

TOWN OF BLUEFIELD, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

TOWN OF BLUEFIELD, VIRGINIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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INTRODUCTORY SECTION

TOWN OF BLUEFIELD, VIRGINIA

TOWN COUNCIL

Donald Harris, Mayor
James Jones, Vice Mayor
Roger L. Riffe
Anglis Trigg, Jr.
Donald Linkous
Steve Danko

OTHER OFFICIALS

Mike Watson..... Town Manager
James Hampton Town Treasurer
Matthew Freedman Town Attorney

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As described in Note 17 to the financial statements, in 2016, the Town adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, and 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-12, 67, and 68-71, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bluefield, Virginia's basic financial statements. The introductory section, other supplementary information, and other statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2016 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Bluefield, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, Co. Associates

Blacksburg, Virginia
November 20, 2016

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, 2016.

Financial Highlights

Government-wide Financial Statements

The assets and deferred outflows of resources of the Town of Bluefield, Virginia exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$7,869,976 (net position). Of this amount, \$2,627,137 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. Total net position of \$7,869,976 is split between governmental activities (\$7,653,539) and business-type activities (\$216,437).

Fund Financial Statements

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,734,415 (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 required and 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 deferred outflows of resources and liabilities and deferred inflows of resources 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 position and 2) the statement of activities.

The statement of net position presents all of the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference reported as net position. Increases or decreases in net position 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

Overview of the Financial Statements (continued)

Government-wide Financial Statements (continued)

The statement of activities presents information showing how the government's net position 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 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

Overview of the Financial Statements (continued)

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 position may serve as a useful indicator of a government's financial position. For the Town of Bluefield, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7,869,976 at the end of the fiscal year.

The Town's net position is divided into two categories: (1) net investment in capital assets; and (2) unrestricted. Below please find a comparison of the Town's net position for 2015 and 2016.

Town of Bluefield, Virginia's Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 5,221,145	\$ 5,285,612	\$ 105,392	\$ 157,423	\$ 5,326,537	\$ 5,443,035
Capital assets	7,832,585	8,069,941	3,041,664	3,250,677	10,874,249	11,320,618
Total assets	13,053,730	13,355,553	3,147,056	3,408,100	16,200,786	16,763,653
Deferred outflows of resources:						
Deferred charges on refunding	180,752	192,802	-	-	180,752	192,802
Subsequent pension contrib.	162,070	159,017	23,921	27,119	185,991	186,136
Total deferred outflows	342,822	351,819	23,921	27,119	366,743	378,938
Long-term liabilities	4,094,628	4,155,449	2,808,268	2,888,953	6,902,896	7,044,402
Other liabilities	306,214	463,011	104,181	130,424	410,395	593,435
Total liabilities	4,400,842	4,618,460	2,912,449	3,019,377	7,313,291	7,637,837
Deferred inflows of resources:						
Property taxes	1,087,252	978,803	-	-	1,087,252	978,803
Prepaid taxes	10,675	10,427	-	-	10,675	10,427
Items related to pension	244,244	285,704	42,091	60,034	286,335	345,738
Total deferred inflows	1,342,171	1,274,934	42,091	60,034	1,384,262	1,334,968
Net position:						
Net investment in capital assets	4,924,380	4,781,652	318,459	395,290	5,242,839	5,176,942
Unrestricted	2,729,159	3,032,326	(102,022)	(39,482)	2,627,137	2,992,844
Total net position	\$ 7,653,539	\$ 7,813,978	\$ 216,437	\$ 355,808	\$ 7,869,976	\$ 8,169,786

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 67 percent of total net position at the end of 2016 as compared to 63 percent at the end of 2015. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending.

Town of Bluefield, Virginia Management's Discussion and Analysis

Government-wide Financial Analysis (continued)

Governmental Activities

Governmental activities decreased the Town's net position by \$200,166 while net position of the business-type activities decreased by \$142,136. Key elements of these changes are as follows:

Town of Bluefield, Virginia's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	\$ 594,015	\$ 584,458	\$ 1,048,977	\$ 1,079,888	\$ 1,642,992	\$ 1,664,346
Operating grants and contributions	1,507,851	1,987,701	-	-	1,507,851	1,987,701
Capital grants and contributions	151,940	-	-	-	151,940	-
General Revenues:						
Property taxes	995,704	945,292	-	-	995,704	945,292
Other taxes	2,749,753	2,854,620	-	-	2,749,753	2,854,620
Grants and contributions not restricted to specific programs	168,183	168,413	-	-	168,183	168,413
Other	58,160	70,802	192	135	58,352	70,937
Total revenues	6,225,606	6,611,286	1,049,169	1,080,023	7,274,775	7,691,309
Expenses:						
General government administration	1,450,930	1,404,112	-	-	1,450,930	1,404,112
Public safety	2,022,880	1,823,885	-	-	2,022,880	1,823,885
Public works	2,155,929	1,720,679	-	-	2,155,929	1,720,679
Parks, recreation and cultural	448,671	411,105	-	-	448,671	411,105
Community development	236,154	216,964	-	-	236,154	216,964
Interest on long-term debt	111,208	125,819	-	-	111,208	125,819
Water	-	-	1,191,305	1,222,115	1,191,305	1,222,115
Total expenses	6,425,772	5,702,564	1,191,305	1,222,115	7,617,077	6,924,679
Change in net position before transfers	(200,166)	908,722	(142,136)	(142,092)	(342,302)	766,630
Transfers	-	-	-	-	-	-
Change in net position	(200,166)	908,722	(142,136)	(142,092)	(342,302)	766,630
Net position beginning of year*	7,853,705	6,905,256	358,573	497,900	8,212,278	7,403,156
Net position end of year	\$ 7,653,539	\$ 7,813,978	\$ 216,437	\$ 355,808	\$ 7,869,976	\$ 8,169,786

*as restated

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Town of Bluefield, Virginia Management's Discussion and Analysis

Financial Analysis of the Government's Funds

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

Governmental funds

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

At the end of the fiscal year, the Town's governmental funds reported an ending fund balance of \$3,665,386. This entire amount constitutes unassigned 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 unassigned 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 position of the Town of Bluefield, Virginia's water and sewer fund at the end of the year were \$(102,022).

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Town of Bluefield, Virginia Management's Discussion and Analysis

Governmental Funds Budgetary Highlights

There were several amendments to the budget for the fiscal year ending June 30, 2016.

BUDGET AMENDMENTS 2015 / 2016

PURPOSE: VFW Guardrails

Revenue

Line Item		Original Budget	Amended Budget	Change
3108-9901	Misc. Revenue	<u>\$161,406.88</u>	<u>\$169,093.78</u>	<u>\$7,686.90</u>
		<u>\$161,406.88</u>	<u>\$169,093.78</u>	<u>\$7,686.90</u>

Expenditure

Line Item		Original Budget	Amended Budget	Change
9100-5850	Contingency	<u>\$50,969.00</u>	<u>\$58,655.90</u>	<u>\$7,686.90</u>
		<u>\$50,969.00</u>	<u>\$58,655.90</u>	<u>\$7,686.90</u>

PURPOSE: Equipment Grant from DMV / Watchguard In-Car Camera, MPH Radar Unit

Revenue

Line Item		Original Budget	Amended Budget	Change
0400-0413	Misc. State Law Enforcement	<u>\$42,323.35</u>	<u>\$49,012.35</u>	<u>\$6,689.00</u>
		<u>\$42,323.35</u>	<u>\$49,012.35</u>	<u>\$6,689.00</u>

Expenditure

Line Item		Original Budget	Amended Budget	Change
3110-8204	Video Cameras for Cruisers	<u>\$45,000.00</u>	<u>\$51,689.00</u>	<u>\$6,689.00</u>
		<u>\$45,000.00</u>	<u>\$51,689.00</u>	<u>\$6,689.00</u>

PURPOSE: Security / Law Enforcement for Mountain Festival Carnival

Expenditure

Line Item		Original Budget	Amended Budget	Change
0900-0204	Recovered Costs	<u>\$30,401.98</u>	<u>\$37,331.98</u>	<u>\$6,930.00</u>
		<u>\$30,401.98</u>	<u>\$37,331.98</u>	<u>\$6,930.00</u>

Revenue

Line Item		Original Budget	Amended Budget	Change
3110-1200	Salaries – Over Time	<u>\$7,000.00</u>	<u>\$13,930.00</u>	<u>\$6,930.00</u>
		<u>\$7,000.00</u>	<u>\$13,930.00</u>	<u>\$6,930.00</u>

Town of Bluefield, Virginia Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental activities as of June 30, 2016 is \$7,832,585 (net of accumulated depreciation). The Town's investment in capital assets for its business-type activities as of June 30, 2016 was \$3,041,644. 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 capital assets by category is presented below.

