (43,532)
Intergovernmental:				
Commonwealth	9,690	9,690	7,481	(2,209)
Federal	310,000	310,000	261,772	(48,228)
Total revenues	<u>\$ 472,688</u>	<u>\$ 472,688</u>	<u>\$ 378,719</u>	<u>\$ (93,969)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 472,688</u>	<u>\$ 472,688</u>	<u>\$ 314,694</u>	<u>\$ 157,994</u>
Total expenditures	<u>\$ 472,688</u>	<u>\$ 472,688</u>	<u>\$ 314,694</u>	<u>\$ 157,994</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,025</u>	<u>\$ 64,025</u>
Net change in fund balances	\$ -	\$ -	\$ 64,025	\$ 64,025
Fund balances - beginning	-	-	44,036	44,036
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,061</u>	<u>\$ 108,061</u>

Statement of Net Position
Internal Service Fund
Discretely Presented Component Unit - School Board
June 30, 2016

	<u>Health Insurance Fund</u>
ASSETS	
Due from component unit	\$ 257,379
Total assets	<u>\$ 257,379</u>
LIABILITIES AND NET POSITION	
Liabilities:	
Claims payable	\$ 257,379
Total liabilities	<u>\$ 257,379</u>
Net position:	
Unrestricted	\$ -
Total net position	<u>\$ -</u>
Total liabilities and net position	<u>\$ 257,379</u>

Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Fund
Discretely Presented Component Unit - School Board
Year Ended June 30, 2016

	Health Insurance Fund
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 791,019
Total operating revenues	<u>\$ 791,019</u>
OPERATING EXPENSES	
Insurance claims paid	\$ 641,960
Administrative charges	<u>149,059</u>
Total operating expenses	<u>\$ 791,019</u>
 Operating income (loss)	 <u>\$ -</u>
 Change in net position	 \$ -
 Total net position - beginning	 <u>-</u>
 Total net position - ending	 <u><u>\$ -</u></u>

SUPPORTING SCHEDULES

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2016

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 4,021,810	\$ 4,021,810	\$ 3,982,630	\$ (39,180)
Real and personal public service corporation taxes	115,000	115,000	237,861	122,861
Personal property taxes	1,058,000	1,058,000	1,133,204	75,204
Machinery and tools taxes	280,000	280,000	316,370	36,370
Penalties	48,000	48,000	49,510	1,510
Interest	21,000	21,000	21,592	592
Total general property taxes	<u>\$ 5,543,810</u>	<u>\$ 5,543,810</u>	<u>\$ 5,741,167</u>	<u>\$ 197,357</u>
Other local taxes:				
Local sales and use taxes	\$ 385,000	\$ 385,000	\$ 378,543	\$ (6,457)
Consumers' utility taxes	275,000	275,000	263,677	(11,323)
Meals taxes	275,000	275,000	340,008	65,008
Lodging taxes	17,300	17,300	21,202	3,902
Business and professional license taxes	170,000	170,000	174,412	4,412
Motor vehicle licenses	159,000	159,000	166,467	7,467
Water utility taxes	85,000	85,000	105,304	20,304
Bank stock taxes	60,000	60,000	44,278	(15,722)
Recordation taxes	25,867	25,867	25,412	(455)
Total other local taxes	<u>\$ 1,452,167</u>	<u>\$ 1,452,167</u>	<u>\$ 1,519,303</u>	<u>\$ 67,136</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,900	\$ 1,900	\$ 1,440	\$ (460)
Right of way fees	22,000	22,000	27,909	5,909
Transfer fees	150	150	170	20
Permits and other licenses	8,900	8,900	11,405	2,505
Total permits, privilege fees, and regulatory licenses	<u>\$ 32,950</u>	<u>\$ 32,950</u>	<u>\$ 40,924</u>	<u>\$ 7,974</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 60,000	\$ 60,000	\$ 57,052	\$ (2,948)
Parking fines	700	700	190	(510)
Total fines and forfeitures	<u>\$ 60,700</u>	<u>\$ 60,700</u>	<u>\$ 57,242</u>	<u>\$ (3,458)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 4,000	\$ 4,000	\$ 1,539	\$ (2,461)
Sale of property	26,000	26,000	-	(26,000)
Sale of cemetery lots	32,000	32,000	24,450	(7,550)
Carilion lease revenue	-	-	26,079	26,079
Total revenue from use of money and property	<u>\$ 62,000</u>	<u>\$ 62,000</u>	<u>\$ 52,068</u>	<u>\$ (9,932)</u>
Charges for services:				
Sheriff fees	\$ 500	\$ 500	\$ 514	\$ 14
Commonwealth attorney fees	500	500	1,657	1,157
Charges for waste collection and disposal	550,000	550,000	567,566	17,566
Landfill tipping fees	97,000	97,000	98,546	1,546
Grave openings	63,091	63,091	42,525	(20,566)
Courthouse maintenance fees	4,000	4,000	7,426	3,426
Courthouse security fees	12,739	12,739	12,805	66
Jail administration fees	1,150	1,150	1,826	676
Other charges for services	2,550	2,550	6,111	3,561
Total charges for services	<u>\$ 731,530</u>	<u>\$ 731,530</u>	<u>\$ 738,976</u>	<u>\$ 7,446</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 15,000	\$ 15,000	\$ 57,904	\$ 42,904
Regional Industrial Park	-	-	446	446
Dabney lease revenue	136,800	136,800	175,248	38,448
Total miscellaneous	<u>\$ 151,800</u>	<u>\$ 151,800</u>	<u>\$ 233,598</u>	<u>\$ 81,798</u>
Recovered costs:				
Social service refunds	\$ -	\$ -	\$ 575	\$ 575
Other recovered costs	-	-	2,459	2,459
Total recovered costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,034</u>	<u>\$ 3,034</u>
Total revenue from local sources	<u>\$ 8,034,957</u>	<u>\$ 8,034,957</u>	<u>\$ 8,386,312</u>	<u>\$ 351,355</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 500	\$ 500	\$ 2,150	\$ 1,650
Communication tax	326,000	326,000	304,992	(21,008)
Rolling stock	4,000	4,000	6,057	2,057
Auto rental tax	10	10	1	(9)
State recordation tax	12,000	12,000	6,640	(5,360)
Personal property tax relief funds	662,919	662,919	662,919	-
Total noncategorical aid	<u>\$ 1,005,429</u>	<u>\$ 1,005,429</u>	<u>\$ 982,759</u>	<u>\$ (22,670)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 154,620	\$ 154,620	\$ 157,677	\$ 3,057
Sheriff	152,332	152,332	158,174	5,842
Commissioner of revenue	64,604	64,604	64,490	(114)
Treasurer	61,440	61,440	62,640	1,200
Registrar/electoral board	29,000	29,000	32,222	3,222
Police	176,732	176,732	176,732	-
Juror Expense	3,000	3,000	690	(2,310)
Clerk of the Circuit Court	138,791	138,791	144,488	5,697
Total shared expenses	<u>\$ 780,519</u>	<u>\$ 780,519</u>	<u>\$ 797,113</u>	<u>\$ 16,594</u>
Other categorical aid:				
Welfare administration and assistance	\$ 120,000	\$ 120,000	\$ 76,844	\$ (43,156)
Comprehensive services act	586,000	586,000	783,948	197,948
Street and Highway Maintenance	1,074,471	1,074,471	1,296,169	221,698
Department of Criminal Justice Services Grant	-	-	69,362	69,362
School resource officer grant	-	-	16,606	16,606
Victim-witness grant	28,645	28,645	29,391	746
Fire programs	20,000	20,000	-	(20,000)
Other state grants	12,284	12,284	-	(12,284)
Seized funds	30,000	30,000	1,727	(28,273)
Total other categorical aid	<u>\$ 1,871,400</u>	<u>\$ 1,871,400</u>	<u>\$ 2,274,047</u>	<u>\$ 402,647</u>
Total categorical aid	<u>\$ 2,651,919</u>	<u>\$ 2,651,919</u>	<u>\$ 3,071,160</u>	<u>\$ 419,241</u>
Total revenue from the Commonwealth	<u>\$ 3,657,348</u>	<u>\$ 3,657,348</u>	<u>\$ 4,053,919</u>	<u>\$ 396,571</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 90,000	\$ 90,000	\$ 50,072	\$ (39,928)
Ground transportation safety grant	-	-	9,965	9,965
Volunteer fire assistance grant	-	-	1,796	1,796
Victim-witness grant	-	-	4,492	4,492
Total categorical aid	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ 66,325</u>	<u>\$ (23,675)</u>
Total revenue from the federal government	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ 66,325</u>	<u>\$ (23,675)</u>
Total General Fund	<u>\$ 11,782,305</u>	<u>\$ 11,782,305</u>	<u>\$ 12,506,556</u>	<u>\$ 724,251</u>
Special Revenue Funds:				
Park and Recreation Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 95,800	\$ 95,800	\$ 112,153	\$ 16,353
Total revenue from use of money and property	<u>\$ 95,800</u>	<u>\$ 95,800</u>	<u>\$ 112,153</u>	<u>\$ 16,353</u>
Charges for services:				
Recreation fees	\$ 37,300	\$ 37,300	\$ 39,705	\$ 2,405
Total charges for services	<u>\$ 37,300</u>	<u>\$ 37,300</u>	<u>\$ 39,705</u>	<u>\$ 2,405</u>
Miscellaneous:				
Miscellaneous	\$ 23,716	\$ 23,716	\$ 1,628	\$ (22,088)
Total miscellaneous	<u>\$ 23,716</u>	<u>\$ 23,716</u>	<u>\$ 1,628</u>	<u>\$ (22,088)</u>
Total revenue from local sources	<u>\$ 156,816</u>	<u>\$ 156,816</u>	<u>\$ 153,486</u>	<u>\$ (3,330)</u>
Total Park and Recreation Fund	<u>\$ 156,816</u>	<u>\$ 156,816</u>	<u>\$ 153,486</u>	<u>\$ (3,330)</u>
Senior Center Fund:				
Revenue from local sources:				
Recovered costs:				
Payments from other localities	\$ 7,700	\$ 7,700	\$ 7,742	\$ 42
Total recovered costs	<u>\$ 7,700</u>	<u>\$ 7,700</u>	<u>\$ 7,742</u>	<u>\$ 42</u>
Total revenue from local sources	<u>\$ 7,700</u>	<u>\$ 7,700</u>	<u>\$ 7,742</u>	<u>\$ 42</u>
Total Senior Center Fund	<u>\$ 7,700</u>	<u>\$ 7,700</u>	<u>\$ 7,742</u>	<u>\$ 42</u>
Green Hill Cemetery Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 47	\$ 47	\$ 47	\$ -
Total revenue from use of money and property	<u>\$ 47</u>	<u>\$ 47</u>	<u>\$ 47</u>	<u>\$ -</u>
Charges for services:				
Cemetery perpetual care receipts	\$ 4,650	\$ 4,650	\$ 4,650	\$ -
Total charges for services	<u>\$ 4,650</u>	<u>\$ 4,650</u>	<u>\$ 4,650</u>	<u>\$ -</u>
Total revenue from local sources	<u>\$ 4,697</u>	<u>\$ 4,697</u>	<u>\$ 4,697</u>	<u>\$ -</u>
Total Green Hill Cemetery Fund	<u>\$ 4,697</u>	<u>\$ 4,697</u>	<u>\$ 4,697</u>	<u>\$ -</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Funds:				
School Construction Fund:				
Intergovernmental:				
Revenue from local governments:				
Contribution from City of Buena Vista School Board	\$ 188,861	\$ 188,861	\$ 193,474	\$ 4,613
Total revenues from local governments	\$ 188,861	\$ 188,861	\$ 193,474	\$ 4,613
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 18,173	\$ 18,173	\$ 18,281	\$ 108
Total revenue from use of money and property	\$ 18,173	\$ 18,173	\$ 18,281	\$ 108
Total School Construction Fund	\$ 207,034	\$ 207,034	\$ 211,755	\$ 4,721
Community Development Block Grant:				
Revenue from local sources:				
Revenue from the use of money	\$ -	\$ -	\$ 397	\$ 397
Total revenue from use of money and property	\$ -	\$ -	\$ 397	\$ 397
Total Community Development Block Grant Fund	\$ -	\$ -	\$ 397	\$ 397
Total Primary Government	\$ 12,158,552	\$ 12,158,552	\$ 12,884,633	\$ 726,081
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 5,310	\$ 5,310
Total revenue from use of money and property	\$ -	\$ -	\$ 5,310	\$ 5,310
Charges for services:				
Charges for education	\$ 25,000	\$ 25,000	\$ 21,913	\$ (3,087)
Total charges for services	\$ 25,000	\$ 25,000	\$ 21,913	\$ (3,087)
Miscellaneous:				
Donations and special gifts	\$ -	\$ -	\$ 51,484	\$ 51,484
Miscellaneous	8,400	8,400	13,545	5,145
Total miscellaneous	\$ 8,400	\$ 8,400	\$ 65,029	\$ 56,629
Recovered costs:				
Other recovered costs	\$ 207,600	\$ 207,600	\$ 241,407	\$ 33,807
Total recovered costs	\$ 207,600	\$ 207,600	\$ 241,407	\$ 33,807
Total revenue from local sources	\$ 241,000	\$ 241,000	\$ 333,659	\$ 92,659

