

**TOWN OF BLUEFIELD, VIRGINIA**

**FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2012**

---

**TOWN OF BLUEFIELD, VIRGINIA**  
**FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2012**

---

**TABLE OF CONTENTS**

---

**INTRODUCTORY SECTION**

---

	<u>Page</u>
List of Elected and Appointed Officials .....	1

---

**FINANCIAL SECTION**

---

Independent Auditors' Report .....	2-3
Management's Discussion and Analysis .....	4-13

	<u>Exhibit</u>	<u>Page</u>
<b>Basic Financial Statements:</b>		
Government-Wide Financial Statements:		
Statement of Net Assets .....	1	14
Statement of Activities .....	2	15
Fund Financial Statements:		
Balance Sheet – Governmental Funds .....	3	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets .....	4	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	5	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	6	19
Statement of Net Assets – Proprietary Funds .....	7	20
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds .....	8	21
Statement of Cash Flows – Proprietary Funds .....	9	22
Statement of Fiduciary Net Assets .....	10	23
Statement of Changes in Fiduciary Net Assets .....	11	24
Notes to Financial Statements .....		25-50

**Required Supplementary Information:**

Schedule of Revenues, Expenditures and Change in Fund Balances – Budget and Actual:		
General Fund .....	12	51
Schedule of OPEB and Pension Funding Progress .....	13	52

---

**OTHER SUPPLEMENTARY INFORMATION SECTION**

---

**Supplementary Financial Statements:**

Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet – Nonmajor Governmental Funds .....	14	53
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds .....	15	54
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:		
Public Transit Fund .....	16	55
Cemetery Fund .....	17	56

**TOWN OF BLUEFIELD, VIRGINIA**  
**FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2012**

---

**TABLE OF CONTENTS (CONTINUED)**

---

**OTHER SUPPLEMENTARY INFORMATION SECTION (Continued)**

---

	<u>Schedule</u>	<u>Page</u>
<b>Supporting Schedules:</b>		
Schedule of Revenues – Budget and Actual - Governmental Funds .....	1	57-59
Schedule of Expenditures – Budget and Actual - Governmental Funds .....	2	60-61
	<u>Table</u>	<u>Page</u>
<b>Other Statistical Information:</b>		
Government-wide information:		
Government-Wide Expenses by Function .....	1	62
Government-Wide Revenues .....	2	63
Fund information:		
General Governmental Expenditures by Function .....	3	64
General Governmental Revenues by Source .....	4	65
Property Tax Levies and Collections .....	5	66
Assessed Value of Taxable Property .....	6	67
Property Tax Rates .....	7	68
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita .....	8	69
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures .....	9	70
Computation of Legal Debt Margin .....	10	71

---

**COMPLIANCE SECTION**

---

	<u>Page</u>
<b>Compliance:</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	72-73
Schedule of Findings and Responses .....	74-75

---

## INTRODUCTORY SECTION

---

## TOWN OF BLUEFIELD, VIRGINIA

---

### TOWN COUNCIL

---

Donald Harris, Mayor  
James Jones, Vice Mayor  
Todd Day  
Anglis Trigg, Jr.  
Donald Linkous  
Steve Danko

### OTHER OFFICIALS

---

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

---

## FINANCIAL SECTION

---

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

---

## Independent Auditors' Report

---

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bluefield, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Bluefield, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Bluefield, Virginia as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2012, on our consideration of the Town of Bluefield, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress 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 management's discussion and analysis and schedules of funding progress 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 management's discussion and analysis and schedules of funding progress 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bluefield, Virginia's financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules and statistical information, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The statistical information has 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 it.

*Robinson, Turner, Cox Associates*

Blacksburg, Virginia

November 5, 2012



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

---

The following is a narrative overview and analysis of the financial activities of the Town of Bluefield, Virginia for the fiscal year ended June 30, 2012.

### **Financial Highlights**

#### **Government-wide Financial Statements**

The assets of the Town of Bluefield, Virginia exceeded its liabilities at the close of the most recent fiscal year by \$8,473,093 (net assets). Of this amount, \$3,603,392 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. Total net assets of \$8,473,093 are split between governmental activities (\$7,527,142) and business-type activities (\$945,951).

#### **Fund Financial Statements**

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,439,680. (See Exhibit 3.)

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. These statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. Condensed comparative financial data is presented in this report.

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

#### **Government-wide Financial Statements**

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

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

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

---

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

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

### Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The Town's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### Governmental funds

Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements, reconciliations between the two methods are provided in exhibits 4 and 6.

#### Proprietary funds

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

#### Fiduciary funds

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

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

## Notes to the financial statements

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

## Government-wide Financial Analysis

As previously noted, net assets may serve as a useful indicator of a government's financial position. For the Town of Bluefield, assets exceeded liabilities by \$8,473,093 at the end of the fiscal year.

The Town's net assets are divided into two categories: (1) invested in capital assets, net of related debt; and (2) unrestricted. Below please find a comparison of the Town's net assets from 2011 to 2012.

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 3,827,949	\$ 3,303,061	\$ 422,004	\$ 456,560	\$ 4,249,953	\$ 3,759,621
Capital assets	8,266,124	8,370,896	3,899,222	4,137,667	12,165,346	12,508,563
Total assets	12,094,073	11,673,957	4,321,226	4,594,227	16,415,299	16,268,184
Long-term liabilities	4,370,148	4,504,036	3,275,716	3,392,298	7,645,864	7,896,334
Other liabilities	196,783	75,867	99,559	77,224	296,342	153,091
Total liabilities	4,566,931	4,579,903	3,375,275	3,469,522	7,942,206	8,049,425
Net asset:						
Invested in capital assets, net of related debt	4,197,302	4,102,119	672,399	787,484	4,869,701	4,889,603
Unrestricted	3,329,840	2,991,935	273,552	337,221	3,603,392	3,329,156
Total net assets	\$ 7,527,142	\$ 7,094,054	\$ 945,951	\$ 1,124,705	\$ 8,473,093	\$ 8,218,759

For the Town, investments in capital assets (i.e., land, buildings, machinery, and equipment), net of related debt used to acquire those assets that is still outstanding, represents 64 percent of total net assets at the end of 2012 as compared to 62 percent at the end of 2011. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending.

The remaining portion of this page left blank intentionally

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

## Governmental Activities

Governmental activities increased the Town's net assets by \$433,088 while net assets of the business-type activities decreased by \$178,755. Key elements of these changes are as follows:

### Town of Bluefield, Virginia's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for services	\$ 610,880	\$ 584,283	\$ 1,134,638	\$ 1,178,646	\$ 1,745,518	\$ 1,762,929
Operating grants and contributions	1,406,280	1,413,698	-	-	1,406,280	1,413,698
Capital grants and contributions	211,924	50,000	5,274	-	217,198	50,000
General Revenues:						
Property taxes	1,004,149	1,004,015	-	-	1,004,149	1,004,015
Other taxes	2,698,280	2,550,085	-	-	2,698,280	2,550,085
Grants and contributions not restricted to specific programs	162,040	162,204	-	-	162,040	162,204
Other	14,708	26,759	274	441	14,982	27,200
Total revenues	6,108,261	5,791,044	1,140,186	1,179,087	7,248,447	6,970,131
Expenses:						
General government	1,543,039	1,423,696	-	-	1,543,039	1,423,696
Public safety	1,514,540	1,486,594	-	-	1,514,540	1,486,594
Public works	1,629,995	1,269,626	-	-	1,629,995	1,269,626
Parks, recreation and cultural	432,907	478,707	-	-	432,907	478,707
Community development	386,027	696,843	-	-	386,027	696,843
Interest on long-term debt	168,665	187,116	-	-	168,665	187,116
Water and sewer			1,318,941	1,371,961	1,318,941	1,371,961
Total expenses	5,675,173	5,542,582	1,318,941	1,371,961	6,994,114	6,914,543
Increase in net assets before transfers	433,088	248,462	(178,755)	(192,874)	254,333	55,588
Transfers	-	-	-	-	-	-
Increase in net assets	433,088	248,462	(178,755)	(192,874)	254,333	55,588
Net assets beginning of year	7,094,054	6,845,592	1,124,706	1,317,580	8,218,760	8,163,172
Net assets end of year	\$ 7,527,142	\$ 7,094,054	945,951	1,124,706	\$ 8,473,093	\$ 8,218,760

The remaining portion of this page left blank intentionally

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

---

**Financial Analysis of the Government's Funds**

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

**Governmental funds**

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

At the end of the fiscal year, the Town's governmental funds reported an ending fund balance of \$3,439,680. This entire amount constitutes unreserved fund balance, which is available for spending at the government's discretion. Council may designate these funds for future projects, however the use of these funds is not legally restricted for any specific purpose. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Higher percentages indicate strong liquidity, while lower percentages indicate poor liquidity.

**Proprietary funds**

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Town of Bluefield, Virginia's water and sewer fund at the end of the year were \$273,552.

**Governmental Funds Budgetary Highlights**

There were several amendments to the budget for the fiscal year ending June 30, 2012.