Town of Bluefield, Virginia's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,515,701	\$ 1,501,820	\$ 22,868	\$ 22,868	\$ 1,538,569	\$ 1,524,688
CIP	177,477	143,377	139,031	120,267	316,508	263,644
Buildings and improvements	3,926,578	4,133,362	-	-	3,926,578	4,133,362
Machinery and equipment	1,691,233	1,750,563	55,474	64,265	1,746,707	1,814,828
Infrastructure	521,596	540,819	2,824,291	3,043,277	3,345,887	3,584,096
Total	\$ 7,832,585	\$ 8,069,941	\$ 3,041,664	\$ 3,250,677	\$ 10,874,249	\$ 11,320,618

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, 2016. 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.

Town of Bluefield, Virginia
Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates (continued)

- The Commonwealth of Virginia has encountered budget shortfalls which have resulted in reduced local funding. Additional reductions may occur in future fiscal years.

Other local factors that may affect the Town'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 2016-2017 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 Position
June 30, 2016

	Primary Government		
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,168,739	\$ 161,874	\$ 1,330,613
Investments	2,267,681	30,547	2,298,228
Restricted cash and cash equivalents:			
Customers' deposits	-	55,600	55,600
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,208,782	-	1,208,782
Accounts receivable	228,876	116,471	345,347
Internal balances	259,100	(259,100)	-
Due from other governmental units	87,967	-	87,967
Capital assets not being depreciated:			
Land	1,515,701	22,868	1,538,569
Construction in progress	177,477	139,031	316,508
Capital assets, net of accumulated depreciation:			
Buildings and improvements	3,926,578	-	3,926,578
Machinery, equipment, and vehicles	1,691,233	55,474	1,746,707
Infrastructure	521,596	2,824,291	3,345,887
Total Assets	<u>\$ 13,053,730</u>	<u>\$ 3,147,056</u>	<u>\$ 16,200,786</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	\$ 180,752	\$ -	\$ 180,752
Pension contributions subsequent to measurement date	162,070	23,921	185,991
Total Deferred Outflows of Resources	<u>\$ 342,822</u>	<u>\$ 23,921</u>	<u>\$ 366,743</u>
LIABILITIES			
Accounts payable	\$ 127,304	\$ 4,315	\$ 131,619
Accrued wages	65,343	9,766	75,109
Customers' deposits	-	55,600	55,600
Accrued interest payable	34,050	34,500	68,550
Unearned revenues	79,517	-	79,517
Long-term liabilities:			
Due within one year	366,474	223,493	589,967
Due in more than one year	3,728,154	2,584,775	6,312,929
Total Liabilities	<u>\$ 4,400,842</u>	<u>\$ 2,912,449</u>	<u>\$ 7,313,291</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 1,087,252	\$ -	\$ 1,087,252
Deferred revenue - prepaid taxes	10,675	-	10,675
Items related to measurement of net pension liability	244,244	42,091	286,335
Total Deferred Inflows of Resources	<u>\$ 1,342,171</u>	<u>\$ 42,091</u>	<u>\$ 1,384,262</u>
NET POSITION			
Net investment in capital assets	\$ 4,924,380	\$ 318,459	\$ 5,242,839
Unrestricted (deficit)	2,729,159	(102,022)	2,627,137
Total Net Position	<u>\$ 7,653,539</u>	<u>\$ 216,437</u>	<u>\$ 7,869,976</u>

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

Town of Bluefield, Virginia
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government	
			Grants and Contributions	Capital Grants and Contributions		Business-type Activities	Total
Governmental activities:							
General government administration	\$ 1,450,930	\$ -	\$ -	\$ -	\$ (1,450,930)		\$ (1,450,930)
Public safety	2,022,880	95,178	195,500	-	(1,732,202)		(1,732,202)
Public works	2,155,929	402,438	1,312,351	151,940	(289,200)		(289,200)
Parks, recreation, and cultural	448,671	87,079	-	-	(361,592)		(361,592)
Community development	236,154	9,320	-	-	(226,834)		(226,834)
Interest on long-term debt	111,208	-	-	-	(111,208)		(111,208)
Total governmental activities	\$ 6,425,772	\$ 594,015	\$ 1,507,851	\$ 151,940	\$ (4,171,966)		\$ (4,171,966)
Business-type activities:							
Water	\$ 1,191,305	\$ 1,048,977	\$ -	\$ -		\$ (142,328)	\$ (142,328)
Total	\$ 7,617,077	\$ 1,642,992	\$ 1,507,851	\$ 151,940	\$ (4,171,966)	\$ (142,328)	\$ (4,314,294)
General revenues:							
General property taxes					\$ 995,704	\$ -	\$ 995,704
Other local taxes:							
Local sales and use tax					368,097	-	368,097
Business license taxes					637,224	-	637,224
Restaurant food taxes					1,171,954	-	1,171,954
Other local taxes					572,478	-	572,478
Unrestricted revenues from use of money and property					6,708	192	6,900
Miscellaneous					51,452	-	51,452
Grants and contributions not restricted to specific programs					168,183	-	168,183
Total general revenues					\$ 3,971,800	\$ 192	\$ 3,971,992
Change in net position					\$ (200,166)	\$ (142,136)	\$ (342,302)
Net position - beginning, as restated					7,853,705	358,573	8,212,278
Net position - ending					\$ 7,653,539	\$ 216,437	\$ 7,869,976

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

Town of Bluefield, Virginia
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,048,511	\$ 120,228	\$ 1,168,739
Investments	2,246,518	21,163	2,267,681
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,208,782	-	1,208,782
Accounts receivable	228,876	-	228,876
Due from other funds	322,593	-	322,593
Due from other governmental units	73,266	14,701	87,967
Total assets	<u>\$ 5,128,546</u>	<u>\$ 156,092</u>	<u>\$ 5,284,638</u>
LIABILITIES			
Accounts payable	\$ 107,995	\$ 19,309	\$ 127,304
Accrued wages	61,082	4,261	65,343
Due to other funds	-	63,493	63,493
Unearned revenue	79,517	-	79,517
Total liabilities	<u>\$ 248,594</u>	<u>\$ 87,063</u>	<u>\$ 335,657</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 1,203,891	\$ -	\$ 1,203,891
Unavailable revenue - prepaid taxes	10,675	-	10,675
Total deferred inflows of resources	<u>\$ 1,214,566</u>	<u>\$ -</u>	<u>\$ 1,214,566</u>
FUND BALANCES			
Committed:			
Public Transit Fund	\$ -	\$ 8,682	\$ 8,682
Cemetery Fund	-	60,347	60,347
Unassigned:			
General fund	3,665,386	-	3,665,386
Total fund balances	<u>\$ 3,665,386</u>	<u>\$ 69,029</u>	<u>\$ 3,734,415</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,128,546</u>	<u>\$ 156,092</u>	<u>\$ 5,284,638</u>

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

Town of Bluefield, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 3,734,415
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 1,515,701	
Buildings and system	3,926,578	
Machinery and equipment	1,691,233	
Infrastructure	521,596	
Construction in progress	177,477	7,832,585

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.