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2016 (Continued)

<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>
Discretely Presented Component Unit - School Board: (continued)				
School Operating Fund: (continued)				
Intergovernmental:				
Revenue from local governments:				
Contribution from City of Buena Vista, Virginia	\$ 2,583,803	\$ 2,583,803	\$ 2,177,469	\$ (406,334)
Total revenue from local governments	\$ 2,583,803	\$ 2,583,803	\$ 2,177,469	\$ (406,334)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,030,846	\$ 1,030,846	\$ 1,036,960	\$ 6,114
Basic school aid	3,635,731	3,635,731	3,481,441	(154,290)
At-risk	130,972	130,972	126,596	(4,376)
Project graduation	-	-	3,121	3,121
Alternative education	39,924	39,924	67,791	27,867
Gifted and talented	38,747	38,747	37,405	(1,342)
Special Education	678,956	678,956	607,076	(71,880)
Remedial summer school	38,624	38,624	46,986	8,362
Remedial education	145,094	145,094	140,071	(5,023)
Vocational education	108,821	108,821	105,053	(3,768)
Technology funds	180,000	180,000	180,000	-
Fringe benefits	760,097	760,097	733,782	(26,315)
Adult education	7,859	7,859	9,907	2,048
Reduced class size (K-3)	99,569	99,569	99,612	43
Free textbooks	79,324	79,324	76,578	(2,746)
Early reading intervention	23,525	23,525	26,139	2,614
Early reading specialist	25,310	25,310	25,310	-
Math reading specialist	154,233	154,233	154,234	1
Special education - homebound	7,578	7,578	5,704	(1,874)
Vocational education - equipment	-	-	3,127	3,127
Salary supplement	66,542	66,542	64,238	(2,304)
Vocational occupational preparedness	14,842	14,842	10,740	(4,102)
Standards of Learning algebra readiness	18,823	18,823	16,077	(2,746)
Other state funds	85,497	85,497	85,428	(69)
Total categorical aid	\$ 7,370,914	\$ 7,370,914	\$ 7,143,376	\$ (227,538)
Total revenue from the Commonwealth	\$ 7,370,914	\$ 7,370,914	\$ 7,143,376	\$ (227,538)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 262,095	\$ 262,095	\$ 204,187	\$ (57,908)
Title VI-B, special education	235,522	235,522	196,195	(39,327)
Title VI-B, pre-school	10,210	10,210	11,013	803
Title IV-B, 21st Century	177,645	177,645	124,306	(53,339)
Vocational Education	21,500	21,500	18,089	(3,411)
Title II, Improving teacher quality	63,243	63,243	42,631	(20,612)
Schools and roads - grants to states	26,736	26,736	42,449	15,713
Total categorical aid	\$ 796,951	\$ 796,951	\$ 638,870	\$ (158,081)
Total revenue from the federal government	\$ 796,951	\$ 796,951	\$ 638,870	\$ (158,081)
Total School Operating Fund	\$ 10,992,668	\$ 10,992,668	\$ 10,293,374	\$ (699,294)

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2016 (Continued)

<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>
Discretely Presented Component Unit - School Board: (continued)				
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria Sales	\$ 152,998	\$ 152,998	\$ 109,466	\$ (43,532)
Total charges for services	\$ 152,998	\$ 152,998	\$ 109,466	\$ (43,532)
Total revenue from local sources	\$ 152,998	\$ 152,998	\$ 109,466	\$ (43,532)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 9,690	\$ 9,690	\$ 7,481	\$ (2,209)
Total revenue from the commonwealth	\$ 9,690	\$ 9,690	\$ 7,481	\$ (2,209)
Revenue from the federal government:				
Categorical aid:				
USDA Commodities	\$ -	\$ -	\$ 22,902	\$ 22,902
School food program grant	310,000	310,000	238,870	(71,130)
Total categorical aid	\$ 310,000	\$ 310,000	\$ 261,772	\$ (48,228)
Total revenue from the federal government	\$ 310,000	\$ 310,000	\$ 261,772	\$ (48,228)
Total School Cafeteria Fund	\$ 472,688	\$ 472,688	\$ 378,719	\$ (93,969)
Total Discretely Presented Component Unit - School Board	\$ 11,465,356	\$ 11,465,356	\$ 10,672,093	\$ (793,263)