**2011-2012 BUDGET  
AMENDMENTS**

<b>Revenue</b>				
<b>Line Item</b>		<b>Original Budget</b>	<b>Amended Budget</b>	<b>Change</b>
10.31.3108.9901	Miscellaneous	\$130,000.00	\$139,258.78	\$9,258.78
10.31.3108.9915	Steel Revenue	\$0.00	\$600.00	\$600.00
		<u>\$130,000.00</u>	<u>\$139,858.78</u>	<u>\$9,858.78</u>

<b>Expenditure</b>				
<b>Line Item</b>		<b>Original Budget</b>	<b>Amended Budget</b>	<b>Change</b>
10.9300.9270	Transfer to Equipment Purchase LGIP	\$0.00	\$9,858.78	\$9,858.78
		<u>\$0.00</u>	<u>\$9,858.78</u>	<u>\$9,858.78</u>

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

**Revenue**

<b>Line Item</b>		<b>Original Budget</b>	<b>Amended Budget</b>	<b>Change</b>
10.34.3401.0509	From Prior Years' Reserves	\$100,000.00	\$107,500.00	\$7,500.00
		<u>\$100,000.00</u>	<u>\$107,500.00</u>	<u>\$7,500.00</u>

**Expenditure**

<b>Line Item</b>		<b>Original Budget</b>	<b>Amended Budget</b>	<b>Change</b>
10.9100.5850	Contingency	\$49,277.00	\$56,777.00	\$7,500.00
		<u>\$49,277.00</u>	<u>\$56,777.00</u>	<u>\$7,500.00</u>

**Revenue**

<b>Line Item</b>		<b>Original Budget</b>	<b>Amended Budget</b>	<b>Change</b>
10.34.0100.0509	From Prior Years' Reserves	\$107,500.00	\$277,500.00	\$170,000.00
		<u>\$107,500.00</u>	<u>\$277,500.00</u>	<u>\$170,000.00</u>

**Expenditure**

<b>Line Item</b>		<b>Original Budget</b>	<b>Amended Budget</b>	<b>Change</b>
10.4120.8115	Street Paving	\$170,000.00	\$340,000.00	\$170,000.00
		<u>\$170,000.00</u>	<u>\$340,000.00</u>	<u>\$170,000.00</u>

**Revenue**

<b>Line Item</b>		<b>Original Budget</b>	<b>Amended Budget</b>	<b>Change</b>
10.34.3401.0505	Autumn Jamboree	\$1,000.00	\$2,375.00	\$1,375.00
		<u>\$1,000.00</u>	<u>\$2,375.00</u>	<u>\$1,375.00</u>

**Expenditure**

<b>Line Item</b>		<b>Original Budget</b>	<b>Amended Budget</b>	<b>Change</b>
10.8120.5641	Autumn Jamboree	\$20,500.00	\$21,875.00	\$1,375.00
		<u>\$20,500.00</u>	<u>\$21,875.00</u>	<u>\$1,375.00</u>

**Revenue**

<b>Line Item</b>		<b>Original Budget</b>	<b>Amended Budget</b>	<b>Change</b>
10.31.0200.0603	Bank Stock Taxes	\$150,000.00	\$157,796.00	\$7,796.00
		<u>\$150,000.00</u>	<u>\$157,796.00</u>	<u>\$7,796.00</u>

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

**Expenditure**

Line Item		Original Budget	Amended Budget	Change
10.1241.5830	Refunds & Rebates	\$4,000.00	\$11,796.00	\$7,796.00
		<u>\$4,000.00</u>	<u>\$11,796.00</u>	<u>\$7,796.00</u>

**Revenue**

Line Item		Original Budget	Amended Budget	Change
10.34.3401.0507	Beautification	\$300.00	\$1,800.00	\$1,500.00
		<u>\$300.00</u>	<u>\$1,800.00</u>	<u>\$1,500.00</u>

**Expenditure**

Line Item		Original Budget	Amended Budget	Change
10.8120.5646	Beautification	\$8,000.00	\$9,500.00	\$1,500.00
		<u>\$8,000.00</u>	<u>\$9,500.00</u>	<u>\$1,500.00</u>

**Revenue**

Line Item		Original Budget	Amended Budget	Change
10.32.3204.0406	Street Maintenance	\$831,530.00	\$985,404.00	\$153,874.00
		<u>\$831,530.00</u>	<u>\$985,404.00</u>	<u>\$153,874.00</u>

**Expenditure**

Line Item		Amended Budget	Amended Budget	Change
10.4120.8115	Street Paving	\$340,000.00	\$493,874.00	\$153,874.00
		<u>\$340,000.00</u>	<u>\$493,874.00</u>	<u>\$153,874.00</u>

**Revenue**

Line Item		Original Budget	Amended Budget	Change
10.31.3108.9914	Refunds & Rebates	\$5,000.00	\$8,560.00	\$3,560.00
		<u>\$5,000.00</u>	<u>\$8,560.00</u>	<u>\$3,560.00</u>

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

**Expenditure**

Line Item		Original Budget	Amended Budget	Change
10.4120.6027	Traffic Lights	\$6,000.00	\$9,560.00	\$3,560.00
		\$6,000.00	\$9,560.00	\$3,560.00

**Revenue**

Line Item		Original Budget	Amended Budget	Change
10.31.0100.0301	Personal Property - Current	\$222,000.00	\$225,000.00	\$3,000.00
		\$222,000.00	\$225,000.00	\$3,000.00

**Expenditure**

Line Item		Original Budget	Amended Budget	Change
10.1241.5830	Refunds & Rebates	\$4,000.00	\$7,000.00	\$3,000.00
		\$4,000.00	\$7,000.00	\$3,000.00

**Revenue**

Line Item		Original Budget	Amended Budget	Change
10.34.3401.0509	From Prior Years' Reserves	\$107,500.00	\$152,500.00	\$45,000.00
		\$107,500.00	\$152,500.00	\$45,000.00

**Expenditure**

Line Item		Original Budget	Amended Budget	Change
10.4120.8101	Machinery & Equipment	\$0.00	\$45,000.00	\$45,000.00
		\$0.00	\$45,000.00	\$45,000.00

**Revenue**

Line Item		Original Budget	Amended Budget	Change
10.31.0900.0204	Recovered Costs	\$30,000.00	\$34,598.85	\$4,598.85
		\$30,000.00	\$34,598.85	\$4,598.85

**Expenditure**

Line Item		Original Budget	Amended Budget	Change
10.3110.6009	Vehicles & Power Equipment Supplies	\$2,000.00	\$6,598.85	\$4,598.85
		\$2,000.00	\$6,598.85	\$4,598.85



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

### Capital Asset and Debt Administration

#### Capital assets

The Town's investment in capital assets for its governmental activities as of June 30, 2012 is \$8,266,124 (net of accumulated depreciation). The Town's investment in capital assets for its business-type activities as of June 30, 2012 was \$3,899,222. These investments in capital assets include land, buildings and system, machinery and equipment, and construction in progress. The Town also continued work on water/sewer system upgrades which increased the assets reported for buildings and systems and decreased the assets reported for construction in progress for business-type activities. These along with other changes in the Town's capital assets are shown in the table that follows.

A summary of fixed assets by category is presented below.

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,478,700	\$ 1,478,700	\$ 22,868	\$ 22,868	\$ 1,501,568	\$ 1,501,568
Buildings and systems	4,744,982	4,958,696	3,678,265	3,925,152	8,423,247	8,883,848
Machinery and equipment	1,638,656	1,577,118	77,822	69,380	1,716,478	1,646,498
Infrastructure	403,786	356,382	120,267	120,267	524,053	476,649
Total	\$ 8,266,124	\$ 8,370,896	\$ 3,899,222	\$ 4,137,667	\$ 12,165,346	\$ 12,508,563

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

#### Long-term debt

There was no significant change in the Town's debt obligations for the year ended June 30, 2012. The only other changes in long-term obligations of the Town was the scheduled repayment of existing debt as same came due. Additional information on the Town's long-term debt can be found in the notes to the financial statements.

### Economic Factors and Next Year's Budgets and Rates

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

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

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

---

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

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

All of the aforementioned factors were considered in preparing the Town's budget for the 2012-2013 fiscal year.

**Requests for Information**

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

## **Basic Financial Statements**

Town of Bluefield, Virginia  
Statement of Net Assets  
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,507,721	\$ 203,469	\$ 1,711,190
Investments	1,650,116	68,950	1,719,066
Restricted cash and cash equivalents:			
Customers' deposits	-	60,747	60,747
Receivables (net of allowance for uncollectibles):			
Taxes receivable	169,043	-	169,043
Accounts receivable	164,435	111,614	276,049
Internal balances	39,080	(39,080)	-
Due from other governmental units	220,821	-	220,821
Other assets:			
Unamortized bond issue costs	76,733	16,304	93,037
Capital assets (net of accumulated depreciation):			
Land	1,478,700	22,868	1,501,568
Buildings and system	4,744,982	3,678,265	8,423,247
Machinery and equipment	1,638,656	77,822	1,716,478
Infrastructure	281,064	-	281,064
Construction in progress	122,722	120,267	242,989
Total assets	\$ 12,094,073	\$ 4,321,226	\$ 16,415,299
<b>LIABILITIES</b>			
Accounts payable	\$ 25,275	\$ 512	\$ 25,787
Accrued wages	118,412	21,248	139,660
Customers' deposits	-	60,747	60,747
Accrued interest payable	45,092	17,052	62,144
Unearned revenue	8,004	-	8,004
Long-term liabilities:			
Due within one year	445,130	158,387	603,517
Due in more than one year	3,925,018	3,117,329	7,042,347
Total liabilities	\$ 4,566,931	\$ 3,375,275	\$ 7,942,206
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 4,197,302	\$ 672,399	\$ 4,869,701
Unrestricted (deficit)	3,329,840	273,552	3,603,392
Total net assets	\$ 7,527,142	\$ 945,951	\$ 8,473,093