Unavailable revenue-property taxes	\$ 116,639	
Items related to measurement of net pension liability/asset	(244,244)	(127,605)

Pension contributions subsequent to the measurement date will be a reduction to/ increase in the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds.

162,070

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	\$ (2,669,399)	
Capital lease	(419,558)	
Deferred charges on refunding	180,752	
Accrued interest payable	(34,050)	
Net OPEB obligation	(626,580)	
Net pension liability	(283,693)	
Compensated absences	(95,398)	(3,947,926)

Net position of governmental activities	\$ 7,653,539
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The notes to the financial statements are an integral part of this statement.

Town of Bluefield, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General</u>	Other Governmental <u>Funds</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 959,676	\$ -	\$ 959,676
Other local taxes	2,749,753	-	2,749,753
Permits, privilege fees, and regulatory licenses	17,364	-	17,364
Fines and forfeitures	45,134	-	45,134
Revenue from the use of money and property	6,607	101	6,708
Charges for services	487,586	43,931	531,517
Miscellaneous	51,452	-	51,452
Recovered costs	47,148	-	47,148
Intergovernmental:			
Commonwealth	1,509,334	62,222	1,571,556
Federal	63,408	193,010	256,418
Total revenues	<u>\$ 5,937,462</u>	<u>\$ 299,264</u>	<u>\$ 6,236,726</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,174,128	\$ -	\$ 1,174,128
Public safety	1,821,891	-	1,821,891
Public works	1,583,767	369,337	1,953,104
Parks, recreation, and cultural	384,832	29,158	413,990
Community development	224,644	-	224,644
Nondepartmental	160,902	-	160,902
Capital projects	54,257	-	54,257
Debt service:			
Principal	392,134	-	392,134
Interest and other fiscal charges	102,933	-	102,933
Total expenditures	<u>\$ 5,899,488</u>	<u>\$ 398,495</u>	<u>\$ 6,297,983</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 37,974</u>	<u>\$ (99,231)</u>	<u>\$ (61,257)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 107,917	\$ 107,917
Transfers out	(107,917)	-	(107,917)
Total other financing sources (uses)	<u>\$ (107,917)</u>	<u>\$ 107,917</u>	<u>\$ -</u>
Net change in fund balances	\$ (69,943)	\$ 8,686	\$ (61,257)
Fund balances - beginning, as restated	3,735,329	60,343	3,795,672
Fund balances - ending	<u>\$ 3,665,386</u>	<u>\$ 69,029</u>	<u>\$ 3,734,415</u>

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

Town of Bluefield, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds	\$	(61,257)
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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 depreciation exceeded capital outlays in the current period.

Capital asset additions	\$ 351,733		
Depreciation expense	<u>(589,089)</u>		(237,356)

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

Increase (decrease) in unavailable revenue - property taxes	\$ 36,028		
(Increase) decrease in deferred inflows of resources related to the measurement of the net pension liability/asset	<u>41,460</u>		77,488

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments:			
General obligation bonds	\$ 185,094		
Capital leases	<u>207,040</u>		392,134

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.

Increase (decrease) in deferred outflows related to pension payments subsequent to measurement date	\$ 3,053		
(Increase) decrease in net pension liability/asset	(318,333)		
(Increase) decrease in compensated absences	177		
(Increase) decrease in accrued interest payable	3,775		
(Increase) decrease in net OPEB obligation	(47,797)		
Amortization of deferred charges on refunding	<u>(12,050)</u>		<u>(371,175)</u>

Change in net position of governmental activities	\$	<u><u>(200,166)</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Bluefield, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2016

	Enterprise Fund <u>Water Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 161,874
Investments	30,547
Restricted cash and cash equivalents:	
Customers' deposits	55,600
Accounts receivable, net of allowance for uncollectibles	116,471
Total current assets	<u>\$ 364,492</u>
Noncurrent assets:	
Capital assets:	
Land	\$ 22,868
Utility plant in service	7,489,500
Machinery, equipment, and vehicles	276,770
Construction in progress	139,031
Accumulated depreciation	(4,886,505)
Total capital assets	<u>\$ 3,041,664</u>
Total noncurrent assets	<u>\$ 3,041,664</u>
Total assets	<u>\$ 3,406,156</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions subsequent to measurement date	<u>\$ 23,921</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 4,315
Customers' deposits	55,600
Accrued wages payable	9,766
Accrued interest payable	34,500
Due to other funds	259,100
Compensated absences - current portion	27,512
Bonds payable - current portion	195,981
Total current liabilities	<u>\$ 586,774</u>
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 9,171
Bonds payable - net of current portion	2,527,224
Net pension liability	48,380
Total noncurrent liabilities	<u>\$ 2,584,775</u>
Total liabilities	<u>\$ 3,171,549</u>
DEFERRED INFLOWS OF RESOURCES	
Items related to measurement of net pension liability	<u>\$ 42,091</u>
NET POSITION	
Net investment in capital assets	\$ 318,459
Unrestricted	<u>(102,022)</u>
Total net position	<u>\$ 216,437</u>

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

Town of Bluefield, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Fund <u>Water Fund</u>
OPERATING REVENUES	
Charges for services:	
Water sales	\$ 1,036,610
Other revenues	<u>12,367</u>
Total operating revenues	<u>\$ 1,048,977</u>
OPERATING EXPENSES	
Salaries and fringes	\$ 537,509
Utilities	73,430
Maintenance and repairs	141,618
Office expense	32,384
Chemicals	56,082
Permits	10,186
Professional services	5,604
Miscellaneous	1,418
Depreciation	<u>247,733</u>
Total operating expenses	<u>\$ 1,105,964</u>
 Operating income (loss)	 <u>\$ (56,987)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	\$ 192
Interest expense	<u>(85,341)</u>
Total nonoperating revenues (expenses)	<u>\$ (85,149)</u>
 Change in net position	 <u>\$ (142,136)</u>
 Net position - beginning, as restated	 <u>358,573</u>
Net position - ending	<u><u>\$ 216,437</u></u>

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

Town of Bluefield, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Fund Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,055,305
Payments to and for employees	(514,841)
Payments for goods and services	(336,176)
Net cash provided by (used for) operating activities	<u>\$ 204,288</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to capital assets	\$ (38,720)
Principal payments on bonds	(130,405)
Interest payments	(89,104)
Net cash provided by (used for) capital and related financing activities	<u>\$ (258,229)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 192
Net cash provided (used) by investing activities	<u>\$ 192</u>
Net increase (decrease) in cash and cash equivalents	\$ (53,749)
Cash and cash equivalents - June 30, 2015 (includes investments of \$30,448 and restricted cash and cash equivalents of \$54,144)	<u>301,770</u>
Cash and cash equivalents - June 30, 2016 (includes investments of \$30,547 and restricted cash and cash equivalents of \$55,600)	<u>\$ 248,021</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (56,987)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	\$ 247,733
(Increase) decrease in accounts receivable	4,872
(Increase) decrease in pension contributions subsequent to measurement date	3,198
Increase (decrease) in customers' deposits	1,456
Increase (decrease) in accounts payable	(2,373)
Increase (decrease) in accrued wages	(20,575)
Increase (decrease) in compensated absences	3,117
Increase (decrease) in due to other funds	(13,081)
Increase (decrease) in net pension liability	54,871
Increase (decrease) in items related to measurement of net pension liability/asset	(17,943)
Total adjustments	<u>\$ 261,275</u>
Net cash provided by (used for) operating activities	<u>\$ 204,288</u>

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

Town of Bluefield, Virginia
Statement of Net Position
Fiduciary Funds
June 30, 2016

	<u>Cemetery Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 135,409
Investments	466,756
Total assets	<u>\$ 602,165</u>
NET POSITION	
Held in trust for Cemetery expenses	<u>\$ 602,165</u>

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

Town of Bluefield, Virginia
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2016

	<u>Cemetery Trust Fund</u>
ADDITIONS	
Contributions:	
Contributions from the Town of Bluefield	\$ 4,800
Investment earnings:	
Interest	\$ 13,004
Net increase (decrease) in the fair market value of investments	12,639
Total investment earnings	\$ 25,643
Less: investment expense	(7,399)
Net investment earnings	\$ 18,244
Total additions	\$ 23,044
Change in net position	\$ 23,044
Net position - beginning	579,121
Net position - ending	<u>\$ 602,165</u>

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

TOWN OF BLUEFIELD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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. Financial reporting entity:

Town of Bluefield, Virginia (Town) is a municipal corporation governed by an elected six-member Town Council. The accompanying financial statements present the Town. 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 Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities). Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense, the cost of "using up" capital assets, in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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*.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

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

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

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

The Town operates a water distribution system. The activities of the systems are accounted for in the water fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

Additionally, the Town 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 Trust 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 Town'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 nonoperating revenues and expenses.