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2016

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
City Council	\$ 39,598	\$ 39,598	\$ 41,064	\$ (1,466)
General and financial administration:				
City Manager	\$ 71,553	\$ 71,553	\$ 84,203	\$ (12,650)
City Attorney/Legal Services	70,000	70,000	67,409	2,591
Finance	285,108	285,108	256,063	29,045
Independent Auditor	38,000	38,000	51,815	(13,815)
Commissioner of Revenue	211,834	211,834	202,639	9,195
City Treasurer	281,896	281,896	282,917	(1,021)
Reassessment	36,000	36,000	45,693	(9,693)
Other general and financial administration	83,000	83,000	60,543	22,457
Total general and financial administration	\$ 1,077,391	\$ 1,077,391	\$ 1,051,282	\$ 26,109
Board of elections:				
Electoral board and officials	\$ 73,869	\$ 73,869	\$ 78,813	\$ (4,944)
Total general government administration	\$ 1,190,858	\$ 1,190,858	\$ 1,171,159	\$ 19,699
Judicial administration:				
Courts:				
Circuit court	\$ 6,250	\$ 6,250	\$ 2,592	\$ 3,658
General district court	6,650	6,650	5,253	1,397
Juvenile/Domestic relations court	48,340	48,340	6,537	41,803
Clerk of the circuit court	238,853	238,853	238,415	438
Sheriff	296,118	296,118	291,470	4,648
Total courts	\$ 596,211	\$ 596,211	\$ 544,267	\$ 51,944
Commonwealth's attorney:				
Commonwealth's attorney	\$ 253,988	\$ 253,988	\$ 245,373	\$ 8,615
Total judicial administration	\$ 850,199	\$ 850,199	\$ 789,640	\$ 60,559
Public safety:				
Law enforcement and traffic control:				
Criminal Justice Service Department	\$ 29,077	\$ 34,441	\$ 35,507	\$ (1,066)
Police Department	1,378,356	1,378,356	1,414,959	(36,603)
Total law enforcement and traffic control	\$ 1,407,433	\$ 1,412,797	\$ 1,450,466	\$ (37,669)
Fire and rescue services:				
Fire department	\$ 148,000	\$ 148,000	\$ 146,587	\$ 1,413
Rescue Squad	109,103	109,103	103,040	6,063
Central Shenandoah EMS Council	326,464	326,464	256,151	70,313
Total fire and rescue services	\$ 583,567	\$ 583,567	\$ 505,778	\$ 77,789
Correction and detention:				
Probation Office	\$ 3,000	\$ 3,000	\$ 823	\$ 2,177
Magistrate	300	300	100	200
Regional Jail	300,000	300,000	248,453	51,547
Total correction and detention	\$ 303,300	\$ 303,300	\$ 249,376	\$ 53,924

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2016 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal control	\$ -	\$ -	\$ 31	\$ (31)
Medical Examiner	150	150	-	150
Total other protection	<u>\$ 150</u>	<u>\$ 150</u>	<u>\$ 31</u>	<u>\$ 119</u>
Total public safety	<u>\$ 2,294,450</u>	<u>\$ 2,299,814</u>	<u>\$ 2,205,651</u>	<u>\$ 94,163</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Administrative and Engineering	\$ 158,990	\$ 158,990	\$ 126,922	\$ 32,068
Street Maintenance Department	657,323	657,323	819,717	(162,394)
Storm Drainage Department	30,743	30,743	36,205	(5,462)
Street Lights	66,000	66,000	67,296	(1,296)
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 913,056</u>	<u>\$ 913,056</u>	<u>\$ 1,050,140</u>	<u>\$ (137,084)</u>
Sanitation and waste removal:				
Refuse Department	\$ 301,832	\$ 301,832	\$ 637,013	\$ (335,181)
Refuse Disposal	204,339	204,339	190,712	13,627
Total sanitation and waste removal	<u>\$ 506,171</u>	<u>\$ 506,171</u>	<u>\$ 827,725</u>	<u>\$ (321,554)</u>
Maintenance of general buildings and grounds:				
Maintenance Buildings and Grounds	\$ 174,393	\$ 174,393	\$ 264,907	\$ (90,514)
Green Hill Cemetary Maintenance	98,853	98,853	50,318	48,535
Total maintenance of general buildings and grounds	<u>\$ 273,246</u>	<u>\$ 273,246</u>	<u>\$ 315,225</u>	<u>\$ (41,979)</u>
Total public works	<u>\$ 1,692,473</u>	<u>\$ 1,692,473</u>	<u>\$ 2,193,090</u>	<u>\$ (500,617)</u>
Health and welfare:				
Mental health and mental retardation:				
Mental Health	\$ 87,493	\$ 87,493	\$ 77,980	\$ 9,513
Total mental health and mental retardation	<u>\$ 87,493</u>	<u>\$ 87,493</u>	<u>\$ 77,980</u>	<u>\$ 9,513</u>
Welfare:				
Property Tax Relief	\$ 81,000	\$ 81,000	\$ 79,936	\$ 1,064
Social Services	1,250,000	1,250,000	1,243,354	6,646
VA Municipal League	4,541	4,541	4,541	-
Valley Program for Aging	43,912	43,912	41,244	2,668
Total Action Against Poverty	2,700	2,700	2,700	-
Rockbridge Area Hospice	1,000	1,000	1,000	-
Rockbridge Area Rental Assistance	11,176	11,176	11,176	-
Rockbridge Free Clinic	18,000	18,000	18,000	-
Total welfare	<u>\$ 1,412,329</u>	<u>\$ 1,412,329</u>	<u>\$ 1,401,951</u>	<u>\$ 10,378</u>
Total health and welfare	<u>\$ 1,499,822</u>	<u>\$ 1,499,822</u>	<u>\$ 1,479,931</u>	<u>\$ 19,891</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2016 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contribution to City School Board	\$ 2,583,803	\$ 2,583,803	\$ 2,177,469	\$ 406,334
Contribution to Community Colleges	30,408	30,408	42,408	(12,000)
Contribution to Buena Vista Colored School	1,000	1,000	1,000	-
Total education	<u>\$ 2,615,211</u>	<u>\$ 2,615,211</u>	<u>\$ 2,220,877</u>	<u>\$ 394,334</u>
Parks, recreation, and cultural:				
Library:				
Rockbridge/ Buena Vista Regional Library	\$ 120,612	\$ 120,612	\$ 119,993	\$ 619
Total parks, recreation, and cultural	<u>\$ 120,612</u>	<u>\$ 120,612</u>	<u>\$ 119,993</u>	<u>\$ 619</u>
Community development:				
Planning and community development:				
Community development administration	\$ 320,274	\$ 320,274	\$ 300,543	\$ 19,731
Central Shenandoah Planning District Commission	20,047	20,047	24,703	(4,656)
Rockbridge Area Occupation Center	12,543	12,543	12,543	-
Blue Ridge Legal Services	961	961	961	-
Beautification Committee	2,000	2,000	1,032	968
Visitor's Center	42,558	42,558	31,919	10,639
Project Horizon	2,140	2,140	2,200	(60)
Paxton House	10,000	10,000	10,000	-
Rockbridge Area transportation system	25,000	25,000	24,541	459
Virginia Institute of Government	500	500	500	-
VEPGA	-	-	215	(215)
Rockbridge Area Relief Association	1,500	1,500	1,500	-
Food Bank	500	500	-	500
Talking book center	1,210	1,210	1,210	-
Employee programs	40,000	40,000	31,081	8,919
Total planning and community development	<u>\$ 479,233</u>	<u>\$ 479,233</u>	<u>\$ 442,948</u>	<u>\$ 36,285</u>
Environmental management:				
Soil and Water Conservation	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Total environmental management	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ -</u>
Total community development	<u>\$ 481,233</u>	<u>\$ 481,233</u>	<u>\$ 444,948</u>	<u>\$ 36,285</u>
Debt service:				
Principal retirement	\$ 190,665	\$ 190,665	\$ 477,837	\$ (287,172)
Interest and other fiscal charges	167,786	167,786	143,578	24,208
Total debt service	<u>\$ 358,451</u>	<u>\$ 358,451</u>	<u>\$ 621,415</u>	<u>\$ (262,964)</u>
Total General Fund	<u>\$ 11,103,309</u>	<u>\$ 11,108,673</u>	<u>\$ 11,246,704</u>	<u>\$ (138,031)</u>
Special Revenue Fund:				
Park & Recreation Fund:				
Parks, recreation, and cultural:				
Parks and recreation:				
Insurance	\$ 3,000	\$ 3,000	\$ 1,913	\$ 1,087
Administration	112,683	112,683	108,942	3,741
Recreation	34,300	34,300	109,815	(75,515)
Parks and Ground Maintenance	111,388	111,388	68,208	43,180
Activities	23,800	23,800	39,029	(15,229)
Swimming Pool	56,466	56,466	83,599	(27,133)
Total Park and Recreation Fund	<u>\$ 341,637</u>	<u>\$ 341,637</u>	<u>\$ 411,506</u>	<u>\$ (69,869)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2016 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (continued)				
Senior Center Fund:				
Health and Welfare:				
Senior center	\$ 3,900	\$ 3,900	\$ 7,811	\$ (3,911)
Total Senior Center Fund	<u>\$ 3,900</u>	<u>\$ 3,900</u>	<u>\$ 7,811</u>	<u>\$ (3,911)</u>
Capital Projects Funds:				
School Construction Fund:				
Capital Outlay:				
School construction	\$ -	\$ -	\$ 294,357	\$ (294,357)
Total capital outlay	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 294,357</u>	<u>\$ (294,357)</u>
Debt service:				
Principal retirement	\$ 445,619	\$ 445,619	\$ 450,232	\$ (4,613)
Interest and other fiscal charges	73,506	73,506	73,522	(16)
Total debt service	<u>\$ 519,125</u>	<u>\$ 519,125</u>	<u>\$ 523,754</u>	<u>\$ (4,629)</u>
Total School Construction Fund	<u>\$ 519,125</u>	<u>\$ 519,125</u>	<u>\$ 818,111</u>	<u>\$ (298,986)</u>
Total Primary Government	<u>\$ 11,967,971</u>	<u>\$ 11,973,335</u>	<u>\$ 12,484,132</u>	<u>\$ (510,797)</u>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Instruction	\$ 8,296,217	\$ 8,296,217	\$ 7,789,290	\$ 506,927
Administration and Health Services	502,609	502,609	490,826	11,783
Transportation	310,769	310,769	299,318	11,451
Operation and Maintenance	1,253,814	1,253,814	1,018,958	234,856
Technology	585,659	585,659	566,021	19,638
Contribution to City of Buena Vista, Virginia	43,600	43,600	193,474	(149,874)
Total Education of Schools	<u>\$ 10,992,668</u>	<u>\$ 10,992,668</u>	<u>\$ 10,357,887</u>	<u>\$ 634,781</u>
Total School Operating Fund	<u>\$ 10,992,668</u>	<u>\$ 10,992,668</u>	<u>\$ 10,357,887</u>	<u>\$ 634,781</u>
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
School Nutrition	\$ 472,688	\$ 472,688	\$ 314,694	\$ 157,994
Total School Cafeteria Fund	<u>\$ 472,688</u>	<u>\$ 472,688</u>	<u>\$ 314,694</u>	<u>\$ 157,994</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 11,465,356</u>	<u>\$ 11,465,356</u>	<u>\$ 10,672,581</u>	<u>\$ 792,775</u>