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

Town of Bluefield, Virginia  
Statement of Activities  
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,543,039	\$ -	\$ -	\$ -	\$ (1,543,039)		\$ (1,543,039)
Public safety	1,514,540	145,784	262,433	-	(1,106,323)		(1,106,323)
Public works	1,629,995	363,845	1,143,847	211,924	89,621		89,621
Parks, recreation, and cultural	432,907	100,641	-	-	(332,266)		(332,266)
Community development	386,027	610	-	-	(385,417)		(385,417)
Interest on long-term debt	168,665	-	-	-	(168,665)		(168,665)
Total governmental activities	\$ 5,675,173	\$ 610,880	\$ 1,406,280	\$ 211,924	\$ (3,446,089)		\$ (3,446,089)
Business-type activities:							
Water and Sewer	\$ 1,318,941	\$ 1,134,638	\$ -	\$ 5,274		\$ (179,029)	\$ (179,029)
Total primary government	\$ 6,994,114	\$ 1,745,518	\$ 1,406,280	\$ 217,198	\$ (3,446,089)	\$ (179,029)	\$ (3,625,118)
General revenues:							
General property taxes					\$ 1,004,149	\$ -	\$ 1,004,149
Other local taxes:							
Local sales and use tax					358,997	-	358,997
Business license taxes					618,112	-	618,112
Restaurant food taxes					1,152,367	-	1,152,367
Other local taxes					568,804	-	568,804
Unrestricted revenues from use of money and property					2,906	274	3,180
Miscellaneous					11,802	-	11,802
Grants and contributions not restricted to specific programs					162,040	-	162,040
Total general revenues					\$ 3,879,177	\$ 274	\$ 3,879,451
Change in net assets					\$ 433,088	\$ (178,755)	\$ 254,333
Net assets - beginning					7,094,054	1,124,706	8,218,760
Net assets - ending					\$ 7,527,142	\$ 945,951	\$ 8,473,093

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

Town of Bluefield, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,462,930	\$ 44,791	\$ 1,507,721
Investments	1,629,101	21,015	1,650,116
Receivables (net of allowance for uncollectibles):			
Taxes receivable	169,043	-	169,043
Accounts receivable	164,435	-	164,435
Due from other funds	92,840	-	92,840
Due from other governmental units	140,264	80,557	220,821
Total assets	<u>\$ 3,658,613</u>	<u>\$ 146,363</u>	<u>\$ 3,804,976</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 20,912	\$ 4,363	\$ 25,275
Accrued liabilities	112,282	6,130	118,412
Due to other funds	-	53,760	53,760
Deferred revenue	167,849	-	167,849
Total liabilities	<u>\$ 301,043</u>	<u>\$ 64,253</u>	<u>\$ 365,296</u>
Fund balances:			
Committed:			
Public Transit Fund	\$ -	\$ 16,899	\$ 16,899
Cemetery Fund	-	65,211	65,211
Unassigned:			
General fund	3,357,570	-	3,357,570
Total fund balances	<u>\$ 3,357,570</u>	<u>\$ 82,110</u>	<u>\$ 3,439,680</u>
Total liabilities and fund balances	<u>\$ 3,658,613</u>	<u>\$ 146,363</u>	<u>\$ 3,804,976</u>

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

Town of Bluefield, Virginia  
Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Assets  
June 30, 2012

---

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 3,439,680
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,266,124
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	159,845
Bond issuance costs are recorded as an expenditure in the fund financial statements, however issuance costs are amortized in the governmental activity financial statements using the effective interest method over the life of the related bonds.	76,733
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(4,415,240)
Net assets of governmental activities	<u>\$ 7,527,142</u>

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

Town of Bluefield, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>			
General property taxes	\$ 944,245	\$ -	\$ 944,245
Other local taxes	2,698,280	-	2,698,280
Permits, privilege fees, and regulatory licenses	29,014	-	29,014
Fines and forfeitures	75,380	-	75,380
Revenue from the use of money and property	2,776	130	2,906
Charges for services	462,585	43,901	506,486
Miscellaneous	11,802	-	11,802
Recovered costs	42,223	-	42,223
Intergovernmental revenues:			
Commonwealth	1,479,505	88,006	1,567,511
Federal	99,513	113,220	212,733
Total revenues	<u>\$ 5,845,323</u>	<u>\$ 245,257</u>	<u>\$ 6,090,580</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 1,213,731	\$ -	\$ 1,213,731
Public safety	1,381,949	-	1,381,949
Public works	1,388,448	303,617	1,692,065
Parks, recreation, and cultural	378,784	38,837	417,621
Community development	380,582	-	380,582
Non-departmental	150,215	-	150,215
Capital projects	141,729	-	141,729
Debt service:			
Principal retirement	327,308	-	327,308
Interest and other fiscal charges	175,018	-	175,018
Total expenditures	<u>\$ 5,537,764</u>	<u>\$ 342,454</u>	<u>\$ 5,880,218</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 307,559</u>	<u>\$ (97,197)</u>	<u>\$ 210,362</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ 79,628	\$ 79,628
Transfers out	(79,628)	-	(79,628)
Issuance of debt	127,353	-	127,353
Total other financing sources (uses)	<u>\$ 47,725</u>	<u>\$ 79,628</u>	<u>\$ 127,353</u>
Net change in fund balances	\$ 355,284	\$ (17,569)	\$ 337,715
Fund balances - beginning	3,002,286	99,679	3,101,965
Fund balances - ending	<u>\$ 3,357,570</u>	<u>\$ 82,110</u>	<u>\$ 3,439,680</u>

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



Town of Bluefield, Virginia  
 Reconciliation of Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 For the Year Ended June 30, 2012

---

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

Net change in fund balances - total governmental funds	\$ 337,715
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.	(104,772)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	59,904
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	199,955
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.	(59,714)
Change in net assets of governmental activities	<u>\$ 433,088</u>

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

Town of Bluefield, Virginia  
Statement of Net Assets  
Proprietary Funds  
June 30, 2012

	<u>Enterprise Fund Water and Sewer</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 203,469
Investments	68,950
Restricted cash and cash equivalents:	
Customers' deposits	60,747
Accounts receivable, net of allowance for uncollectibles	111,614
Total current assets	<u>\$ 444,780</u>
Noncurrent assets:	
Deferred charges	\$ 16,304
Capital assets:	
Utility plant in service	7,389,242
Machinery and equipment	231,331
Less accumulated depreciation	(3,864,486)
Land	22,868
Construction in progress	120,267
Total capital assets	<u>\$ 3,899,222</u>
Total noncurrent assets	<u>\$ 3,915,526</u>
Total assets	<u>\$ 4,360,306</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 512
Customers' deposits	60,747
Accrued wages payable	21,248
Accrued interest payable	17,052
Due to other funds	39,080
Compensated absences - current portion	36,670
Bonds payable - current portion	121,717
Total current liabilities	<u>\$ 297,026</u>
Noncurrent liabilities:	
Revenue bonds payable - net of current portion	\$ 3,105,106
Compensated absences - net of current portion	12,223
Total noncurrent liabilities	<u>\$ 3,117,329</u>
Total liabilities	<u>\$ 3,414,355</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	\$ 672,399
Unrestricted	273,552
Total net assets	<u>\$ 945,951</u>

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

Town of Bluefield, Virginia  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2012

	Enterprise Fund Water and Sewer
<b>OPERATING REVENUES</b>	
Charges for services:	
Water/sewer revenues	\$ 1,128,338
Other revenues	6,300
Total operating revenues	<u>\$ 1,134,638</u>
<b>OPERATING EXPENSES</b>	
Salaries and fringes	\$ 616,848
Utilities	67,452
Maintenance and repairs	120,646
Office expense	25,504
Chemicals	73,819
Permits	5,188
Professional services	4,276
Miscellaneous	179
Depreciation	265,309
Total operating expenses	<u>\$ 1,179,221</u>
Operating income (loss)	<u>\$ (44,583)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	\$ 274
Interest expense	(139,720)
Total nonoperating revenues (expenses)	<u>\$ (139,446)</u>
Income before contributions and transfers	<u>\$ (184,029)</u>
Capital contributions and construction grants	\$ 5,274
Change in net assets	<u>\$ (178,755)</u>
Total net assets - beginning	1,124,706
Total net assets - ending	<u><u>\$ 945,951</u></u>

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

Town of Bluefield, Virginia  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2012

	<u>Enterprise Fund Water and Sewer</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 1,177,702
Payments to and for employees	(590,489)
Payments for goods and services	(297,196)
Net cash provided by (used for) operating activities	<u>\$ 290,017</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Additions to utility plant	\$ (26,864)
Principal payments on bonds	(118,073)
Principal payments on lease obligations	(3,511)
Contributions in aid of construction	5,274
Interest payments	(141,391)
Net cash provided by (used for) capital and related financing activities	<u>\$ (284,565)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends received	<u>\$ 274</u>
Net increase (decrease) in cash and cash equivalents	\$ 5,726
Cash and cash equivalents - beginning	327,440
Cash and cash equivalents - ending (includes investments of \$68,950 and restricted cash and cash equivalents of \$60,747)	<u>\$ 333,166</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	<u>\$ (44,583)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	\$ 265,309
(Increase) decrease in accounts receivable	38,244
Increase (decrease) in customers' deposits	4,820
Increase (decrease) in accounts payable	(132)
Increase (decrease) in accrued wages	19,580
Increase (decrease) in compensated absences	6,779
Total adjustments	<u>\$ 334,600</u>
Net cash provided by (used for) operating activities	<u>\$ 290,017</u>

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

Town of Bluefield, Virginia  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2012

---

	<u>Cemetery Trust Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 100,580
Investments	456,352
Total assets	<u>\$ 556,932</u>
<b>NET ASSETS</b>	
Held in trust for Cemetery expenses	<u>\$ 556,932</u>

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

Town of Bluefield, Virginia  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended June 30, 2012

---

	<u>Cemetery Trust Fund</u>
<b>ADDITIONS</b>	
Contributions:	
Contributions from the Town of Bluefield	\$ 24,800
Total contributions	<u>\$ 24,800</u>
Investment earnings:	
Interest	\$ 13,514
Net increase (decrease) in the fair market value of investments	<u>(1,483)</u>
Total investment earnings	\$ 12,031
Less investment expense	<u>(4,610)</u>
Net investment earnings	\$ 7,421
Total additions	<u>\$ 32,221</u>
Change in net assets	\$ 32,221
Net assets - beginning	<u>524,711</u>
Net assets - ending	<u><u>\$ 556,932</u></u>

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

TOWN OF BLUEFIELD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

---

**Note 1-Summary of Significant Accounting Policies:**

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

A. Reporting Entity:

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

Blended Component Units - None

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations – Sanitary Board of Bluefield

B. Government-wide financial statements:

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

---

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues.