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

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

1. Cash and Cash Equivalents

The Town'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.

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").

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

2. Property Taxes

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

3. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$314,480 at June 30, 2016. The allowance consists of delinquent taxes in the amount of \$181,218, delinquent garbage bills of \$31,523 and delinquent water bills of \$101,739.

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. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized cost in accordance with GASB 79. All other investments are reported at fair value.

6. Capital Assets

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

The 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 THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 1-Summary of Significant Accounting Policies: (Continued)D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(Continued)

6. 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, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

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

7. 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.

8. Pensions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

9. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

10. Fund Equity

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

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

10. Fund Equity (Continued)

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.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension asset/liability. These include contributions to the pension plan made during the current year and subsequent to the net pension asset/liability measurement date, which will be recognized as a increase/reduction of the net pension asset/liability next fiscal year. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected taxes due prior to June 30 and amounts prepaid and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid are reported as deferred inflows of resources. In addition, the net difference between projected and actual earnings on pension plan investments related to the measurement of the net pension asset/liability are reported as deferred inflows of resources. For more detailed information on these items, reference the pension note.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

12. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

The Town's net position is classified as follows:

Net Investment in Capital Assets - This category represents the net value of capital assets (property, plant, and equipment less accumulated depreciation) reduced by the debt incurred to acquire or construct the asset. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Restricted - This category includes resources for which the Town is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted - Unrestricted net position represents resources derived from charges to customers for goods received, services rendered or privileges provided, operating grants and contributions, and capital grants and contributions. These resources are used for transactions relating to the operations of the Town and may be used at the Town's discretion to meet current expenses for any lawful purposes.

13. Net Position Flow Assumption

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

Note 2-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, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 2-Stewardship, Compliance, and Accountability: (Continued)

A. Budgetary information (Continued)

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

B. Excess of expenditures over appropriations

The Town Manager, Town Attorney, Audit Services, Treasurer, Bookkeeper, Fire Department, Recreation, Economic Development, Non-departmental, and Debt Service departments exceeded their appropriations.

C. Deficit fund equity

At June 30, 2016, no funds had deficit fund equity.

Note 3-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, 2016 were held in the Town's name by the Town's custodial bank.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 3-Deposits and Investments: (Continued)

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, 2016 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.

Investments	Town's Investment Values			
	Fair Quality Ratings			Total
	AAAm	AA+	Unrated	
LGIP	\$ 2,298,228	\$ -	\$ -	\$ 2,298,228
Mutual Funds	-	-	90,176	90,176
US Government Agency Obligations	-	376,580	-	376,580
Total	\$ 2,298,228	\$ 376,580	\$ 90,176	\$ 2,764,984

External Investment Pools: 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 is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk:

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

Investment Type	Investment Maturities (in years)		
	Fair Value	1-5 yrs	6-10 yrs
US Government Agency Obligations	\$ 376,580	\$ 195,380	\$ 181,200
Mutual Funds	90,176	90,176	-
LGIP	2,298,228	2,298,228	-
Total Investments	\$ 2,764,984	\$ 2,583,784	\$ 181,200

Investment Type	Fair Value	Maturity Date	Call Options
Governmental Agency Obligations (U.S. Agencies):			
Federal Home Loan Banks	\$ 30,001	8/15/2022	None
Federal Home Loan Banks	50,050	4/13/2023	None
Federal Home Loan Banks	30,002	10/29/2020	None
Farm Credit System Banks	51,128	3/2/2026	None
Farm Credit System Banks	50,051	5/17/2021	None
Freddie Mac	45,307	9/4/2018	None
Freddie Mac	50,020	11/25/2024	None
Fannie Mae	40,020	10/9/2019	None
Fannie Mae	30,001	10/29/2020	None
Mutual Funds			
Ishares	90,176	1-3 Years	None
	<u>\$ 466,756</u>		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 4-Fair Value Measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Town maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The Town has the following recurring fair value measurements as of June 30, 2016:

Investment	6/30/2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Governmental Agencies				
Obligations (U.S. Agencies)	\$ 376,580	\$ 376,580	\$ -	\$ -
Mututal Funds	90,176	90,176	-	-
Total	\$ 466,756	\$ 466,756	\$ -	\$ -

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TOWN OF BLUEFIELD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 5-Due from Other Governmental Units:

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

	Primary Government
<u>Commonwealth of Virginia:</u>	
Local sales tax	\$ 60,674
Communications tax	3,487
Mobile home tax	250
Rolling stock	6,963
Categorical aid	14,701
<u>Federal Government:</u>	
Categorical aid	1,892
Total	<u>\$ 87,967</u>

Note 6-Interfund Activity:

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

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 107,917
Public Transit Fund	107,917	-
Total	<u>\$ 107,917</u>	<u>\$ 107,917</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.

Fund	Due To	Due From
General Fund	\$ -	\$ 322,593
Public Transit Fund	63,398	-
Water and Sewer Fund	259,100	-
Cemetery Fund	95	-
Total	<u>\$ 322,593</u>	<u>\$ 322,593</u>

In 2009, the Town's General Fund has loaned the Water and Sewer Fund \$43,599. As of June 30, 2016 that amount increased to \$259,100. There are no repayment terms.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 7-Long-term Obligations:Governmental Activity Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2016:

	Balance July 1, 2015	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016
General obligation bonds	\$ 2,854,493	\$ -	\$ (185,094)	\$ 2,669,399
Capital leases (Note 8)	626,598	-	(207,040)	419,558
Net OPEB obligation (Note 13)	578,783	62,821	(15,024)	626,580
Compensated absences	95,575	71,504	(71,681)	95,398
Net pension liability (Note 9)	-	955,591	(671,898)	283,693
Total	\$ 4,155,449	\$ 1,089,916	\$ (1,150,737)	\$ 4,094,628

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2017	\$ 129,295	\$ 76,697
2018	133,457	72,859
2019	137,880	68,899
2020	142,042	64,809
2021	149,066	60,556
2022-2026	799,701	234,827
2027-2031	930,296	108,905
2032-2034	247,662	12,146
Totals	\$ 2,669,399	\$ 699,698

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 7-Long-term Obligations: (Continued)Governmental Activity Obligations: (Continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>General Obligation Bonds:</u>		
\$2,845,000 general obligation bond bearing interest at 2.93%, issued July 1, 2013, payable in semi-annual installments beginning February 1, 2014.	\$ 2,669,399	\$ 129,295
Total General Obligation Bonds	\$ 2,669,399	\$ 129,295
<u>Other Obligations:</u>		
Capital leases (Note 8)	\$ 419,558	\$ 165,630
Net OPEB Obligation (Note 13)	626,580	-
Net pension liability (Note 9)	283,693	-
Compensated absences	95,398	71,549
Total Other Obligations	\$ 1,425,229	\$ 237,179
Total Long-term Obligations	\$ 4,094,628	\$ 366,474