STATISTICAL SECTION

STATISTICAL SECTION

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. 1-6

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These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes. 7-10

Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future. 11-14

Demographic and Economic Information

This table offers demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments. 15

Operating Information

These tables contain information about the City's operations and resources to help the reader understand how the City's financial information relate to the services the City provides and the activities it performs. 16-19

Sources:

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

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City of Buena Vista, Virginia

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

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities				
Net investment in capital assets	\$ 4,211,880	\$ 7,977,056	\$ 7,547,301	\$ 7,199,549
Restricted	-	-	-	-
Unrestricted	5,411,415	2,954,996	2,615,596	2,401,537
Total governmental activities net position	<u>\$ 9,623,295</u>	<u>\$ 10,932,052</u>	<u>\$ 10,162,897</u>	<u>\$ 9,601,086</u>
Business-type activities				
Net investment in capital assets	\$ 2,949,581	\$ 2,781,984	\$ 2,911,128	\$ 2,574,999
Restricted	848,453	867,659	848,559	848,452
Unrestricted	(1,312,012)	(656,977)	(1,231,929)	(989,540)
Total business-type activities net position	<u>\$ 2,486,022</u>	<u>\$ 2,992,666</u>	<u>\$ 2,527,758</u>	<u>\$ 2,433,911</u>
Primary government				
Net investment in capital assets	\$ 7,161,461	\$ 10,759,040	\$ 10,458,429	\$ 9,774,548
Restricted	848,453	867,659	848,559	848,452
Unrestricted	4,099,403	2,298,019	1,383,667	1,411,997
Total primary government net position	<u>\$ 12,109,317</u>	<u>\$ 13,924,718</u>	<u>\$ 12,690,655</u>	<u>\$ 12,034,997</u>

Table 1

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 7,461,749	\$ 7,825,868	\$ 8,383,865	\$ 8,787,455	\$ 7,963,203	\$ 8,551,947
104,685	107,314	191,002	203,321	204,585	205,881
1,955,998	1,602,552	1,991,915	2,535,594	482,642	1,191,643
<u>\$ 9,522,432</u>	<u>\$ 9,535,734</u>	<u>\$ 10,566,782</u>	<u>\$ 11,526,370</u>	<u>\$ 8,650,430</u>	<u>\$ 9,949,471</u>
\$ 1,304,944	\$ (2,890,305)	\$ (1,603,483)	\$ (805,396)	\$ 49,145	\$ (125,963)
186,704	3,211,557	814,994	849,815	839,260	815,382
548,085	1,288,213	1,225,491	994,498	(702,747)	(1,226,666)
<u>\$ 2,039,733</u>	<u>\$ 1,609,465</u>	<u>\$ 437,002</u>	<u>\$ 1,038,917</u>	<u>\$ 185,658</u>	<u>\$ (537,247)</u>
\$ 8,766,693	\$ 4,935,563	\$ 6,780,382	\$ 7,982,059	\$ 8,012,348	\$ 8,425,984
291,389	3,318,871	1,005,996	1,053,136	1,043,845	1,021,263
2,504,083	2,890,765	3,217,406	3,530,092	(220,105)	(35,023)
<u>\$ 11,562,165</u>	<u>\$ 11,145,199</u>	<u>\$ 11,003,784</u>	<u>\$ 12,565,287</u>	<u>\$ 8,836,088</u>	<u>\$ 9,412,224</u>

City of Buena Vista, Virginia

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental activities:				
General government administration	\$ 2,847,909	\$ 1,191,515	\$ 2,013,515	\$ 2,000,877
Judicial administration	659,781	596,948	666,736	718,851
Public safety	1,823,524	1,666,689	1,774,179	1,896,548
Public works	2,147,185	2,994,946	2,032,597	1,785,838
Health and welfare	1,106,517	1,117,070	1,471,928	1,423,633
Education	1,966,991	554,187	2,225,190	2,540,852
Parks, recreation and cultural	534,620	581,445	543,381	455,459
Community development	194,075	544,350	477,741	532,525
Interest on long-term debt	406,483	346,791	374,344	370,086
Total governmental activities expenses	\$ 11,687,085	\$ 9,593,941	\$ 11,579,611	\$ 11,724,669
Business-type activities:				
Water and sewer	\$ 1,939,751	\$ 1,875,328	\$ 1,840,673	\$ 1,826,382
Golf course	1,440,095	1,645,137	1,454,701	1,188,907
Total business-type activities expenses	\$ 3,379,846	\$ 3,520,465	\$ 3,295,374	\$ 3,015,289
Total primary government expenses	\$ 15,066,931	\$ 13,114,406	\$ 14,874,985	\$ 14,739,958
Program Revenues				
Governmental activities:				
Charges for services:				
General government administration	\$ -	\$ 26,616	\$ 30,253	\$ 65,834
Judicial administration	76,263	644	667	341
Public safety	1,700	12,017	81,937	91,828
Public works	675,923	557,235	634,775	605,353
Parks, recreation and cultural	68,644	86,423	90,478	60,268
Operating grants and contributions	2,586,567	2,897,897	3,107,371	3,274,247
Capital grants and contributions	240,428	1,071,492	-	34,923
Total governmental activities program revenues	\$ 3,649,525	\$ 4,652,324	\$ 3,945,481	\$ 4,132,794
Business-type activities:				
Charges for services:				
Water and sewer	\$ 1,608,561	\$ 1,658,072	\$ 1,541,154	\$ 1,647,493
Golf course	747,703	835,938	655,199	591,335
Capital grants and contributions	19,630	-	-	-
Total business-type activities program revenues	\$ 2,375,894	\$ 2,494,010	\$ 2,196,353	\$ 2,238,828
Total primary government program revenues	\$ 6,025,419	\$ 7,146,334	\$ 6,141,834	\$ 6,371,622
Net (expense) / revenue				
Governmental activities	\$ (8,037,560)	\$ (4,941,617)	\$ (7,634,130)	\$ (7,591,875)
Business-type activities	(1,003,952)	(1,026,455)	(1,099,021)	(776,461)
Total primary government net expense	\$ (9,041,512)	\$ (5,968,072)	\$ (8,733,151)	\$ (8,368,336)