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

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

The government reports the following major governmental funds:

The *general fund* is the primary operating fund of the Town. The fund is used to account for and report for all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service and interest income.

The government reports the following major proprietary funds:

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

The remainder of this page left blank intentionally



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

---

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

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

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

Additionally, the government reports the following fund types:

*Special revenue funds* account for and report the proceeds of specific revenues sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The Town reports the Public Transit and Cemetery Funds as Nonmajor special revenue funds.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

1. Deposits and investments

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

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

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

1. Deposits and investments (Continued)

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").

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

2. Property Taxes

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

3. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$116,459 at June 30, 2012. The allowance consists of delinquent taxes in the amount of \$80,442 and delinquent water and sewer bills of \$36,017.

4. Use of Estimates

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

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

---

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

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

5. Capital assets (Continued)

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

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

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

6. Compensated absences

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

7. Long-term obligations

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

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

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

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

8. Fund equity

Beginning with fiscal year 2011, the Town implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. 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, using 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;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

Committed Fund Balance Policy:

The Town Council is the Town's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by Town Council. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned Fund Balance Policy:

The Town Council has authorized the Town's Director of Finance as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

Resource Flow Policy:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

---

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

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

## 9. Net Assets

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

## 10. Interfund Transfers

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$(4,415,240) difference for the primary government are as follows:

	<b>Primary Government</b>
Bonds payable	\$ (3,105,000)
Capital Leases	(940,534)
Interest payable	(45,092)
Tax exempt loan	(23,288)
Net OPEB Obligation	(113,340)
Compensated absences	(187,986)
	<hr/>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ (4,415,240)
	<hr/>

The remainder of this page left blank intentionally

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

---

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$(104,772) difference for the primary government are as follows:

	<b>Primary Government</b>
Capital outlays	\$ 387,494
Depreciation expense	<u>(492,266)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (104,772)</u>

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$199,955 difference in the primary government are as follows:

	<b>Primary Government</b>
<b>Debt issued or incurred:</b>	
Issuance of capital lease	\$ (127,353)
<b>Principal repayments:</b>	
General obligation debt	\$ 110,000
Tax exempt loan	27,006
Capital leases	<u>190,302</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 199,955</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

---

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

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(59,714) difference for the primary government are as follows:

	<u>Primary Government</u>
(Increase) Decrease in compensated absences	\$ (28,123)
(Increase) Decrease in accrued interest	10,392
(Increase) Decrease in Net OPEB Obligation	(37,944)
Amortization of bond issuance costs	<u>(4,039)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at changes in net assets of governmental activities	<u>\$ (59,714)</u>

**Note 3-Stewardship, Compliance, and Accountability:**

- A. Budgetary information

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

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

TOWN OF BLUEFIELD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

A. Budgetary information (Continued)

9. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not part of the Town's accounting system.

B. Excess of expenditures over appropriations

The Independent Audit, Vehicle Maintenance, Town Hall Buildings Maintenance, and Public Transit departments exceeded their appropriations.

C. Deficit fund equity

At June 30, 2012, no funds had deficit fund equity.

**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 amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

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

**Custodial Credit Risk:** Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments at June 30, 2012 were held in the Town's name by the Town's custodial bank.

**Credit Risk of Debt Securities:** The Town has not adopted an investment policy for credit risk. The Town's rated debt investments as of June 30, 2012 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

**Town's Rated Debt Investments' Values**

Rated Debt Investments	Fair Quality Ratings		
	AAAm	AA+	Unrated
LGIP	\$ 1,719,066	\$ -	\$ -
US Government Agency Obligations	-	426,347	30,005
	\$ 1,719,066	\$ 426,347	\$ 30,005



TOWN OF BLUEFIELD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 4-Deposits and Investments: (Continued)**

Credit Risk of Debt Securities: (Continued)

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

Interest Rate Risk:

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

Investment Type	Fair Value	1-5 yrs	6-10 yrs	11-15 yrs
US Government Agency Obligations	\$ 456,352	\$ 80,482	\$ 285,118	\$ 90,752

Investment Type	Fair Value	Maturity Date	Call Options
Government Agency Obligations (U.S. Agencies):			
Federal Home Loan Banks	\$ 30,094	8/9/2021	None
Federal Home Loan Banks	30,005	11/28/2018	None
Federal Home Loan Banks	40,002	8/24/2017	None
Federal Home Loan Banks	25,089	3/26/2021	None
Federal Home Loan Banks	34,830	10/12/2021	None
Farm Credit System Banks	20,011	5/15/2017	None
Farm Credit System Banks	20,012	5/21/2020	None
Farm Credit System Banks	34,723	6/25/2019	None
Freddie Mac	25,217	11/27/2024	None
Freddie Mac	20,112	12/14/2017	None
Freddie Mac	40,373	12/20/2024	None
Fannie Mae	40,430	12/24/2013	None
Fannie Mae	25,162	7/30/2024	None
Fannie Mae	50,251	8/22/2019	None
Fannie Mae	20,041	5/30/2017	None
	<u>\$ 456,352</u>		

The remainder of this page left blank intentionally

TOWN OF BLUEFIELD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 5-Due from Other Governmental Units:**

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

	<b>Primary Government</b>
<b><u>Commonwealth of Virginia:</u></b>	
Local sales tax	\$ 61,842
Communications tax	7,604
Mobile home tax	35
Rolling stock	15
Categorical aid	150,795
<b><u>Federal Government:</u></b>	
Categorical aid	530
Total	<u>\$ 220,821</u>

**Note 6-Interfund Activity:**

Interfund transfers for the year ended June 30, 2012, consisted of the following:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ -	\$ 79,628
Public Transit Fund	79,628	-
Total	<u>\$ 79,628</u>	<u>\$ 79,628</u>

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

<b>Fund</b>	<b>Due To</b>	<b>Due From</b>
General Fund	\$ 92,840	\$ -
Public Transit Fund	-	53,760
Water and Sewer Fund	-	39,080
Total	<u>\$ 92,840</u>	<u>\$ 92,840</u>

Since 2009, the Town's General Fund has loaned the Water and Sewer Fund \$38,213. In fiscal year 2011 that amount increased to \$39,080. There are no repayment terms.

TOWN OF BLUEFIELD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 7-Long-Term Obligations:**

Primary Government - Governmental Activity Indebtedness:

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2012:

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
General obligation bonds	\$ 3,215,000	\$ -	\$ (110,000)	\$ 3,105,000
Lease purchase agreements (Note 8)	1,003,483	127,353	(190,302)	940,534
Tax exempt loan	50,294	-	(27,006)	23,288
Net OPEB Obligation (Note 13)	75,396	64,516	(26,572)	113,340
Compensated absences	159,863	148,020	(119,897)	187,986
Total	\$ 4,504,036	\$ 339,889	\$ (473,777)	\$ 4,370,148

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

Year Ending June 30,	General Obligation Bonds		Tax Exempt Loan	
	Principal	Interest	Principal	Interest
2013	\$ 115,000	\$ 127,300	\$ 23,288	\$ 503
2014	115,000	123,131	-	-
2015	120,000	118,575	-	-
2016	125,000	113,675	-	-
2017	130,000	108,575	-	-
2018-2022	735,000	458,975	-	-
2023-2027	895,000	290,500	-	-
2028-2031	870,000	77,875	-	-
Totals	\$ 3,105,000	\$ 1,418,606	\$ 23,288	\$ 503

The remainder of this page left blank intentionally

TOWN OF BLUEFIELD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 7-Long-Term Obligations: (Continued)**

Primary Government - Governmental Activity Indebtedness: (Continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b><u>General Obligation Bond:</u></b>		
\$3,705,000 general obligation bond bearing interest at 4.17%, issued July 1, 2005, payable in annual installments varying from \$90,000 to \$215,000 beginning August 1, 2006. Interest payments are due semi-annually on August 1st and February 1st.	\$ 3,105,000	\$ 115,000
<b><u>Tax Exempt Loan:</u></b>		
\$231,000 tax exempt loan issued January 15, 2003 bearing interest at 4.49%, payable in monthly installments of \$2,393 including principal and interest through September 2013.	\$ 23,288	\$ 23,288
<b><u>Other Obligations:</u></b>		
Lease purchase agreement (Note 8)	\$ 940,534	\$ 165,852
Net OPEB Obligation (Note 13)	113,340	-
Compensated absences	187,986	140,990
Total Other Obligations	\$ 1,241,860	\$ 306,842
Total Long-Term Obligations	\$ 4,370,148	\$ 445,130

The remainder of this page left blank intentionally

TOWN OF BLUEFIELD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 7-Long-Term Obligations: (Continued)**

Primary Government-Enterprise Activity Indebtedness:

The following is a summary of long-term debt transactions of the Enterprise Fund for the year ended June 30, 2012:

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
Refunding bond	\$ 630,000	\$ -	\$ (75,000)	\$ 555,000
Unamortized Premium	15,984	-	(1,776)	14,208
Rural Development Bond	2,700,688	-	(43,073)	2,657,615
Lease purchase agreement	3,511	-	(3,511)	-
Compensated absences	42,114	38,364	(31,585)	48,893
Total	\$ 3,392,297	\$ 38,364	\$ (154,945)	\$ 3,275,716