Business-type Activity Obligations:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2016</u>
General obligation bond	\$ 2,846,507	\$ -	\$ (130,406)	\$ 2,716,101
Unamortized premium	8,880	-	(1,776)	7,104
Compensated absences	33,566	28,292	(25,175)	36,683
Net pension liability	-	163,465	(115,085)	48,380
Total	\$ 2,888,953	\$ 191,757	\$ (272,442)	\$ 2,808,268

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 7-Long-term Obligations: (Continued)Business-type Activity Obligations: (Continued)

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

Year Ending June 30,	General Obligation Bond	
	Principal	Interest
2017	\$ 194,205	\$ 83,162
2018	193,043	76,623
2019	202,121	69,298
2020	165,958	61,590
2021	137,434	55,831
2022-2026	737,299	216,503
2027-2031	1,086,041	111,605
Totals	\$ 2,716,101	\$ 674,612

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<u>General Obligation Bonds:</u>		
\$1,010,000 general obligation bond bearing interest at 4.22%, issued February 8, 2007, payable in semi-annual principal installments of \$37,500 plus interest thereon through December 2021.	\$ 255,000	\$ 75,000
\$2,623,000 general obligation bond bearing interest at 2.93%, issued July 1, 2013, payable in semi-annual installments beginning February 1, 2014.	2,461,101	119,205
Plus: Unamortized Premium on Refunding	7,104	1,776
Total General Obligation Bonds	\$ 2,723,205	\$ 195,981
<u>Other Obligations:</u>		
Net pension liability	\$ 48,380	\$ -
Compensated absences	36,683	27,512
Total Other Obligations	\$ 85,063	\$ 27,512
Total Long-term Obligations	\$ 2,808,268	\$ 223,493

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 8-Capital Leases:

The Town has entered into several lease agreements to finance the acquisition of two garbage trucks, a fire truck, a dump truck, and a road grader. 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:

	<u>Governmental Activities</u>
Asset:	
Machinery and equipment	\$ 1,475,310
Less: Accumulated depreciation	<u>(676,642)</u>
Total	<u>\$ 798,668</u>

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

<u>Fiscal Year Ended</u>	<u>Governmental Activities</u>
2017	\$ 179,363
2018	162,026
2019	<u>101,326</u>
Total minimum lease payments	\$ 442,715
Less: Amount representing interest	<u>(23,157)</u>
Present value of minimum lease payments	<u>\$ 419,558</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan:*Plan Description*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> •Hybrid Retirement Plan members are ineligible for ported service. •The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. •Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	26
Inactive members:	
Vested inactive members	4
Non-vested inactive members	50
Inactive members active elsewhere in VRS	<u>21</u>
Total inactive members	75
Active members	<u>74</u>
Total covered employees	<u><u>175</u></u>

Contributions

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

The Town's contractually required contribution rate for the year ended June 30, 2016 was 8.29% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$185,991 and \$184,961 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

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

Actuarial Assumptions - General Employees

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

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-LEOS:

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)*Long-term Expected Rate of Return*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)*Discount Rate*

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

Changes in Net Pension Liability/(Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances at June 30, 2014	\$ 5,630,378	\$ 5,671,509	\$ (41,131)
Changes for the year:			
Service cost	\$ 223,823	\$ -	\$ 223,823
Interest	388,048	-	388,048
Changes in benefit terms	503,171	-	503,171
Differences between expected and actual experience	(183,752)	-	(183,752)
Contributions - employer	-	184,961	(184,961)
Contributions - employee	-	111,090	(111,090)
Net investment income	-	265,551	(265,551)
Benefit payments, including refunds of employee contributions	(173,666)	(173,666)	-
Administrative expenses	-	(3,460)	3,460
Other changes	-	(56)	56
Net changes	\$ 757,624	\$ 384,420	\$ 373,204
Balances at June 30, 2015	\$ 6,388,002	\$ 6,055,929	\$ 332,073

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)*Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate*

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Town			
Net Pension Liability (Asset)	\$ 1,270,235	\$ 332,073	\$ (434,448)

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

For the year ended June 30, 2016, the Town recognized pension expense of \$498,762. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 135,523
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	150,812
Employer contributions subsequent to the measurement date	185,991	-
Total	\$ 185,991	\$ 286,335

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

\$185,991 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year ended June 30

2017	\$	(107,540)
2018		(107,540)
2019		(98,378)
2020		27,123
Thereafter		-

Note 10-Capital Assets:

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,501,820	\$ 13,881	\$ -	\$ 1,515,701
Construction in progress	143,377	34,100	-	177,477
Total capital assets not being depreciated	<u>\$ 1,645,197</u>	<u>\$ 47,981</u>	<u>\$ -</u>	<u>\$ 1,693,178</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 6,413,659	\$ -	\$ -	\$ 6,413,659
Machinery and equipment	5,946,960	303,752	-	6,250,712
Infrastructure	618,787	-	-	618,787
Total capital assets being depreciated	<u>\$ 12,979,406</u>	<u>\$ 303,752</u>	<u>\$ -</u>	<u>\$ 13,283,158</u>
Accumulated depreciation:				
Buildings and improvements	\$ (2,280,297)	\$ (206,784)	\$ -	\$ (2,487,081)
Machinery and equipment	(4,196,397)	(363,082)	-	(4,559,479)
Infrastructure	(77,968)	(19,223)	-	(97,191)
Total accumulated depreciation	<u>\$ (6,554,662)</u>	<u>\$ (589,089)</u>	<u>\$ -</u>	<u>\$ (7,143,751)</u>
Total capital assets being depreciated, net	<u>\$ 6,424,744</u>	<u>\$ (285,337)</u>	<u>\$ -</u>	<u>\$ 6,139,407</u>
Governmental activities capital assets, net	<u>\$ 8,069,941</u>	<u>\$ (237,356)</u>	<u>\$ -</u>	<u>\$ 7,832,585</u>

TOWN OF BLUEFIELD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 10-Capital Assets: (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 22,868	\$ -	\$ -	\$ 22,868
Construction in progress	120,267	18,764	-	139,031
Total capital assets not being depreciated	<u>\$ 143,135</u>	<u>\$ 18,764</u>	<u>\$ -</u>	<u>\$ 161,899</u>
Capital assets, being depreciated:				
Utility plant and equipment	\$ 7,477,874	\$ 11,626	\$ -	\$ 7,489,500
Machinery and equipment	268,440	8,330	-	276,770
Total capital assets being depreciated	<u>\$ 7,746,314</u>	<u>\$ 19,956</u>	<u>\$ -</u>	<u>\$ 7,766,270</u>
Accumulated depreciation:				
Utility plant and equipment	\$ (4,434,597)	\$ (230,612)	\$ -	\$ (4,665,209)
Machinery and equipment	(204,175)	(17,121)	-	(221,296)
Total accumulated depreciation	<u>\$ (4,638,772)</u>	<u>\$ (247,733)</u>	<u>\$ -</u>	<u>\$ (4,886,505)</u>
Total capital assets being depreciated, net	<u>\$ 3,107,542</u>	<u>\$ (227,777)</u>	<u>\$ -</u>	<u>\$ 2,879,765</u>
Business-type activities capital assets, net	<u><u>\$ 3,250,677</u></u>	<u><u>\$ (209,013)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,041,664</u></u>

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

Governmental activities:	
General government administration	\$ 167,732
Public safety	211,585
Public works	191,270
Parks, recreation, and cultural	17,194
Community development	<u>1,308</u>
Total depreciation expense - governmental activities	<u>\$ 589,089</u>
Business type activities:	
Water	<u>\$ 247,733</u>
Total depreciation expense - business-type activities	<u>\$ 247,733</u>

Note 11-Surety Bonds:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12-Risk Management:

The Town 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 Postemployment Benefits - Health Insurance:

From an accrual accounting perspective, the cost of postemployment 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. Town of Bluefield, Virginia recognizes the cost of postemployment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on 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.