Table 2

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 1,488,136	\$ 1,555,693	\$ 1,434,120	\$ 1,352,667	\$ 1,331,648	\$ 1,433,595
698,976	834,369	781,762	744,136	739,630	784,356
1,853,412	1,974,531	2,094,716	2,421,580	2,078,802	2,265,851
1,645,418	1,532,334	1,528,167	1,543,028	1,710,983	1,960,690
1,373,423	1,387,794	1,262,700	1,430,280	1,515,132	1,487,186
2,429,651	2,388,442	2,678,335	2,507,520	3,987,920	2,461,405
470,587	493,121	502,721	512,800	467,036	541,016
440,144	524,202	380,195	476,304	443,371	437,882
340,654	329,680	328,515	244,753	237,479	195,175
\$ 10,740,401	\$ 11,020,166	\$ 10,991,231	\$ 11,233,068	\$ 12,512,001	\$ 11,567,156
\$ 1,734,258	\$ 2,057,106	\$ 2,147,225	\$ 2,164,971	\$ 2,111,346	\$ 2,309,955
1,191,768	1,201,667	1,060,556	1,041,770	1,171,247	1,072,226
\$ 2,926,026	\$ 3,258,773	\$ 3,207,781	\$ 3,206,741	\$ 3,282,593	\$ 3,382,181
\$ 13,666,427	\$ 14,278,939	\$ 14,199,012	\$ 14,439,809	\$ 15,794,594	\$ 14,949,337
\$ 8,441	\$ 19,321	\$ 12,854	\$ 3,129	\$ 2,418	\$ 6,111
2,041	1,488	894	1,413	1,082	1,657
71,311	107,031	92,936	101,687	65,546	72,387
471,529	526,476	594,270	732,987	716,207	714,462
69,415	97,802	103,445	92,251	85,177	86,880
2,913,191	3,042,330	2,952,688	3,287,030	2,869,831	3,330,959
-	-	-	-	-	-
\$ 3,535,928	\$ 3,794,448	\$ 3,757,087	\$ 4,218,497	\$ 3,740,261	\$ 4,212,456
\$ 1,587,034	\$ 1,975,335	\$ 2,006,397	\$ 2,064,255	\$ 2,113,865	\$ 2,065,614
418,580	487,851	471,885	439,807	385,436	352,310
-	-	190,455	813,106	38,901	100
\$ 2,005,614	\$ 2,463,186	\$ 2,668,737	\$ 3,317,168	\$ 2,538,202	\$ 2,418,024
\$ 5,541,542	\$ 6,257,634	\$ 6,425,824	\$ 7,535,665	\$ 6,278,463	\$ 6,630,480
\$ (7,204,473)	\$ (7,225,718)	\$ (7,234,144)	\$ (7,014,571)	\$ (8,771,740)	\$ (7,354,700)
(920,412)	(795,587)	(539,044)	110,427	(744,391)	(964,157)
\$ (8,124,885)	\$ (8,021,305)	\$ (7,773,188)	\$ (6,904,144)	\$ (9,516,131)	\$ (8,318,857)

City of Buena Vista, Virginia

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting) (continued)

	Fiscal Year			
	2007	2008	2009	2010
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 5,468,056	\$ 5,003,837	\$ 4,868,906	\$ 5,223,823
Local sales and use taxes	391,387	391,902	363,627	345,773
Consumer utility taxes	566,100	276,078	274,681	294,001
Meals taxes	169,072	182,152	182,056	196,708
Cellular phone taxes and right of ways	55,886	361,701	328,652	330,009
Business and professional licenses taxes	181,281	182,082	179,437	175,694
Franchise licenses taxes	41,681	-	-	-
Motor vehicle licenses taxes	131,757	133,238	128,123	126,257
E-911 taxes	58,332	-	-	-
Other local taxes	134,202	213,280	185,098	208,553
Unrestricted grants and contributions	701,839	694,017	684,393	675,957
Unrestricted revenues from use of money and property	186,796	209,473	356,190	151,987
Miscellaneous	12,971	135,208	130,751	170,308
Recovered costs	203,641	-	-	-
Loss on disposition of assets	-	-	(7,272)	-
Transfers	-	(1,532,594)	(809,667)	(679,006)
Total governmental activities	\$ 8,303,001	\$ 6,250,374	\$ 6,864,975	\$ 7,220,064
Business-type activities:				
Unrestricted revenues from use of money and property	\$ 37,181	\$ 15,278	\$ 3,146	\$ -
Miscellaneous	168	-	-	3,608
Loss on disposition of assets	-	(14,773)	-	-
Transfers	-	1,532,594	809,667	679,006
Total business-type activities	\$ 37,349	\$ 1,533,099	\$ 812,813	\$ 682,614
Total primary government	\$ 8,340,350	\$ 7,783,473	\$ 7,677,788	\$ 7,902,678
Change in Net Position				
Governmental activities	\$ 265,441	\$ 1,308,757	\$ (769,155)	\$ (371,811)
Business-type activities	(966,603)	506,644	(286,208)	(93,847)
Total primary government	\$ (701,162)	\$ 1,815,401	\$ (1,055,363)	\$ (465,658)

Table 2

Fiscal Year						
2011	2012	2013	2014	2015	2016	
\$ 5,009,886	\$ 4,948,762	\$ 5,777,309	\$ 5,655,373	\$ 5,600,403	\$ 5,974,703	
397,404	378,736	407,119	366,318	396,151	378,543	
248,874	256,535	269,962	264,219	264,454	263,677	
167,780	192,920	290,324	297,771	326,384	340,008	
328,377	321,702	-	-	-	-	
174,242	177,887	175,858	172,418	174,344	174,412	
-	-	-	-	-	-	
127,561	125,579	170,345	170,032	166,550	166,467	
-	-	-	-	-	-	
171,758	177,095	171,903	195,495	203,309	196,196	
736,104	675,434	1,007,441	994,313	1,039,468	982,759	
139,688	160,234	136,639	168,566	190,386	182,946	
146,107	189,394	186,182	180,254	214,621	235,226	
-	-	-	-	-	-	
-	-	-	-	-	-	
(521,962)	(365,258)	(327,890)	(490,600)	(441,351)	(241,196)	
\$ 7,125,819	\$ 7,239,020	\$ 8,265,192	\$ 7,974,159	\$ 8,134,719	\$ 8,653,741	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40	
4,272	61	8,653	888	447	16	
-	-	-	-	-	-	
521,962	365,258	327,890	490,600	441,351	241,196	
\$ 526,234	\$ 365,319	\$ 336,543	\$ 491,488	\$ 441,798	\$ 241,252	
\$ 7,652,053	\$ 7,604,339	\$ 8,601,735	\$ 8,465,647	\$ 8,576,517	\$ 8,894,993	
\$ (78,654)	\$ 13,302	\$ 1,031,048	\$ 959,588	\$ (637,021)	\$ 1,299,041	
(394,178)	(430,268)	(202,501)	601,915	(302,593)	(722,905)	
\$ (472,832)	\$ (416,966)	\$ 828,547	\$ 1,561,503	\$ (939,614)	\$ 576,136	

City of Buena Vista, Virginia

Governmental Activities Tax Revenues by Source

Last Ten Fiscal Years

(accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Meals Tax	Cell Phone Tax	Business License Tax	Franchise License Tax
2016	\$ 5,974,703	\$ 378,543	\$ 263,677	\$ 340,008	\$ -	\$ 174,412	\$ -
2015	5,600,403	396,151	264,454	326,384	-	174,344	-
2014	5,655,373	366,318	264,219	297,771	-	172,418	-
2013	5,777,309	407,119	269,962	290,324	-	175,858	-
2012	4,948,762	378,736	256,535	192,920	321,702	177,887	-
2011	5,009,886	397,404	248,874	167,780	328,377	174,242	-
2010	5,223,823	345,773	294,001	196,708	330,009	175,694	-
2009	4,868,906	363,627	274,681	182,056	328,652	179,437	-
2008	5,003,837	391,902	276,078	182,152	361,701	182,082	-
2007	5,468,056	391,387	566,100	169,072	55,886	181,281	41,681

Table 3

Motor Vehicle License Tax	E-911 Tax	Other Local Tax	Total
\$ 166,467	\$ -	\$ 196,196	\$ 7,494,006
166,550	-	203,309	7,131,595
170,032	-	195,495	7,121,626
170,345	-	171,903	7,262,820
125,579	-	177,095	6,579,216
127,561	-	171,758	6,625,882
126,257	-	208,553	6,900,818
128,123	-	185,098	6,510,580
133,238	-	213,280	6,744,270
131,757	58,332	134,202	7,197,754

City of Buena Vista, Virginia

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
General fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Unassigned	3,312,815	1,337,155	1,353,762	1,497,759
Total general fund	<u>\$ 3,312,815</u>	<u>\$ 1,337,155</u>	<u>\$ 1,353,762</u>	<u>\$ 1,497,759</u>
All other governmental funds				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Restricted:				
Community development block grant	-	-	-	-
School capital projects	-	-	-	-
Assigned:				
Debt service	-	-	-	-
Senior Center	-	-	-	-
Green Hill Cemetary	-	-	-	-
Unassigned, reported in:				
Special revenue funds	(289,477)	115,176	128,822	73,167
Capital projects funds	1,456,981	1,260,164	1,073,011	664,549
Total all other governmental funds	<u>\$ 1,167,504</u>	<u>\$ 1,375,340</u>	<u>\$ 1,201,833</u>	<u>\$ 737,716</u>

Note: GASB 54 was implemented during fiscal year 2011

Table 4

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ -	\$ 23,647	\$ 24,741	\$ 26,568	\$ 27,924	\$ 132,433
104,685	107,314	108,540	109,520	110,509	111,408
1,178,003	1,028,297	1,392,969	2,297,349	2,698,796	3,044,256
<u>\$ 1,282,688</u>	<u>\$ 1,159,258</u>	<u>\$ 1,526,250</u>	<u>\$ 2,433,437</u>	<u>\$ 2,837,229</u>	<u>\$ 3,288,097</u>
\$ -	\$ -	\$ -	\$ 1,075	\$ -	\$ 818
74,784	87,128	82,462	93,801	94,076	94,473
-	-	222,846	223,184	214,496	-
614,525	565,546	486,693	255,195	-	-
-	7,806	9,529	5,761	4,512	7,382
61,627	60,481	51,536	46,188	38,305	33,002
(50,987)	(64,781)	(66,009)	(80,744)	(66,610)	(62,692)
-	-	-	-	(228,900)	(14,375)
<u>\$ 699,949</u>	<u>\$ 656,180</u>	<u>\$ 787,057</u>	<u>\$ 544,460</u>	<u>\$ 55,879</u>	<u>\$ 58,608</u>