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

Year Ending June 30,	Refunding Bond		Rural Development Bond	
	Principal	Interest	Principal	Interest
2013	\$ 75,000	\$ 24,450	\$ 44,941	\$ 112,079
2014	75,000	21,263	46,888	110,132
2015	75,000	18,450	48,920	108,100
2016	75,000	15,450	51,040	105,980
2017	75,000	12,450	53,252	103,768
2018-2022	180,000	17,063	302,945	482,155
2023-2027	-	-	374,532	410,568
2028-2032	-	-	463,034	322,066
2033-2037	-	-	572,450	212,650
2038-2042	-	-	699,613	77,350
Totals	\$ 555,000	\$ 109,126	\$ 2,657,615	\$ 2,044,848

TOWN OF BLUEFIELD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 7-Long-Term Obligations: (Continued)**

**Primary Government-Enterprise Activity Indebtedness: (Continued)**

**Details of long-term indebtedness:**

	<b><u>Total Amount</u></b>	<b><u>Amount Due Within One Year</u></b>
<b><u>Refunding Bond:</u></b>		
\$1,010,000 general obligation bond bearing interest at 4.22%, issued February 8, 2007, payable in semi-annual principal installments of \$37,500 plus interest thereon through December 2021.	\$ 555,000	\$ 75,000
Plus: Unamortized Premium on Refunding	<u>14,208</u>	<u>1,776</u>
Total Refunding Bond	<u>\$ 569,208</u>	<u>\$ 76,776</u>
<b><u>Rural Development Bond:</u></b>		
\$2,987,400 revenue bond bearing interest at 4.25% issued December 6, 2004. Monthly installments of principal and interest equaling \$13,085 are due through May 2042.	<u>\$ 2,657,615</u>	<u>\$ 44,941</u>
<b><u>Other Obligations:</u></b>		
Compensated absences	<u>\$ 48,893</u>	<u>\$ 36,670</u>
Total Long-Term Obligations	<u>\$ 3,275,716</u>	<u>\$ 158,387</u>

The remainder of this page left blank intentionally

TOWN OF BLUEFIELD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

---

**Note 8-Capital Lease:**

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

The assets acquired through capital leases are as follows:

	<b>Governmental Activities</b>
<b>Asset:</b>	
Machinery and equipment	\$ 1,537,472
Less: Accumulated depreciation	<u>(430,558)</u>
Total	<u>\$ 1,106,914</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

<b>Fiscal Year Ended</b>	<b>Governmental Activities</b>
2013	\$ 200,777
2014	164,986
2015	162,216
2016	162,216
2017	141,880
2018-2020	<u>236,427</u>
Total minimum lease payments	\$ 1,068,502
Less: Amount representing interest	<u>(127,968)</u>
Present value of minimum lease payments	<u>\$ 940,534</u>

The remainder of this page left blank intentionally

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

---

**Note 9-Employee Retirement System and Pension Plans:**

A. Plan Description

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

---

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

**A. Plan Description: (Continued)**

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**B. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the Town of Bluefield, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town of Bluefield, Virginia's contribution rate for the fiscal year ended 2012 was 8.06% (which includes the 5% member contribution) of annual covered payroll.

**C. Annual Pension Cost**

For fiscal year 2012, the Town of Bluefield, Virginia's annual pension cost of \$159,686 (which includes the employee portion of \$99,061) was equal to the Town of Bluefield, Virginia's required and actual contributions.

Three - Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)*	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 159,686	100.00%	\$ -
6/30/2011	154,602	100.00%	-
6/30/2010	139,775	100.00%	-

\* Employer and employee portion

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

---

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

C. Annual Pension Cost: (Continued)

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town of Bluefield, Virginia's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 87.47% funded. The actuarial accrued liability for benefits was \$4,951,376, and the actuarial value of assets was \$4,331,035, resulting in an unfunded actuarial accrued liability (UAAL) of \$620,341. The covered payroll (annual payroll of active employees covered by the plan) was \$1,985,207, and ratio of the UAAL to the covered payroll was 31.25%.

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

The remainder of this page left blank intentionally

## TOWN OF BLUEFIELD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**Note 10-Capital Assets:**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,478,700	\$ -	\$ -	\$ 1,478,700
Construction in progress	64,500	58,222	-	122,722
Total capital assets not being depreciated	<u>\$ 1,543,200</u>	<u>\$ 58,222</u>	<u>\$ -</u>	<u>\$ 1,601,422</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 6,398,725	\$ -	\$ -	\$ 6,398,725
Machinery and equipment	4,696,565	329,272	-	5,025,837
Infrastructure	307,110	-	-	307,110
Total capital assets being depreciated	<u>\$ 11,402,400</u>	<u>\$ 329,272</u>	<u>\$ -</u>	<u>\$ 11,731,672</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (1,440,029)	\$ (213,714)	\$ -	\$ (1,653,743)
Machinery and equipment	(3,119,447)	(267,734)	-	(3,387,181)
Infrastructure	(15,228)	(10,818)	-	(26,046)
Total accumulated depreciation	<u>\$ (4,574,704)</u>	<u>\$ (492,266)</u>	<u>\$ -</u>	<u>\$ (5,066,970)</u>
Total capital assets being depreciated, net	<u>\$ 6,827,696</u>	<u>\$ (162,994)</u>	<u>\$ -</u>	<u>\$ 6,664,702</u>
Governmental activities capital assets, net	<u>\$ 8,370,896</u>	<u>\$ (104,772)</u>	<u>\$ -</u>	<u>\$ 8,266,124</u>

The remainder of this page left blank intentionally

TOWN OF BLUEFIELD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 10-Capital Assets: (Continued)**

	Beginning Balance	Increase	Decrease	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 22,868	\$ -	\$ -	\$ 22,868
Construction in progress	120,267	-	-	120,267
Total capital assets not being depreciated	\$ 143,135	\$ -	\$ -	\$ 143,135
Capital assets, being depreciated:				
Utility plant and equipment	\$ 7,389,242	\$ -	\$ -	\$ 7,389,242
Machinery and equipment	204,467	26,864	-	231,331
Total capital assets being depreciated	\$ 7,593,709	\$ 26,864	\$ -	\$ 7,620,573
Less: accumulated depreciation for:				
Utility plant and equipment	\$ (3,464,090)	\$ (246,887)	\$ -	\$ (3,710,977)
Machinery and equipment	(135,087)	(18,422)	-	(153,509)
Total accumulated depreciation	\$ (3,599,177)	\$ (265,309)	\$ -	\$ (3,864,486)
Total capital assets being depreciated, net	\$ 3,994,532	\$ (238,445)	\$ -	\$ 3,756,087
Business-Type activities capital assets, net	\$ 4,137,667	\$ (238,445)	\$ -	\$ 3,899,222

The remainder of this page left blank intentionally

TOWN OF BLUEFIELD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

---

**Note 10-Capital Assets: (Continued)**

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

Governmental activities:	
General government	\$ 184,810
Public safety	187,632
Public works	109,446
Parks, recreation, and cultural	9,209
Community development	<u>1,169</u>
Total depreciation expense-governmental activities	<u>\$ 492,266</u>
Business type activities:	
Water and Sewer	<u>\$ 265,309</u>
Total depreciation expense-business type activities	<u>\$ 265,309</u>

**Note 11-Surety Bonds:**

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

**Note 12-Risk Management:**

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

**Note 13-Other Post-Employment Benefits:**

From an accrual accounting perspective, the cost of post-employment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. The Town of Bluefield, Virginia recognizes the cost of post-employment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the Town of Bluefield, Virginia's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2010 liability.

TOWN OF BLUEFIELD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

A. Plan Description

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

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

B. Funding Policy

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

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

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

C. Annual OPEB Cost and Net OPEB Obligation:

The Town of Bluefield, Virginia's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution* of the employer (ARC). The town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

Annual required contribution	\$ 64,842
Interest on net OPEB obligation	2,262
Adjustment to annual required contribution	(2,588)
Annual OPEB cost (expense)	64,516
Contributions made	(26,572)
Increase in net OPEB obligation	37,944
Net OPEB obligation - beginning of year	75,396
Net OPEB obligation - end of year	\$ 113,340

TOWN OF BLUEFIELD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

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

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012 \$	64,516	41.19%	\$ 113,340
6/30/2011	64,678	41.84%	75,396
6/30/2010	64,842	41.74%	37,780

D. Funded Status and Funding Progress

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

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

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

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

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

TOWN OF BLUEFIELD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

---

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

E. Actuarial Methods and Assumptions (Continued)

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

**Note 14—Deferred Revenue:**

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

	<b>Government-wide Statements</b>	<b>Balance Sheet</b>
	<b>Governmental Activities</b>	<b>Governmental Funds</b>
<b>Primary Government:</b>		
Deferred property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures.	\$ -	\$ 159,845
Prepaid property taxes due in December 2012, but paid in advance by taxpayers.	8,004	8,004
Total unearned/deferred revenue	\$ 8,004	\$ 167,849



## **Required Supplementary Information**

Town of Bluefield, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 990,300	\$ 995,300	\$ 944,245	\$ (51,055)
Other local taxes	2,639,400	2,647,196	2,698,280	51,084
Permits, privilege fees, and regulatory licenses	34,000	34,000	29,014	(4,986)
Fines and forfeitures	46,000	46,000	75,380	29,380
Revenue from the use of money and property	35,000	35,000	2,776	(32,224)
Charges for services	540,807	540,807	462,585	(78,222)
Miscellaneous	134,350	147,084	11,802	(135,282)
Recovered costs	35,000	43,159	42,223	(936)
Intergovernmental revenues:				
Commonwealth	1,924,139	2,078,013	1,479,505	(598,508)
Federal	86,624	86,624	99,513	12,889
Total revenues	\$ 6,465,620	\$ 6,653,183	\$ 5,845,323	\$ (807,860)
EXPENDITURES				
Current:				
General government administration	\$ 1,209,957	\$ 1,220,753	\$ 1,213,731	\$ 7,022
Public safety	1,650,369	1,654,968	1,381,949	273,019
Public works	1,283,235	1,655,669	1,388,448	267,221
Parks, recreation, and cultural	410,379	410,379	378,784	31,595
Community development	397,284	400,159	380,582	19,577
Non-departmental	206,416	223,775	150,215	73,560
Capital projects	1,712,000	1,712,000	141,729	1,570,271
Debt service:				
Principal retirement	328,043	328,043	327,308	735
Interest and other fiscal charges	176,639	176,639	175,018	1,621
Total expenditures	\$ 7,374,322	\$ 7,782,385	\$ 5,537,764	\$ 2,244,621
Excess (deficiency) of revenues over (under) expenditures	\$ (908,702)	\$ (1,129,202)	\$ 307,559	\$ 1,436,761
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (81,298)	\$ (81,298)	\$ (79,628)	\$ 1,670
Issuance of debt	890,000	890,000	127,353	(762,647)
Total other financing sources (uses)	\$ 808,702	\$ 808,702	\$ 47,725	\$ (760,977)
Net change in fund balances	\$ (100,000)	\$ (320,500)	\$ 355,284	\$ 675,784
Fund balances - beginning	100,000	320,500	3,002,286	2,681,786
Fund balances - ending	\$ -	\$ -	\$ 3,357,570	\$ 3,357,570