A. Plan Description

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 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

Town of Bluefield, Virginia currently pays for the post-retirement health care benefits on a pay-as-you-go basis. The Town currently has 62 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:

	Retiree
Pre-Medicare Eligible	\$ 565
Post-Medicare Eligible	190

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 13-Other Postemployment Benefits - Health Insurance: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

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	\$ 66,902
Interest on net OPEB obligation	15,190
Adjustment to annual required contribution	(19,271)
Annual OPEB cost (expense)	\$ 62,821
Contributions made	(15,024)
Increase in net OPEB obligation	\$ 47,797
Net OPEB obligation - beginning of year	578,783
Net OPEB obligation - end of year	\$ 626,580

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years 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>
6/30/2016	\$ 62,821	23.92%	\$ 626,580
6/30/2015	53,496	18.21%	578,783
6/30/2014	219,569	4.44%	535,026

D. Funded Status and Funding Progress

The funded status of the Plan for the Town as of June 30, 2015, the date of the most recent actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	\$ 515,311
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 515,311
Funded ratio (actuarial value of plan assets / AAL)	0.00%
Covered payroll (active plan members)	\$ 2,161,647
UAAL as a percentage of covered payroll	23.84%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 13-Other Postemployment Benefits - Health Insurance: (Continued)

D. Funded Status and Funding Progress (Continued)

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

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

E. Actuarial Methods and Assumptions

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

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

In the June 30, 2015 most recent 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 2.50 percent, and investment rate of return at 2.50 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, 2015 was 28 years.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 14-Deferred/ Unavailable Revenue:

Deferred and unavailable 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.

Primary Government:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$1,087,252 at June 30, 2016.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2016 but paid in advance by the taxpayers totaled \$10,675.

Note 15-Litigation:

As of June 30, 2016, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable.

Note 16-Restatement of Beginning Balances:

	General Fund	Transit Fund
Fund balance as previously reported	\$ 3,697,050	\$ 2,071
Correction to accrued payroll	38,279	1,448
Fund balance as restated	<u>\$ 3,735,329</u>	<u>\$ 3,519</u>

	Gov. Activities	Business-type Activities
Net position as previously reported	\$ 7,813,978	\$ 355,808
Correction to accrued payroll	39,727	2,765
Net position as restated	<u>\$ 7,853,705</u>	<u>\$ 358,573</u>

Note 17-Adoption of Accounting Principles:

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

The Town implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the Town to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the Town's financial statement as a result of the implementation of Statement No. 72. All required disclosures are located in Note 4.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 17-Adoption of Accounting Principles: (Continued)

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

The Town implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the Town's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 3.

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

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

Note 18-Upcoming Pronouncements:

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 18-Upcoming Pronouncements: (Continued)

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

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

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

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

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
General property taxes	\$ 1,015,300	\$ 1,015,300	\$ 959,676	\$ (55,624)
Other local taxes	2,742,000	2,742,000	2,749,753	7,753
Permits, privilege fees, and regulatory licenses	26,000	26,000	17,364	(8,636)
Fines and forfeitures	66,000	66,000	45,134	(20,866)
Revenue from the use of money and property	3,000	3,000	6,607	3,607
Charges for services	515,063	515,063	487,586	(27,477)
Miscellaneous	118,355	213,288	51,452	(161,836)
Recovered costs	40,000	47,332	47,148	(184)
Intergovernmental:				
Commonwealth	2,497,368	2,506,130	1,509,334	(996,796)
Federal	-	-	63,408	63,408
Total revenues	\$ 7,023,086	\$ 7,134,113	\$ 5,937,462	\$ (1,196,651)
EXPENDITURES				
Current:				
General government administration	\$ 1,295,656	\$ 1,312,808	\$ 1,174,128	\$ 138,680
Public safety	1,849,119	1,907,472	1,821,891	85,581
Public works	1,796,304	1,797,054	1,583,767	213,287
Parks, recreation, and cultural	335,482	355,482	384,832	(29,350)
Community development	199,815	210,955	224,644	(13,689)
Nondepartmental	129,180	153,617	160,902	(7,285)
Capital projects	2,028,715	2,028,715	54,257	1,974,458
Debt service:				
Principal	326,536	326,536	392,134	(65,598)
Interest and other fiscal charges	150,774	150,774	102,933	47,841
Total expenditures	\$ 8,111,581	\$ 8,243,413	\$ 5,899,488	\$ 2,343,925
Excess (deficiency) of revenues over (under) expenditures	\$ (1,088,495)	\$ (1,109,300)	\$ 37,974	\$ 1,147,274
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (112,505)	\$ (112,505)	\$ (107,917)	\$ 4,588
Issuance of refunding bonds	964,000	964,000	-	(964,000)
Total other financing sources (uses)	\$ 851,495	\$ 851,495	\$ (107,917)	\$ (959,412)
Net change in fund balances	\$ (237,000)	\$ (257,805)	\$ (69,943)	\$ 187,862
Fund balances - beginning, as restated	237,000	257,805	3,735,329	3,477,524
Fund balances - ending	\$ -	\$ -	\$ 3,665,386	\$ 3,665,386

Town of Bluefield, Virginia
Schedule of OPEB Funding Progress
June 30, 2016

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)
6/30/2015	\$ -	\$ 515,311	\$ 515,311	0.00%	\$ 2,161,647	23.84%
6/30/2013	-	1,098,842	1,098,842	0.00%	2,047,507	53.67%
6/30/2010	-	545,701	545,701	0.00%	1,992,617	27.39%

Town of Bluefield, Virginia
Schedule of Components of and Changes in Net Pension Liability (Asset) and Related Ratios
For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 223,823	\$ 185,176
Interest	388,048	362,854
Changes of benefit terms	503,171	-
Differences between expected and actual experience	(183,752)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(173,666)	(202,548)
Net change in total pension liability	\$ 757,624	\$ 345,482
Total pension liability - beginning	5,630,378	5,284,896
Total pension liability - ending (a)	\$ 6,388,002	\$ 5,630,378
Plan fiduciary net position		
Contributions - employer	\$ 184,961	\$ 128,659
Contributions - employee	111,090	105,784
Net investment income	265,551	774,022
Benefit payments, including refunds of employee contributions	(173,666)	(202,548)
Administrative expense	(3,460)	(4,101)
Other	(56)	41
Net change in plan fiduciary net position	\$ 384,420	\$ 801,857
Plan fiduciary net position - beginning	5,671,509	4,869,652
Plan fiduciary net position - ending (b)	\$ 6,055,929	\$ 5,671,509
Town's net pension liability (asset) - ending (a) - (b)	\$ 332,073	\$ (41,131)
Plan fiduciary net position as a percentage of the total pension liability (asset)	94.80%	100.73%
Covered payroll	\$ 2,231,134	\$ 2,117,937
Town's net pension liability (asset) as a percentage of covered payroll	14.88%	-1.94%

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

Town of Bluefield, Virginia
Schedule of Employer Contributions
For the Year Ended June 30, 2016

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2016	\$ 185,991	\$ 185,991	\$ -	\$ 2,243,559	8.29%
2015	184,961	184,961	-	2,231,134	8.29%
2014	128,771	128,771	-	2,117,937	6.08%
2013	125,865	125,865	-	2,070,149	6.08%
2012	60,984	60,984	-	1,992,945	3.06%
2011	58,846	58,846	-	1,923,080	3.06%
2010	44,657	44,657	-	1,900,316	2.35%
2009	45,074	45,074	-	1,918,057	2.35%
2008	80,555	80,555	-	1,721,264	4.68%
2007	74,518	74,518	-	1,592,271	4.68%

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

Town of Bluefield, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

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

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

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Other Supplementary Information