City of Buena Vista, Virginia

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

	Fiscal Year			
	2007	2008	2009	2010
Revenues				
General property taxes	\$ 5,468,056	\$ 5,050,037	\$ 4,982,364	\$ 5,036,684
Other local taxes	1,729,698	1,740,433	1,641,674	1,676,995
Permits, privilege fees and regulatory licenses	49,651	82,399	42,008	42,597
Fines and forfeitures	65,062	67,218	68,608	73,899
Revenue from use of money and property	186,796	209,473	356,190	151,987
Charges for services	707,817	682,935	727,494	707,128
Miscellaneous	203,641	135,208	130,751	170,308
Recovered costs	12,971	54,075	74,215	74,733
Intergovernmental:				
Local government	10,033	-	-	324,093
Commonwealth	3,243,926	3,438,185	3,677,754	3,443,597
Federal	274,875	1,225,221	114,010	217,437
Total revenues	\$ 11,952,526	\$ 12,685,184	\$ 11,815,068	\$ 11,919,458
Expenditures				
General government administration	\$ 1,982,241	\$ 1,177,680	\$ 1,073,527	\$ 985,770
Judicial administration	654,829	659,675	656,622	703,827
Public safety	1,780,266	1,709,107	1,914,522	1,804,153
Public works	2,085,456	3,237,176	1,867,050	1,672,395
Health and welfare	1,106,517	1,138,437	1,491,952	1,491,844
Education	1,966,991	2,532,423	2,225,190	2,350,852
Parks, recreation and cultural	533,729	585,231	537,994	455,423
Community development	194,075	489,732	491,300	519,316
Capital outlay	138,013	2,022,976	520,898	125,654
Debt service				
Principal	1,072,553	1,081,207	1,017,383	1,037,806
Interest and other fiscal charges	420,363	359,111	374,344	413,531
Total expenditures	\$ 11,935,033	\$ 14,992,755	\$ 12,170,782	\$ 11,560,571
Excess (deficiency) of revenues over (under) expenditures	\$ 17,493	\$ (2,307,571)	\$ (355,714)	\$ 358,887
Other financing sources (uses)				
Transfers in	\$ 614,610	\$ 1,456,151	\$ 911,238	\$ 593,959
Transfers out	(614,610)	(2,988,745)	(1,720,905)	(1,272,965)
Refunding bonds issued	-	-	836,849	-
Issuance of long-term debt	750,000	100,752	171,632	-
Issuance of general obligation bonds	-	-	-	-
Issuance of bond anticipation notes	-	1,663,151	-	-
Issuance of refunding loan payable	-	-	-	750,000
Redemption of refunded loan	-	-	-	(750,000)
Capital leases	-	-	-	-
Total other financing sources (uses)	\$ 750,000	\$ 231,309	\$ 198,814	\$ (679,006)
Net change in fund balances	\$ 767,493	\$ (2,076,262)	\$ (156,900)	\$ (320,119)
Debt service as a percentage of noncapital expenditures				
	12.66%	12.16%	11.95%	12.69%

Table 5

Fiscal Year						
2011	2012	2013	2014	2015	2016	
\$ 5,000,774	\$ 5,128,101	\$ 5,566,575	\$ 5,816,792	\$ 5,687,818	\$ 5,741,167	
1,615,996	1,630,454	1,485,511	1,466,253	1,531,192	1,519,303	
32,548	43,497	35,195	56,039	44,163	40,924	
56,870	88,951	78,145	85,102	52,441	57,242	
139,688	160,234	136,639	168,566	190,386	182,946	
532,071	619,670	691,059	790,326	773,826	783,331	
146,107	211,218	186,182	180,254	214,621	235,226	
30,537	43,878	26,142	38,313	6,062	10,776	
324,093	372,953	372,953	372,953	48,860	193,474	
3,201,924	3,226,557	3,481,495	3,865,603	3,805,864	4,053,919	
123,278	118,254	105,681	42,787	54,575	66,325	
\$ 11,203,886	\$ 11,643,767	\$ 12,165,577	\$ 12,882,988	\$ 12,409,808	\$ 12,884,633	
\$ 1,111,062	\$ 1,182,731	\$ 1,069,263	\$ 1,040,690	\$ 1,087,930	\$ 1,171,159	
683,819	813,087	768,349	730,301	750,287	789,640	
1,775,565	2,104,240	2,012,328	2,344,890	2,108,910	2,205,651	
1,494,922	1,500,611	1,452,948	1,466,101	1,933,435	2,193,090	
1,386,566	1,408,127	1,268,530	1,468,281	1,512,651	1,487,742	
2,239,651	2,160,872	2,469,550	2,283,301	2,286,258	2,220,877	
478,682	521,591	490,914	510,236	457,666	531,499	
450,938	542,077	399,905	480,235	759,790	444,948	
48,384	51,483	328,280	15,583	223,186	294,357	
942,103	1,000,969	1,246,281	1,104,081	1,003,427	928,069	
323,070	335,920	343,443	284,099	229,706	217,100	
\$ 10,934,762	\$ 11,621,708	\$ 11,849,791	\$ 11,727,798	\$ 12,353,246	\$ 12,484,132	
\$ 269,124	\$ 22,059	\$ 315,786	\$ 1,155,190	\$ 56,562	\$ 400,501	
\$ 951,086	\$ 950,648	\$ 879,436	\$ 698,134	\$ 880,904	\$ 587,788	
(1,473,048)	(1,315,906)	(1,207,326)	(1,188,734)	(1,322,255)	(828,984)	
-	-	-	-	300,000	-	
-	176,000	-	-	-	294,292	
-	-	509,973	-	-	-	
-	-	-	-	-	-	
750,000	-	-	-	-	-	
(750,000)	-	-	-	-	-	
-	-	-	-	-	-	
\$ (521,962)	\$ (189,258)	\$ 182,083	\$ (490,600)	\$ (141,351)	\$ 53,096	
\$ (252,838)	\$ (167,199)	\$ 497,869	\$ 664,590	\$ (84,789)	\$ 453,597	
11.62%	11.82%	13.79%	11.84%	10.65%	9.39%	

City of Buena Vista, Virginia

General Governmental Tax Revenues by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year		Property Tax		Local sales and use Tax		Consumer Utility Tax		Business License Tax		Franchise License Tax		Motor Vehicle License Tax		Bank Stock Tax
2016	\$	5,741,167	\$	378,543	\$	263,677	\$	174,412	\$	-	\$	166,467	\$	44,278
2015		5,687,818		396,151		264,454		174,344		-		166,550		48,115
2014		5,816,792		366,318		264,219		172,418		-		170,032		38,430
2013		5,566,575		407,119		269,962		175,858		-		170,345		26,755
2012		5,128,101		378,736		256,535		177,887		-		125,579		47,100
2011		5,000,774		397,404		248,874		174,242		-		127,561		54,919
2010		5,036,684		345,773		294,001		175,694		-		126,257		51,602
2009		4,982,364		363,627		274,681		179,437		-		128,123		40,194
2008		5,050,037		391,902		276,078		182,082		-		133,238		47,515
2007		5,468,056		391,387		566,100		181,281		41,681		131,757		34,030

Table 6

Recordation and Wills Tax		Meals Tax		Other Local Tax		Total	
\$	25,412	\$	340,008	\$	126,506	\$	7,260,470
	24,724		326,384		130,470		7,219,010
	25,949		297,771		131,116		7,283,045
	27,607		290,324		117,541		7,052,086
	25,867		192,920		425,830		6,758,555
	23,283		167,780		421,933		6,616,770
	41,553		196,708		445,407		6,713,679
	36,102		182,056		437,454		6,624,038
	53,119		182,152		474,347		6,790,470
	63,641		169,072		92,417		7,139,422

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

Fiscal Year	Real Estate (1)	Personal Property (3)	Public Service (2)	Total Taxable Assessed Value	Estimated Actual Taxable Value	State Sales Assessment Ratio (4)	Total Direct Rate
2016	\$ 364,742,820	\$ 41,387,341	\$ 21,978,142	\$ 428,108,303	\$ 372,203,359	115.02%	\$ 12.30
2015	370,299,700	38,823,781	16,226,569	425,350,050	340,388,964	124.96%	12.30
2014	369,965,100	37,597,333	14,908,769	460,953,526	379,448,079	121.48%	12.24
2013	369,766,300	38,482,324	14,824,925	460,318,115	395,836,370	116.29%	12.24
2012	398,252,780	37,244,566	13,617,540	484,629,216	422,040,596	114.83%	11.96
2011	396,922,080	35,514,330	13,884,688	446,321,098	432,314,120	103.24%	11.90
2010	395,269,480	35,506,375	11,824,822	442,600,677	476,159,281	92.90%	11.90
2009	393,844,500	35,257,670	11,349,391	440,451,561	543,767,359	81.00%	11.79
2008	363,681,730	40,035,676	12,193,672	415,911,078	590,782,781	70.40%	11.88
2007	357,475,000	49,458,248	10,351,192	417,284,440	577,156,902	72.30%	12.80

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

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

(3) Personal property is assessed at 100% of fair market value as of January 1, 1995.