Town of Bluefield, Virginia  
Schedule of OPEB and Pension Funding Progress  
As of June 30, 2012

## Primary Government:

## Town Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2011	\$ 4,331,035	\$ 4,951,376	\$ 620,341	87.47%	\$ 1,985,207	31.25%
6/30/2010	4,225,510	4,440,271	214,761	95.16%	1,873,592	11.46%
6/30/2009	4,207,029	4,047,412	(159,617)	103.94%	1,895,720	-8.42%

## Town Other Postemployment Benefits Plan

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

---

## OTHER SUPPLEMENTARY INFORMATION SECTION

---

## **Supplementary Financial Statements**

Town of Bluefield, Virginia  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012

	Special Revenue Funds		
	Public Transit Fund	Cemetery Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 595	\$ 44,196	\$ 44,791
Due from other governmental units	80,557	-	80,557
Investments	-	21,015	21,015
Total assets	<u>\$ 81,152</u>	<u>\$ 65,211</u>	<u>\$ 146,363</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 4,363	\$ -	\$ 4,363
Accrued wages	6,130	-	6,130
Due to other funds	53,760	-	53,760
Total liabilities	<u>\$ 64,253</u>	<u>\$ -</u>	<u>\$ 64,253</u>
Fund balances:			
Committed:	\$ 16,899	\$ 65,211	\$ 82,110
Total fund balances	<u>\$ 16,899</u>	<u>\$ 65,211</u>	<u>\$ 82,110</u>
Total liabilities and fund balances	<u>\$ 81,152</u>	<u>\$ 65,211</u>	<u>\$ 146,363</u>

Town of Bluefield, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2012

	<u>Special Revenue Funds</u>		
	<u>Public Transit Fund</u>	<u>Cemetery Fund</u>	<u>Total</u>
<b>REVENUES</b>			
Revenue from the use of money and property	\$ -	\$ 130	\$ 130
Charges for services	8,332	35,569	43,901
Intergovernmental revenues:			
Commonwealth	88,006	-	88,006
Federal	113,220	-	113,220
Total revenues	<u>\$ 209,558</u>	<u>\$ 35,699</u>	<u>\$ 245,257</u>
<b>EXPENDITURES</b>			
Current:			
Public works	\$ 303,617	\$ -	\$ 303,617
Parks, recreation, and cultural	-	38,837	38,837
Total expenditures	<u>\$ 303,617</u>	<u>\$ 38,837</u>	<u>\$ 342,454</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (94,059)</u>	<u>\$ (3,138)</u>	<u>\$ (97,197)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ 79,628	\$ -	\$ 79,628
Total other financing sources (uses)	<u>\$ 79,628</u>	<u>\$ -</u>	<u>\$ 79,628</u>
Net change in fund balances	\$ (14,431)	\$ (3,138)	\$ (17,569)
Fund balances - beginning	31,330	68,349	99,679
Fund balances - ending	<u>\$ 16,899</u>	<u>\$ 65,211</u>	<u>\$ 82,110</u>

Town of Bluefield, Virginia  
Public Transit Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 9,000	\$ 9,000	\$ 8,332	\$ (668)
Miscellaneous	1,000	1,000	-	(1,000)
Intergovernmental revenues:				
Commonwealth	33,000	33,000	88,006	55,006
Federal	156,114	156,114	113,220	(42,894)
Total revenues	<u>\$ 199,114</u>	<u>\$ 199,114</u>	<u>\$ 209,558</u>	<u>\$ 10,444</u>
<b>EXPENDITURES</b>				
Current:				
Public works	\$ 280,412	\$ 280,412	\$ 303,617	\$ (23,205)
Total expenditures	<u>\$ 280,412</u>	<u>\$ 280,412</u>	<u>\$ 303,617</u>	<u>\$ (23,205)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (81,298)</u>	<u>\$ (81,298)</u>	<u>\$ (94,059)</u>	<u>\$ (12,761)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 81,298	\$ 81,298	\$ 79,628	\$ (1,670)
Total other financing sources (uses)	<u>\$ 81,298</u>	<u>\$ 81,298</u>	<u>\$ 79,628</u>	<u>\$ (1,670)</u>
Net change in fund balances	\$ -	\$ -	\$ (14,431)	\$ (14,431)
Fund balances - beginning	-	-	31,330	31,330
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,899</u>	<u>\$ 16,899</u>



Town of Bluefield, Virginia  
Cemetery Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 1,050	\$ 1,050	\$ 130	\$ (920)
Charges for services	33,500	33,500	35,569	2,069
Total revenues	\$ 34,550	\$ 34,550	\$ 35,699	\$ 1,149
<b>EXPENDITURES</b>				
Current:				
Parks, recreation, and cultural	\$ 34,550	\$ 34,550	\$ 38,837	\$ (4,287)
Total expenditures	\$ 34,550	\$ 34,550	\$ 38,837	\$ (4,287)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (3,138)	\$ (3,138)
Net change in fund balances	\$ -	\$ -	\$ (3,138)	\$ (3,138)
Fund balances - beginning	-	-	68,349	68,349
Fund balances - ending	\$ -	\$ -	\$ 65,211	\$ 65,211

## **Supporting Schedules**

Town of Bluefield, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

Schedule 1  
Page 1 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 700,000	\$ 700,000	\$ 712,372	\$ 12,372
Real and Personal PSC Tax	26,000	26,000	22,368	(3,632)
Personal Property Tax	232,500	237,500	195,454	(42,046)
Mobile Home Tax	1,500	1,500	1,999	499
Machinery and Tools Tax	24,000	24,000	9,039	(14,961)
Penalties	5,000	5,000	2,110	(2,890)
Interest	1,300	1,300	903	(397)
Total general property taxes	\$ 990,300	\$ 995,300	\$ 944,245	\$ (51,055)
Other local taxes:				
Local sales and use taxes	\$ 335,000	\$ 335,000	\$ 358,997	\$ 23,997
Consumers' utility taxes	130,000	130,000	122,054	(7,946)
Cigarette tax	305,000	305,000	205,781	(99,219)
Business license taxes	498,400	498,400	618,112	119,712
Consumption taxes	80,000	80,000	26,722	(53,278)
Gross receipts taxes	-	-	10,064	10,064
Motor vehicle licenses	1,000	1,000	29,675	28,675
Bank stock taxes	150,000	157,796	168,819	11,023
Franchise tax	-	-	5,689	5,689
Restaurant food taxes	1,140,000	1,140,000	1,152,367	12,367
Total other local taxes	\$ 2,639,400	\$ 2,647,196	\$ 2,698,280	\$ 51,084
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 30,000	\$ 30,000	\$ 28,404	\$ (1,596)
Zoning permits	2,000	2,000	610	(1,390)
Erosion and sediment permits	1,000	1,000	-	(1,000)
Permits and other licenses	1,000	1,000	-	(1,000)
Total permits, privilege fees, and regulatory licenses	\$ 34,000	\$ 34,000	\$ 29,014	\$ (4,986)
Fines and forfeitures:				
Court fines and forfeitures	\$ 46,000	\$ 46,000	\$ 75,380	\$ 29,380
Revenue from use of money and property:				
Revenue from use of money	\$ 35,000	\$ 35,000	\$ 2,776	\$ (32,224)
Charges for services:				
Charges for recreation user fees	\$ 8,000	\$ 8,000	\$ 4,047	\$ (3,953)
Charges for fire calls	56,063	56,063	42,000	(14,063)
Charges for weed cutting	1,000	1,000	-	(1,000)
Charges for refuse collections	375,000	375,000	355,513	(19,487)
Charges for container rent	58,244	58,244	-	(58,244)
Charges for Harmony Acres pool	42,500	42,500	61,025	18,525
Total charges for services	\$ 540,807	\$ 540,807	\$ 462,585	\$ (78,222)
Miscellaneous revenue:				
Miscellaneous	\$ 134,350	\$ 147,084	\$ 11,802	\$ (135,282)
Recovered costs:				
Other recovered costs	\$ 35,000	\$ 43,159	\$ 42,223	\$ (936)
Total revenue from local sources	\$ 4,454,857	\$ 4,488,546	\$ 4,266,305	\$ (222,241)