Town of Bluefield, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	<u>Special Revenue Funds</u>		
	<u>Public Transit</u>	<u>Cemetery</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 72,254	\$ 47,974	\$ 120,228
Due from other governmental units	14,701	-	14,701
Investments	-	21,163	21,163
Total assets	<u>\$ 86,955</u>	<u>\$ 69,137</u>	<u>\$ 156,092</u>
LIABILITIES			
Accounts payable	\$ 10,614	\$ 8,695	\$ 19,309
Accrued wages	4,261	-	4,261
Due to other funds	63,398	95	63,493
Total liabilities	<u>\$ 78,273</u>	<u>\$ 8,790</u>	<u>\$ 87,063</u>
FUND BALANCES			
Committed	\$ 8,682	\$ 60,347	\$ 69,029
Total fund balances	<u>\$ 8,682</u>	<u>\$ 60,347</u>	<u>\$ 69,029</u>
Total liabilities and fund balances	<u>\$ 86,955</u>	<u>\$ 69,137</u>	<u>\$ 156,092</u>

Town of Bluefield, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds		
	Public Transit <u>Fund</u>	Cemetery <u>Fund</u>	<u>Total</u>
REVENUES			
Revenue from the use of money and property	\$ -	\$ 101	\$ 101
Charges for services	11,351	32,580	43,931
Miscellaneous	-	-	-
Intergovernmental:			
Commonwealth	62,222	-	62,222
Federal	193,010	-	193,010
Total revenues	<u>\$ 266,583</u>	<u>\$ 32,681</u>	<u>\$ 299,264</u>
EXPENDITURES			
Current:			
Public works	\$ 369,337	\$ -	\$ 369,337
Parks, recreation, and cultural	-	29,158	29,158
Total expenditures	<u>\$ 369,337</u>	<u>\$ 29,158</u>	<u>\$ 398,495</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (102,754)</u>	<u>\$ 3,523</u>	<u>\$ (99,231)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>\$ 107,917</u>	<u>\$ -</u>	<u>\$ 107,917</u>
Net change in fund balances	\$ 5,163	\$ 3,523	\$ 8,686
Fund balances - beginning, as restated	3,519	56,824	60,343
Fund balances - ending	<u>\$ 8,682</u>	<u>\$ 60,347</u>	<u>\$ 69,029</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 10,000	\$ 10,000	\$ 11,351	\$ 1,351
Miscellaneous	-	1,511	-	(1,511)
Intergovernmental:				
Commonwealth	60,563	60,563	62,222	1,659
Federal	211,995	211,995	193,010	(18,985)
Total revenues	<u>\$ 282,558</u>	<u>\$ 284,069</u>	<u>\$ 266,583</u>	<u>\$ (17,486)</u>
EXPENDITURES				
Current:				
Public works	\$ 395,153	\$ 396,664	\$ 369,337	\$ 27,327
Total expenditures	<u>\$ 395,153</u>	<u>\$ 396,664</u>	<u>\$ 369,337</u>	<u>\$ 27,327</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (112,595)</u>	<u>\$ (112,595)</u>	<u>\$ (102,754)</u>	<u>\$ 9,841</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 112,595	\$ 112,595	\$ 107,917	\$ (4,678)
Total other financing sources (uses)	<u>\$ 112,595</u>	<u>\$ 112,595</u>	<u>\$ 107,917</u>	<u>\$ (4,678)</u>
Net change in fund balances	\$ -	\$ -	\$ 5,163	\$ 5,163
Fund balances - beginning, as restated	-	-	3,519	3,519
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,682</u>	<u>\$ 8,682</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 1,050	\$ 1,050	\$ 101	\$ (949)
Charges for services	33,500	33,500	32,580	(920)
Total revenues	<u>\$ 34,550</u>	<u>\$ 34,550</u>	<u>\$ 32,681</u>	<u>\$ (1,869)</u>
EXPENDITURES				
Current:				
Parks, recreation, and cultural	\$ 34,550	\$ 34,550	\$ 29,158	\$ 5,392
Total expenditures	<u>\$ 34,550</u>	<u>\$ 34,550</u>	<u>\$ 29,158</u>	<u>\$ 5,392</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,523</u>	<u>\$ 3,523</u>
Net change in fund balances	\$ -	\$ -	\$ 3,523	\$ 3,523
Fund balances - beginning	-	-	56,824	56,824
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,347</u>	<u>\$ 60,347</u>

Town of Bluefield, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 1 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 735,000	\$ 735,000	\$ 718,946	\$ (16,054)
Real and Personal PSC Tax	30,000	30,000	26,204	(3,796)
Personal Property Tax	242,500	242,500	188,608	(53,892)
Mobile Home Tax	1,500	1,500	2,573	1,073
Machinery and Tools Tax	-	-	17,279	17,279
Penalties	5,000	5,000	3,584	(1,416)
Interest	1,300	1,300	2,482	1,182
Total general property taxes	\$ 1,015,300	\$ 1,015,300	\$ 959,676	\$ (55,624)
Other local taxes:				
Local sales and use taxes	\$ 365,000	\$ 365,000	\$ 368,097	\$ 3,097
Consumers' utility taxes	143,000	143,000	121,684	(21,316)
Cigarette tax	220,000	220,000	187,866	(32,134)
Business license taxes	626,000	626,000	637,224	11,224
Consumption taxes	25,000	25,000	27,354	2,354
Motor vehicle licenses	1,000	1,000	25,770	24,770
Bank stock taxes	165,000	165,000	193,313	28,313
Franchise tax	7,000	7,000	16,491	9,491
Restaurant food taxes	1,190,000	1,190,000	1,171,954	(18,046)
Total other local taxes	\$ 2,742,000	\$ 2,742,000	\$ 2,749,753	\$ 7,753
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 20,000	\$ 20,000	\$ 8,044	\$ (11,956)
Zoning permits	2,000	2,000	9,320	7,320
Erosion and sediment permits	3,500	3,500	-	(3,500)
Permits and other licenses	500	500	-	(500)
Total permits, privilege fees, and regulatory licenses	\$ 26,000	\$ 26,000	\$ 17,364	\$ (8,636)
Fines and forfeitures:				
Court fines and forfeitures	\$ 66,000	\$ 66,000	\$ 45,134	\$ (20,866)
Revenue from use of money and property:				
Revenue from use of money	\$ 3,000	\$ 3,000	\$ 6,607	\$ 3,607
Charges for services:				
Charges for recreation user fees	\$ 5,000	\$ 5,000	\$ 2,507	\$ (2,493)
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	378,000	378,000	356,448	(21,552)
Charges for container rent	30,000	30,000	34,639	4,639
Charges for Harmony Acres pool	45,000	45,000	51,992	6,992
Total charges for services	\$ 515,063	\$ 515,063	\$ 487,586	\$ (27,477)

Town of Bluefield, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 118,355	\$ 213,288	\$ 51,452	\$ (161,836)
Recovered costs:				
Other recovered costs	\$ 40,000	\$ 47,332	\$ 47,148	\$ (184)
Total revenue from local sources	\$ 4,525,718	\$ 4,627,983	\$ 4,364,720	\$ (263,263)
Intergovernmental:				
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	6,500	6,500	6,963	463
Mobile home titling tax	750	750	1,330	580
Telecommunications Tax	50,000	50,000	51,443	1,443
Personal property tax relief funds	108,477	108,477	108,447	(30)
Total noncategorical aid	\$ 171,824	\$ 171,824	\$ 168,183	\$ (3,641)
Categorical aid:				
Other categorical aid:				
Law enforcement grants	\$ 159,099	\$ 167,861	\$ 131,392	\$ (36,469)
Litter control grant	3,000	3,000	3,027	27
State fire funds	18,445	18,445	700	(17,745)
Street maintenance	985,000	985,000	1,054,092	69,092
VDOT revenue sharing	1,160,000	1,160,000	151,940	(1,008,060)
Total other categorical aid	\$ 2,325,544	\$ 2,334,306	\$ 1,341,151	\$ (993,155)
Total categorical aid	\$ 2,325,544	\$ 2,334,306	\$ 1,341,151	\$ (993,155)
Total revenue from the Commonwealth	\$ 2,497,368	\$ 2,506,130	\$ 1,509,334	\$ (996,796)
Revenue from the Federal Government:				
Categorical aid:				
Police grants	\$ -	\$ -	\$ 63,408	\$ 63,408
Total revenue from the federal government	\$ -	\$ -	\$ 63,408	\$ 63,408
Total intergovernmental	\$ 2,497,368	\$ 2,506,130	\$ 1,572,742	\$ (933,388)
Total General Fund	\$ 7,023,086	\$ 7,134,113	\$ 5,937,462	\$ (1,196,651)