(4) Source: Virginia Department of Taxation (Public Service Corporations).

Property Tax Rates (1)
 Direct and Overlapping Governments
 Last Ten Fiscal Years

Fiscal Years	Direct Rates				Total Direct Rate
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	
2016	\$ 1.10	\$ 5.85	\$ 1.10	\$ 4.25	\$ 12.30
2015	1.10	5.85	1.10	4.25	12.30
2014	1.07	5.85	1.07	4.25	12.24
2013	1.07	5.85	1.07	4.25	12.24
2012	0.93	5.85	0.93	4.25	11.96
2011	0.90	5.85	0.90	4.25	11.90
2010	0.90	5.85	0.90	4.25	11.90
2009	0.85	5.85	0.85	4.25	11.79
2008	0.89	5.85	0.89	4.25	11.88
2007	0.90	6.75	0.90	4.25	12.80

Amounts shown above are the City's total direct rates.

(1) Per \$100 of assessed value, there are no restrictions on the City's ability to raise tax rates.

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2016		Fiscal Year 2007	
		2016 Assessed Valuation	% of Total Assessed Valuation	2007 Assessed Valuation	% of Total Assessed Valuation
Virginia Electric and Power	Utility	\$ 13,562,919	3.17%	\$ 5,998,833	1.44%
Modine	Manufacturing	8,220,750	1.92%	6,444,460	1.54%
Stag Buena Vista LLC (1)	Manufacturing	5,156,000	1.20%	-	0.00%
Columbia Gas	Utility	3,982,889	0.93%	2,286,486	0.55%
GPH Buena Vista LLC	Nursing Home	3,625,000	0.85%	5,872,340	1.41%
Everbrite	Manufacturing	3,371,420	0.79%	3,239,665	0.78%
Eforay	Research & Develop-Air Cond	3,128,400	0.73%	3,571,565	0.86%
Rebkee Partners Hilltop LLC (1)	Retail Merchants	3,115,500	0.73%	-	0.00%
Treemont Village Preservation (1)	Apartments	3,026,200	0.71%	-	0.00%
Knopp Company	Apartments	2,818,300	0.66%	2,628,800	0.63%
Daryl Limited Co (1)	Manufacturing	2,215,200	0.52%	-	0.00%
Roy & June Southers Trust (1)	Real Estate	2,199,500	0.51%	-	0.00%
Fitzgerald Lumber & Log Inc (1)	Manufacturing	2,194,265	0.51%	-	0.00%
Beans Bottom LLC (1)	Real Estate	2,160,800	0.50%	-	0.00%
Hillcrest Manor LLC (1)	Apartments	2,088,400	0.49%	-	0.00%
Dana (2)	Manufacturing	-	0.00%	6,928,600	1.66%
Georgia Bonded Fibers (2)	Manufacturing	-	0.00%	2,528,805	0.61%
Central Telephone (2)	Utility	-	0.00%	1,991,597	0.48%
		<u>\$ 60,865,543</u>	<u>14.22%</u>	<u>\$ 41,491,151</u>	<u>9.94%</u>

Source: Commissioner of Revenue

(1) Business not in operation in City in fiscal year 2007.

(2) Business not in operation in City in fiscal year 2016.

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year (1)		Collected within the Fiscal Year of the Levy (1)		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2016	\$	6,521,393	\$ 6,102,140	93.57%	\$ -	\$ 6,102,140	93.57%
2015		6,374,749	6,032,482	94.63%	174,979	6,032,482	94.63%
2014		6,229,683	5,829,158	93.57%	298,678	5,829,158	93.57%
2013		6,195,432	5,838,533	94.24%	292,513	5,838,533	94.24%
2012		5,849,241	5,475,831	93.62%	335,780	5,811,611	99.36%
2011		5,661,547	5,377,064	94.98%	259,512	5,636,576	99.56%
2010		5,611,405	5,244,565	93.46%	364,296	5,608,861	99.95%
2009		5,511,443	5,356,497	97.19%	152,653	5,509,150	99.96%
2008		5,609,091	5,420,981	96.65%	186,422	5,607,403	99.97%
2007		5,990,921	5,816,443	97.09%	173,164	5,989,607	99.98%

Source: Commissioner of Revenue, County Treasurer's office

(1) Includes PPTRA reimbursement from Commonwealth of Virginia

City of Buena Vista, Virginia

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities					Business-type Activities		
	General Obligation Bonds	Literary Fund Loans	Revenue Bonds	Notes Payable	Capital Leases	Revenue Bonds	Capital Leases	Other Obligations
2016	\$ 440,430	\$ 2,250,000	\$ -	\$ 2,531,282	\$ 289,678	\$ 15,315,298	\$ -	\$ 1,201,840
2015	463,611	2,625,000	-	3,009,116	47,437	15,535,249	-	1,201,840
2014	486,792	3,000,000	444,864	2,760,658	156,279	15,953,006	-	983,874
2013	823,774	3,375,000	602,188	2,892,176	259,536	16,323,696	-	655,318
2012	627,636	3,750,000	765,422	3,163,754	382,170	16,692,334	-	424,019
2011	941,454	4,125,000	926,292	3,193,926	101,859	13,127,451	-	-
2010	1,255,272	4,500,000	1,080,515	3,215,680	179,167	13,512,737	-	-
2009	1,569,090	4,875,000	1,228,397	3,250,000	345,952	13,708,989	11,500	-
2008	1,882,910	5,250,000	1,368,860	2,413,151	362,420	13,896,720	80,164	-
2007	2,196,728	5,625,000	1,497,244	750,000	525,673	14,076,078	146,257	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 15

Table 11

	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$	22,028,528	18.51%	\$ 3,231
	22,882,253	18.06%	3,332
	23,785,473	18.30%	3,479
	24,931,688	20.33%	3,713
	25,805,335	16.37%	3,889
	22,415,982	13.01%	3,464
	23,743,371	13.78%	3,740
	24,988,928	14.50%	3,936
	25,254,225	14.66%	3,948
	24,816,980	14.40%	3,879

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2016	\$ 2,690,430	\$ -	\$ 2,690,430	0.63%	\$ 395
2015	3,088,611	-	3,088,611	0.73%	450
2014	3,486,792	-	3,486,792	0.76%	510
2013	4,198,774	-	4,198,774	0.91%	625
2012	4,377,636	-	4,377,636	0.90%	660
2011	5,066,454	-	5,066,454	1.14%	783
2010	5,755,272	-	5,755,272	1.30%	906
2009	6,444,090	-	6,444,090	1.45%	1,015
2008	7,132,910	-	7,132,910	1.71%	1,115
2007	7,821,728	-	7,821,728	1.87%	1,223

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 15

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7

(3) Includes all long-term general obligation bonded debt, literary fund loans, and excludes revenue bonds, capital leases, and compensated absences. The School Board does not have taxing authority, therefore the literary loan funds are included as they are to be repaid from general government resources.

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City of Buena Vista, Virginia

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2007	2008	2009	2010
Debt limit (1)	\$ 35,747,500	\$ 36,368,173	\$ 39,384,450	\$ 39,526,948
Total net debt applicable to limit (2)	<u>24,816,980</u>	<u>25,254,225</u>	<u>24,988,928</u>	<u>23,743,371</u>
Legal debt margin	<u>\$ 10,930,520</u>	<u>\$ 11,113,948</u>	<u>\$ 14,395,522</u>	<u>\$ 15,783,577</u>
Total net debt applicable to the limit as a percentage of debt limit	69.42%	69.44%	63.45%	60.07%

(1) The debt limit is calculated on Table 7

(2) The total net debt applicable to limit is calculated on Table 11

Table 13

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 39,692,208	\$ 39,825,278	\$ 36,976,630	\$ 36,996,510	37,029,970	\$ 36,474,282
22,415,982	25,805,335	24,931,688	23,785,473	22,882,353	22,028,528
<u>\$ 20,814,660</u>	<u>\$ 14,019,943</u>	<u>\$ 12,044,942</u>	<u>\$ 13,211,037</u>	<u>14,147,717</u>	<u>\$ 14,445,754</u>
51.85%	64.80%	67.43%	64.29%	61.79%	60.39%

City of Buena Vista, Virginia

Pledged-Revenue Coverage
Last Ten Fiscal Years

Water and Sewer Revenue Bonds (1)											
Fiscal Year	Water/Sewer		Less:	Net	Debt Service		Coverage				
	Charges and Other		Operating Expenses	Available Revenue	Principal	Interest					
2016 (2)	\$	2,065,614	\$	1,926,450	\$	139,164	\$	188,768	\$	337,798	26.43%
2015		2,113,865		1,767,302		346,563		178,349		345,431	66.17%
2014		2,064,255		1,777,994		286,261		172,201		333,967	56.55%
2013		2,014,987		1,689,750		325,237		125,258		403,401	61.52%
2012		1,975,335		1,664,180		311,155		299,091		333,964	49.15%
2011		1,591,284		1,575,252		16,032		78,266		159,006	6.76%
2010		1,651,101		1,661,771		(10,670)		74,269		164,611	-4.47%
2009		1,541,154		1,682,258		(141,104)		70,338		158,415	-59.31%
2008		1,658,072		1,705,050		(46,978)		66,478		170,278	-19.84%
2007		1,608,729		1,760,267		(151,538)		51,648		179,484	-65.56%

- (1) Increase in principal and interest paid is due to the refinancing of several issues with the 2011A issue.
- (2) The amount reported as 2016 principal for the Golf Course Revenue Bonds reflects the amount of principal owed in 2016 rather than the amount actually paid. Reference note 22 to the financial statements for additional information regarding the reason for this difference.