Town of Bluefield, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

Schedule 1  
Page 2 of 3

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 2,977	\$ 2,977	\$ -	\$ (2,977)
Wine taxes	3,120	3,120	-	(3,120)
Rolling stock tax	5,500	5,500	6,550	1,050
Mobile home titling tax	750	750	575	(175)
Telecommunications Tax	-	-	46,468	46,468
Personal property tax relief funds	108,477	108,477	108,447	(30)
Total noncategorical aid	<u>\$ 120,824</u>	<u>\$ 120,824</u>	<u>\$ 162,040</u>	<u>\$ 41,216</u>
Categorical aid:				
Other categorical aid:				
DJCP law enforcement grants	\$ 201,240	\$ 201,240	\$ 148,367	\$ (52,873)
Litter control grant	2,100	2,100	2,355	255
State fire funds	18,445	18,445	14,553	(3,892)
Street maintenance	831,530	985,404	940,266	(45,138)
VDOT revenue sharing	750,000	750,000	211,924	(538,076)
Total other categorical aid	<u>\$ 1,803,315</u>	<u>\$ 1,957,189</u>	<u>\$ 1,317,465</u>	<u>\$ (639,724)</u>
Total revenue from the Commonwealth	<u>\$ 1,924,139</u>	<u>\$ 2,078,013</u>	<u>\$ 1,479,505</u>	<u>\$ (598,508)</u>
Revenue from the Federal Government:				
Categorical aid:				
Department of Transportation	\$ -	\$ -	\$ 5,562	\$ 5,562
FEMA	86,624	86,624	93,951	7,327
Total categorical aid	<u>\$ 86,624</u>	<u>\$ 86,624</u>	<u>\$ 99,513</u>	<u>\$ 12,889</u>
Total revenue from the federal government	<u>\$ 86,624</u>	<u>\$ 86,624</u>	<u>\$ 99,513</u>	<u>\$ 12,889</u>
Total General Fund	<u>\$ 6,465,620</u>	<u>\$ 6,653,183</u>	<u>\$ 5,845,323</u>	<u>\$ (807,860)</u>
<b>Special Revenue Funds:</b>				
<b>Public Transit Fund:</b>				
Revenue from local sources:				
Charges for services:				
Charges for fares	\$ 9,000	\$ 9,000	\$ 8,332	\$ (668)
Miscellaneous revenue:				
Other miscellaneous	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Total revenue from local sources	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 8,332</u>	<u>\$ (1,668)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Public transportation grant	\$ 33,000	\$ 33,000	\$ 88,006	\$ 55,006
Total revenue from the Commonwealth	<u>\$ 33,000</u>	<u>\$ 33,000</u>	<u>\$ 88,006</u>	<u>\$ 55,006</u>
Revenue from the federal government:				
Categorical aid:				
Public transportation grant	\$ 156,114	\$ 156,114	\$ 113,220	\$ (42,894)
Total revenue from the federal government	<u>\$ 156,114</u>	<u>\$ 156,114</u>	<u>\$ 113,220</u>	<u>\$ (42,894)</u>
Total Public Transit Fund	<u>\$ 199,114</u>	<u>\$ 199,114</u>	<u>\$ 209,558</u>	<u>\$ 10,444</u>

Town of Bluefield, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

Schedule 1  
Page 3 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Special Revenue Funds: (Continued)</b>				
<b>Cemetery Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,050	\$ 1,050	\$ 130	\$ (920)
Charges for services:				
Charges for grave openings	\$ 20,000	\$ 20,000	\$ 19,750	\$ (250)
Charges for plots	13,500	13,500	15,819	2,319
Total charges for services	\$ 33,500	\$ 33,500	\$ 35,569	\$ 2,069
Total revenue from local sources	\$ 34,550	\$ 34,550	\$ 35,699	\$ 1,149
Total Cemetery Fund	\$ 34,550	\$ 34,550	\$ 35,699	\$ 1,149
Total Primary Government	\$ 6,699,284	\$ 6,886,847	\$ 6,090,580	\$ (796,267)

Town of Bluefield, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

<u>Funds, Functions and Departments</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
Legislative	\$ 64,462	\$ 64,462	\$ 56,672	\$ 7,790
General and financial administration:				
Town manager	\$ 358,353	\$ 358,353	\$ 346,783	\$ 11,570
Legal services	36,000	36,000	30,427	5,573
Vehicle maintenance	480,007	480,007	500,429	(20,422)
Treasurer	153,023	163,819	166,469	(2,650)
Bookkeeper	98,112	98,112	91,866	6,246
Audit services	20,000	20,000	21,085	(1,085)
Total general and financial administration	\$ 1,145,495	\$ 1,156,291	\$ 1,157,059	\$ (768)
Total general government administration	\$ 1,209,957	\$ 1,220,753	\$ 1,213,731	\$ 7,022
Public safety:				
Law enforcement and traffic control:				
Police	\$ 1,339,588	\$ 1,344,187	\$ 1,190,134	\$ 154,053
Fire and rescue services:				
Fire department	\$ 254,386	\$ 254,386	\$ 149,210	\$ 105,176
Inspections:				
Building	\$ 56,395	\$ 56,395	\$ 42,605	\$ 13,790
Total public safety	\$ 1,650,369	\$ 1,654,968	\$ 1,381,949	\$ 273,019
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Street department	\$ 958,146	\$ 1,330,580	\$ 1,082,896	\$ 247,684
Sanitation and waste removal:				
Refuse collections	\$ 202,644	\$ 202,644	\$ 182,229	\$ 20,415
Maintenance of general buildings and grounds:				
General properties	\$ 122,445	\$ 122,445	\$ 123,323	\$ (878)
Total public works	\$ 1,283,235	\$ 1,655,669	\$ 1,388,448	\$ 267,221
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation department	\$ 331,800	\$ 331,800	\$ 308,753	\$ 23,047
Cultural enrichment:				
Cemetery department	\$ 78,579	\$ 78,579	\$ 70,031	\$ 8,548
Total parks, recreation, and cultural	\$ 410,379	\$ 410,379	\$ 378,784	\$ 31,595
Community development:				
Planning and community development:				
Planning commission	\$ 6,990	\$ 6,990	\$ 6,396	\$ 594
Zoning administration	89,594	89,594	85,079	4,515
Contributions and community activities	289,700	292,575	287,908	4,667

Town of Bluefield, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

<u>Funds, Functions and Departments</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (continued)</b>				
Community development: (continued)				
Planning and community development: (continued)				
Economic development	\$ 11,000	\$ 11,000	\$ 1,199	\$ 9,801
Total planning and community development	\$ 397,284	\$ 400,159	\$ 380,582	\$ 19,577
Total community development	\$ 397,284	\$ 400,159	\$ 380,582	\$ 19,577
Non-departmental:				
Non-departmental	\$ 206,416	\$ 223,775	\$ 150,215	\$ 73,560
Capital projects:				
Other capital projects	\$ 1,712,000	\$ 1,712,000	\$ 141,729	\$ 1,570,271
Debt service:				
Principal retirement	\$ 328,043	\$ 328,043	\$ 327,308	\$ 735
Interest and other fiscal charges	176,639	176,639	175,018	1,621
Total debt service	\$ 504,682	\$ 504,682	\$ 502,326	\$ 2,356
Total General Fund	\$ 7,374,322	\$ 7,782,385	\$ 5,537,764	\$ 2,244,621
<b>Special Revenue Funds:</b>				
<b>Public Transit Fund:</b>				
Public works:				
Public transportation:				
Transit system	\$ 280,412	\$ 280,412	\$ 303,617	\$ (23,205)
Total Public Transit Fund	\$ 280,412	\$ 280,412	\$ 303,617	\$ (23,205)
<b>Cemetery Fund:</b>				
Parks, recreation, and cultural:				
Cultural enrichment:				
Cemetery	\$ 34,550	\$ 34,550	\$ 38,837	\$ (4,287)
Total Cemetery Fund	\$ 34,550	\$ 34,550	\$ 38,837	\$ (4,287)
Total Primary Government	\$ 7,689,284	\$ 8,097,347	\$ 5,880,218	\$ 2,217,129

## **Other Statistical Information**



Table 1

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Non-departmental	Interest on Long-Term Debt	Water and Sewer	Total
2003-04	\$ 787,812	\$ 1,224,269	\$ 1,273,528	\$ 196,833	\$ 1,116,734	\$ -	\$ 53,983	\$ 1,196,612	\$ 5,849,771
2004-05	806,974	1,102,301	1,314,889	345,487	671,897	127,668	46,788	1,209,521	5,625,525
2005-06	950,084	1,343,094	1,398,297	304,934	1,184,986	-	189,590	1,221,934	6,592,919
2006-07	1,277,327	1,279,935	1,400,546	292,604	914,124	-	188,607	1,149,926	6,503,069
2007-08	1,272,809	1,381,652	1,684,336	326,119	258,879	-	152,596	1,341,135	6,417,526
2008-09	1,350,375	1,512,050	1,745,948	215,530	227,317	-	167,349	1,434,771	6,653,340
2009-10	1,385,303	1,514,967	1,643,054	372,835	264,006	-	197,842	1,339,675	6,717,682
2010-11	1,423,696	1,486,594	1,269,626	478,707	696,843	-	187,116	1,371,961	6,914,543
2011-12	1,543,039	1,514,540	1,629,995	432,907	386,027	-	168,665	1,318,941	6,994,114

(1) Information has only been available for 9 years.

Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES								Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2003-04	\$ 1,638,747	\$ 1,934,562	\$ -	\$ 871,604	\$ 1,813,155	\$ -	\$ 23,287	\$ 13,988	\$ 68,911	\$ 121,454	\$ 6,485,708	
2004-05	1,672,465	1,186,309	-	852,092	1,965,748	43,385	29,207	29,128	23,914	231,620	6,033,868	
2005-06	1,702,463	859,794	-	930,229	2,134,419	30,751	41,549	131,295	40,630	1,063,468	6,934,598	
2006-07	1,842,441	1,720,048	-	975,047	2,251,303	-	-	86,513	22,904	120,771	7,019,027	
2007-08	1,798,928	1,123,170	-	1,017,638	2,499,005	-	-	70,027	235,434	115,806	6,860,008	
2008-09	1,788,489	1,374,954	-	951,698	2,546,705	-	-	33,854	48,492	115,998	6,860,190	
2009-10	1,732,872	1,303,013	200,000	945,358	2,449,245	-	-	6,027	64,770	154,917	6,856,202	
2010-11	1,762,929	1,413,698	50,000	1,004,015	2,550,085	-	-	4,227	22,973	162,204	6,970,131	
2011-12	1,745,518	1,406,280	217,198	1,004,149	2,698,280	-	-	3,180	11,802	162,040	7,248,447	

(1) Information has only been available for 9 years.