Table 14

Golf Course Revenue Bonds (1)						
Golf Course Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
			Principal	Interest		
\$ 352,326	\$ 554,531	\$ (202,205)	\$ 256,246	\$ 517,695	-26.13%	
385,443	523,442	(137,999)	239,408	610,843	-16.23%	
440,695	506,793	(66,098)	228,489	534,977	-8.66%	
471,948	508,621	(36,673)	213,380	551,935	-4.79%	
487,912	617,024	(129,112)	899,525	584,643	-8.70%	
418,602	662,568	(243,966)	307,020	529,200	-29.17%	
591,335	666,547	(75,212)	121,983	521,956	-11.68%	
655,199	903,238	(248,039)	117,393	548,856	-38.39%	
835,938	1,088,193	(252,255)	112,880	551,765	-37.95%	
747,703	936,520	(188,817)	106,199	495,929	-31.36%	

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemploy- ment Rate
2016	6,817	\$ 119,024,820	\$ 17,460	38.1	966	5.20%
2015	6,867	126,716,751	18,453	36.8	1,046	6.40%
2014	6,836	129,979,704	19,014	36.8	1,046	6.30%
2013	6,714	122,651,352	18,268	36.8	1,198	7.70%
2012	6,636	157,624,908	23,753	37.6	1,198	7.40%
2011	6,471	172,309,592	26,628	39.3	1,104	8.60%
2010	6,349	172,309,592	27,140	39.3	1,120	8.70%
2009	6,349	172,309,592	27,140	39.3	1,211	5.60%
2008	6,397	172,309,592	26,936	39.3	1,133	4.10%
2007	6,397	172,309,592	26,936	39.3	1,133	3.40%

Source: Weldon Cooper Center, Annual school report - prepared by the county, United States Census Bureau, United States Department of Labor Bureau of Labor Statistics

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2016			Fiscal Year 2007		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Buena Vista City Schools	198	1	6.34%	250	2	5.97%
Southern Virginia University	173	2	5.54%	325	1	7.76%
Modine Manufacturing	162	3	5.18%	207	3	4.94%
Munters	137	4	4.38%	-	-	0.00%
Sayres	112	5	3.58%	-	-	0.00%
Everbrite	112	6	3.58%	99	5	2.36%
GGNSC - Shenandoah Valley Health	77	7	2.46%	82	6	1.96%
City of Buena Vista, VA	77	8	2.46%	131	4	3.13%
Mundet	37	9	1.18%	-	-	0.00%
ADS	37	10	1.18%	66	9	1.67%
Bontex	-	-	0.00%	74	7	1.77%
Fitzgerald Lumber	-	-	0.00%	70	8	1.58%
Shenandoah Hardwood	-	-	0.00%	60	10	1.43%
Totals	<u>1,122</u>		<u>35.90%</u>	<u>1,364</u>		<u>32.57%</u>

Source: Individual City departments

Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	13	13	13	12	12	12	11	11	12	12
Judicial administration	8	8	8	8	8	8	8	8	8	8
Public safety										
Police department	13	13	13	12	16	15	15	15	15	17
Building inspections	1	1	1	1	1	1	1	1	1	1
Animal control	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance	42	42	42	38	33	33	33	34	34	32
Culture and recreation										
Parks and recreation	11	11	5	3	5	5	3	4	4	4
Community development										
Planning	2	3	2	3	2	2	2	2	2	2
Totals	97	91	92	78	78	77	74	76	77	77

Source: Individual City departments

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety										
Sheriffs department:										
Civil papers	3,400	3,970	3,569	4,171	3,888	4,021	4004	4004	4004	4004
Building inspections:										
Permits issued	128	91	84	73	62	61	66	61	71	71
Public works										
Landfill:										
Recycling (tons/year)	0	0	248	327	367	377	343	343	343	343
Community development										
Planning:										
Zoning permits issued	54	41	35	48	63	64	46	48	36	36
Component Unit - School Board										
Education:										
School age population	1,219	1,136	1,211	1,101	1,135	1,175	1,035	1,046	1,046	965
Number of teachers	99	102	111	108	98	88	86	80	80	79
Local expenditures per pupil	\$ 1,878	\$ 2,219	\$ 2,051	\$ 2,347	\$ 2,188	\$ 1,944	\$ 9,238	\$ 9,709	\$ 9,709	\$ 9,709

Source: Individual City departments

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government										
Administration buildings	18	18	18	18	18	18	18	18	18	18
Vehicles	1	1	1	1	1	1	1	1	1	1
Public safety										
Police department:										
Patrol units	19	19	19	19	19	19	16	16	16	21
Building inspections:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	30	31	29	28	28	29	30	27	27	28
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	2	2	2	2	2	2	5	6	6	6
Parks acreage	615	615	615	615	615	615	615	615	615	615
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	1	1	1	1	1	1	1	1	1	1
Community development										
Planning:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Component Unit - School Board										
Education:										
Schools	4	4	4	4	4	4	4	4	4	4
School buses	13	13	13	13	13	12	12	12	12	12

Source: Individual City departments

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' 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 CITY COUNCIL
CITY OF BUENA VISTA, VIRGINIA
BUENA VISTA, VIRGINIA

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Buena Vista, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City of Buena Vista, Virginia's basic financial statements, and have issued our report thereon dated November 30, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2016

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

TO THE CITY COUNCIL
CITY OF BUENA VISTA, VIRGINIA
BUENA VISTA, VIRGINIA

Report on Compliance for Each Major Federal Program

We have audited City of Buena Vista, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Buena Vista, Virginia's major federal programs for the year ended June 30, 2016. City of Buena Vista, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Buena Vista, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Buena Vista, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, City of Buena Vista, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2016

City of Buena Vista, Virginia

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	Not available	\$ 3,038
Temporary Assistance for Needy Families	93.558	Not available	365
Child Care and Development Block Grant	93.575	Not available	(481)
Foster Care - Title IV-E	93.658	Not available	6,978
Adoption Assistance	93.659	Not available	37,880
Social Services Block Grant	93.667	86667	<u>2,292</u>
Total Department of Health and Human Services			<u>\$ 50,072</u>
Department of Agriculture:			
Pass Through Payments:			
Cooperative Forestry Assistance	10.664	Not available	\$ 1,796
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution	10.555	40623	\$ 22,902
Department of Education:			
National School Lunch Program	10.555	40623	151,019
			<u>\$ 173,921</u>
School Breakfast Program	10.553	40591	87,851
Total Child Nutrition Cluster			<u>261,772</u>
Total Department of Agriculture			<u>\$ 263,568</u>
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Service:			
Crime Victim Assistance	16.575	Not available	\$ <u>4,492</u>
Total Department of Justice			<u>\$ 4,492</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	Not available	\$ <u>9,965</u>
Total Department of Transportation			<u>\$ 9,965</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010	42901	\$ 204,187
Special Education Cluster:			
Title VI-B: Special Education - Grants to States	84.027	43071	196,195
Title VI-B: Special Education Preschool Grants	84.173	Not available	11,013
Career and Technical Education: Basic Grants to States	84.048	61095	18,089
Twenty-first Century Community Learning Centers	84.287	Not available	124,306
Title VI: Rural and Low-Income Schools	84.358	Not available	42,449
Supporting Effective Instruction State Grant	84.367	61480	<u>42,631</u>
Total Department of Education			<u>\$ 638,870</u>
Total Expenditures of Federal Awards			<u><u>\$ 966,967</u></u>

City of Buena Vista, Virginia

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2016

Notes to Schedule of Expenditures of Federal Awards:

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Buena Vista, Virginia under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Buena Vista, Virginia, it is not intended to and does not present the financial position, change in net position, or cash flows of the City of Buena Vista, Virginia.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through identifying numbers are presented where available.

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

NOTE D - RELATIONSHIP TO FINANCIAL STATEMENTS

Federal expenditures, revenues, and capital contributions are reported in the City's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

Governmental funds	\$ 66,325
Total primary government	<u>\$ 66,325</u>

Discretely presented component unit - School Board:

School operating fund	\$ 638,870
School cafeteria fund	<u>261,772</u>
Total discretely presented component unit - School Board	<u>\$ 900,642</u>

Total federal expenditures per the Schedule of Expenditures of
Federal awards

\$ 966,967

CITY OF BUENA VISTA, VIRGINIA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes x no
- Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? yes x no
- Significant deficiency(ies) identified? yes x none reported

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported
in accordance with section 2 CFR section 200.516(a)? yes x no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
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Child Nutrition Cluster

10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Food Distribution

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? x yes no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

Section IV-Status of Prior Year Audit Findings and Questioned Costs

There were no prior year audit findings.