Table 3

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

Fiscal Year	General and Financial Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Capital Projects	Non-departmental	Debt Service	Total
2002-03	\$ 876,915	\$ 1,012,649	\$ 1,160,997	\$ 235,761	\$ 276,232	\$ 993,789	\$ -	\$ 315,225	\$ 4,871,568
2003-04	785,451	1,163,858	1,117,870	316,283	1,116,734	446,386	-	300,312	5,246,894
2004-05	780,332	1,034,903	1,260,956	360,675	646,762	613,079	127,668	269,479	5,093,854
2005-06	907,082	1,231,763	1,265,940	287,308	1,157,462	3,039,464	222,044	473,784	8,584,847
2006-07	1,052,787	1,327,729	1,322,527	287,443	900,642	576,892	130,283	696,769	6,295,072
2007-08	1,045,397	1,387,110	1,783,907	345,893	246,500	-	119,380	346,380	5,274,567
2008-09	1,079,618	2,600,811	1,593,368	360,872	218,394	361,642	141,114	400,067	6,755,886
2009-10	1,068,112	1,449,174	1,556,075	373,722	254,334	167,640	118,976	503,550	5,491,583
2010-11	1,110,483	1,417,753	1,308,380	453,844	703,675	64,897	124,559	499,386	5,682,977
2011-12	1,213,731	1,381,949	1,692,065	417,621	380,582	141,729	150,215	502,326	5,880,218

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2002-03	\$ 842,512	\$ 1,463,924	\$ 31,291	\$ 27,829	\$ 19,839	\$ 400,746	\$ 238,649	\$ 54,132	\$ 2,015,402	\$ 5,094,324
2003-04	861,465	1,813,155	62,348	23,287	11,913	435,443	64,964	31,794	2,056,016	5,360,385
2004-05	872,685	1,965,748	43,385	29,207	24,965	467,940	23,849	30,666	1,417,929	4,876,374
2005-06	916,135	2,134,419	30,751	41,549	122,128	463,231	40,630	42,156	1,923,262	5,714,261
2006-07	936,764	2,251,303	40,051	63,835	70,561	484,237	22,904	36,535	1,840,819	5,747,009
2007-08	1,009,688	2,499,005	32,760	65,009	52,906	501,286	235,434	69,874	1,238,976	5,704,938
2008-09	972,346	2,546,705	25,521	72,465	27,286	466,826	48,492	36,017	1,490,952	5,686,610
2009-10	963,451	2,449,245	25,799	51,535	5,243	467,741	64,770	42,892	1,657,930	5,728,606
2010-11	994,598	2,550,085	17,961	67,121	3,786	499,201	22,973	47,249	1,625,902	5,828,876
2011-12	944,245	2,698,280	29,014	75,380	2,906	506,486	11,802	42,223	1,780,244	6,090,580

Table 5

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

Fiscal Year	Total Tax Levy (1,2)	Current Tax Collections (1,2)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2002-03	\$ 958,487	\$ 915,027	95.47%	\$ 24,976	\$ 940,003	98.07%	\$ 109,598	11.43%
2003-04	956,299	930,826	97.34%	29,112	959,938	100.38%	113,545	11.87%
2004-05	961,714	936,677	97.40%	31,511	968,188	100.67%	105,157	10.93%
2005-06	1,023,403	1,010,931	98.78%	21,077	1,032,008	100.84%	112,358	10.98%
2006-07	1,032,759	1,025,049	99.25%	13,879	1,038,928	100.60%	130,744	12.66%
2007-08	1,084,067	1,093,869	100.90%	16,343	1,110,212	102.41%	111,590	10.29%
2008-09	1,114,308	1,046,895	93.95%	33,526	1,080,421	96.96%	124,166	11.14%
2009-10	1,053,211	1,019,891	96.84%	52,007	1,071,898	101.77%	168,531	16.00%
2010-11	1,067,010	1,033,110	96.82%	69,935	1,103,045	103.38%	171,744	16.10%
2011-12	1,075,508	1,020,105	94.85%	29,574	1,049,679	97.60%	216,855	20.16%

(1) May include penalties and interest.

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

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Public Utility (2) Real Estate and Personal Property	Total
2002-03	\$ 262,185,900	\$ 43,888,177	\$ 3,562,000	\$ 10,005,487	\$ 319,641,564
2003-04	261,047,796	43,743,957	3,750,013	10,167,943	318,709,709
2004-05	266,563,800	43,769,896	3,718,900	8,927,013	322,979,609
2005-06	276,566,700	48,725,773	3,600,700	9,744,072	338,637,245
2006-07	393,126,100	50,039,555	4,009,900	10,885,435	458,060,990
2007-08	393,651,800	51,222,820	4,052,600	11,435,588	460,362,808
2008-09	395,692,500	58,380,755	2,751,500	11,142,517	467,967,272
2009-10	396,833,200	49,214,478	2,275,800	11,825,759	460,149,237
2010-11	395,996,569	51,341,670	1,391,400	11,653,371	460,383,010
2011-12	398,370,600	52,048,366	1,506,500	12,090,827	464,016,293

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

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

Table 7

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

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Machinery and Tools
2002-03	\$ 0.250	\$ 0.250	\$ 0.600	\$ 0.600
2003-04	0.250	0.250	0.600	0.600
2004-05	0.250	0.250	0.600	0.600
2005-06	0.250	0.250	0.600	0.600
2006-07	0.185	0.185	0.600	0.600
2007-08	0.185	0.185	0.600	0.600
2008-09	0.185	0.185	0.600	0.600
2009-10	0.185	0.185	0.600	0.600
2010-11	0.185	0.185	0.600	0.600
2011-12	0.185	0.185	0.600	0.600

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2002-03	5,078	\$ 319,641,564	\$ 2,145,217	0.67%	\$ 422
2003-04	5,078	318,709,709	1,977,186	0.62%	389
2004-05	5,078	322,979,609	2,912,093	0.90%	573
2005-06	5,078	338,637,245	4,717,500	1.39%	929
2006-07	5,078	458,060,990	4,691,973	1.02%	924
2007-08	5,078	460,362,808	4,390,000	0.95%	865
2008-09	5,078	467,967,272	4,210,000	0.90%	829
2009-10	5,078	460,149,237	4,030,000	0.88%	794
2010-11	5,444	460,383,010	3,845,000	0.84%	706
2011-12	5,444	464,016,293	3,660,000	0.79%	672

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

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

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

Excludes capital leases and compensated absences.



Table 9

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2002-03	\$ 252,173	\$ 63,052	\$ 315,225	\$ 4,871,568	6.47%
2003-04	241,714	58,598	300,312	5,246,894	5.72%
2004-05	218,551	50,928	269,479	5,093,854	5.29%
2005-06	240,400	128,381	368,781	8,584,847	4.30%
2006-07	446,155	250,614	696,769	6,295,072	11.07%
2007-08	252,302	94,078	346,380	5,274,567	6.57%
2008-09	234,799	165,268	400,067	6,755,886	5.92%
2009-10	308,402	195,148	503,550	5,491,583	9.17%
2010-11	314,886	184,500	499,386	5,682,977	8.79%
2011-12	327,308	175,018	502,326	5,880,218	8.54%

Table 10

Town of Bluefield, Virginia  
Computation of Legal Debt Margin  
June 30, 2012

---

Assessed valuations:	
Assessed value	<u>\$ 398,370,600</u>
Legal debt margin	
Debt limitation - 10 percent of total assessed value	39,837,060
Total debt applicable to limitation	<u>3,660,000</u>
Legal debt margin	<u>\$ 36,177,060</u>

---

## COMPLIANCE SECTION

---

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

---

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bluefield, Virginia as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

### **Internal Control Over Financial Reporting**

Management of the Town of Bluefield, Virginia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Bluefield, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Bluefield, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Bluefield, Virginia's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (reference 2012-1 and 2012-2).

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the Town of Bluefield, Virginia in a separate letter dated November 5, 2012.

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

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

*Robinson, Turner, Cox Associates*

Blacksburg, Virginia  
November 5, 2012

Schedule of Findings and Responses  
Year Ended June 30, 2012

---

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

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies)?	None reported
Noncompliance material to financial statements noted?	No

**Section II - Financial Statement Findings****2012-1**


---

Criteria:	Per Statement on Auditing Standards 115, identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The Town's financial statements required material adjustments by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles.
Effect:	There is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls over financial reporting.
Cause:	The Town used a new consultant in the current year that will become more familiar with the Town's books in subsequent years.
Recommendation:	Continue with the Town's consultant and as they grow more familiar with the Town's books, the audit changes will lessen to an immaterial amount.
Management's Response:	To comply with standards established by Statement on Auditing Standards 115, the Town employed an external accounting firm to prepare all necessary year-end accounting adjustments and to assist in the selection and application of accounting principles for the fiscal year ending June 30, 2012. As the Town's consultant becomes more familiar with the Town's records we hope to correct this going forward.

Schedule of Findings and Responses (Continued)  
Year Ended June 30, 2012

---

---

**2012-2**

---

Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	The Town does not have a proper segregation of duties over the payroll, accounts payable and billing and collection functions.
Effect:	There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Cause:	Budget constraints on most local governments limit their ability to comply with proper segregation of duties.
Recommendation:	The Town should try to reduce some of the segregation issues by implementing controls that will mitigate the risk of one person having too much control.
Management's Response:	Management acknowledges that internal controls over the billing and collection function as well as the accounts payable and payroll functions lack proper segregation of duties; however, to alleviate the same would require additional staff.