Town of Bluefield, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds:				
Public Transit Fund:				
Revenue from local sources:				
Charges for services:				
Charges for fares	\$ 10,000	\$ 10,000	\$ 11,351	\$ 1,351
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ 1,511	\$ -	\$ (1,511)
Total revenue from local sources	\$ 10,000	\$ 11,511	\$ 11,351	\$ (160)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public transportation grant	\$ 60,563	\$ 60,563	\$ 62,222	\$ 1,659
Total revenue from the Commonwealth	\$ 60,563	\$ 60,563	\$ 62,222	\$ 1,659
Revenue from the federal government:				
Categorical aid:				
Public transportation grant	\$ 211,995	\$ 211,995	\$ 193,010	\$ (18,985)
Total revenue from the federal government	\$ 211,995	\$ 211,995	\$ 193,010	\$ (18,985)
Total intergovernmental	\$ 272,558	\$ 272,558	\$ 255,232	\$ (17,326)
Total Public Transit Fund	\$ 282,558	\$ 284,069	\$ 266,583	\$ (17,486)
Cemetery Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,050	\$ 1,050	\$ 101	\$ (949)
Charges for services:				
Charges for grave openings	\$ 20,000	\$ 20,000	\$ 19,025	\$ (975)
Charges for plots	13,500	13,500	13,555	55
Total charges for services	\$ 33,500	\$ 33,500	\$ 32,580	\$ (920)
Total revenue from local sources	\$ 34,550	\$ 34,550	\$ 32,681	\$ (1,869)
Total Cemetery Fund	\$ 34,550	\$ 34,550	\$ 32,681	\$ (1,869)
Total Primary Government	\$ 7,340,194	\$ 7,452,732	\$ 6,236,726	\$ (1,216,006)

Town of Bluefield, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Funds, Functions and Departments</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative	\$ 66,062	\$ 66,062	\$ 56,462	\$ 9,600
General and financial administration:				
Town manager	\$ 398,040	\$ 415,192	\$ 409,560	\$ 5,632
Legal services	-	-	4,902	(4,902)
Vehicle maintenance	505,693	505,693	373,067	132,626
Treasurer	175,828	175,828	178,246	(2,418)
Bookkeeper	121,033	121,033	122,016	(983)
Audit services	29,000	29,000	29,875	(875)
Total general and financial administration	\$ 1,229,594	\$ 1,246,746	\$ 1,117,666	\$ 129,080
Total general government administration	\$ 1,295,656	\$ 1,312,808	\$ 1,174,128	\$ 138,680
Public safety:				
Law enforcement and traffic control:				
Police	\$ 1,582,270	\$ 1,640,623	\$ 1,567,856	\$ 72,767
Fire and rescue services:				
Fire department	\$ 152,337	\$ 152,337	\$ 151,442	\$ 895
Inspections:				
Building	\$ 114,512	\$ 114,512	\$ 102,593	\$ 11,919
Total public safety	\$ 1,849,119	\$ 1,907,472	\$ 1,821,891	\$ 85,581
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Street department	\$ 1,380,270	\$ 1,380,270	\$ 1,187,528	\$ 192,742
Sanitation and waste removal:				
Refuse collections	\$ 286,270	\$ 287,020	\$ 269,096	\$ 17,924
Maintenance of general buildings and grounds:				
General properties	\$ 129,764	\$ 129,764	\$ 127,143	\$ 2,621
Total public works	\$ 1,796,304	\$ 1,797,054	\$ 1,583,767	\$ 213,287
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation department	\$ 254,355	\$ 274,355	\$ 311,516	\$ (37,161)
Cultural enrichment:				
Cemetery department	\$ 81,127	\$ 81,127	\$ 73,316	\$ 7,811
Total parks, recreation, and cultural	\$ 335,482	\$ 355,482	\$ 384,832	\$ (29,350)

Town of Bluefield, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Funds, Functions and Departments</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning commission	\$ 6,721	\$ 6,721	\$ 5,440	\$ 1,281
Zoning administration	85,394	85,394	77,297	8,097
Contributions and community activities	99,200	110,340	101,440	8,900
Sanders House Project	-	-	195	(195)
Downtown internet	-	-	3,005	(3,005)
Economic development	8,500	8,500	37,267	(28,767)
Total planning and community development	<u>\$ 199,815</u>	<u>\$ 210,955</u>	<u>\$ 224,644</u>	<u>\$ (13,689)</u>
Total community development	<u>\$ 199,815</u>	<u>\$ 210,955</u>	<u>\$ 224,644</u>	<u>\$ (13,689)</u>
Nondepartmental:				
Nondepartmental	<u>\$ 129,180</u>	<u>\$ 153,617</u>	<u>\$ 160,902</u>	<u>\$ (7,285)</u>
Capital projects:				
High Street	\$ 428,000	\$ 428,000	\$ 54,257	\$ 373,743
Other capital projects	1,600,715	1,600,715	-	1,600,715
Total capital projects	<u>\$ 2,028,715</u>	<u>\$ 2,028,715</u>	<u>\$ 54,257</u>	<u>\$ 1,974,458</u>
Debt service:				
Principal retirement	\$ 326,536	\$ 326,536	\$ 392,134	\$ (65,598)
Interest and other fiscal charges	150,774	150,774	102,933	47,841
Total debt service	<u>\$ 477,310</u>	<u>\$ 477,310</u>	<u>\$ 495,067</u>	<u>\$ (17,757)</u>
Total General Fund	<u>\$ 8,111,581</u>	<u>\$ 8,243,413</u>	<u>\$ 5,899,488</u>	<u>\$ 2,343,925</u>
Special Revenue Funds:				
Public Transit Fund:				
Public works:				
Public transportation:				
Transit system	<u>\$ 395,153</u>	<u>\$ 396,664</u>	<u>\$ 369,337</u>	<u>\$ 27,327</u>
Total Public Transit Fund	<u>\$ 395,153</u>	<u>\$ 396,664</u>	<u>\$ 369,337</u>	<u>\$ 27,327</u>
Parks, recreation, and cultural:				
Cultural enrichment:				
Cemetery	<u>\$ 34,550</u>	<u>\$ 34,550</u>	<u>\$ 29,158</u>	<u>\$ 5,392</u>
Total Cemetery Fund	<u>\$ 34,550</u>	<u>\$ 34,550</u>	<u>\$ 29,158</u>	<u>\$ 5,392</u>
Total Primary Government	<u>\$ 8,541,284</u>	<u>\$ 8,674,627</u>	<u>\$ 6,297,983</u>	<u>\$ 2,376,644</u>

Other Statistical Information

Table 1

Town of Bluefield, Virginia
Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Interest on Long-term Debt	Water and Sewer	Total
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
2012-13	1,523,817	1,725,235	1,450,069	465,349	339,940	165,529	1,253,641	6,923,580
2013-14	1,358,585	1,768,806	2,335,056	471,029	267,929	145,791	1,207,129	7,554,325
2014-15	1,404,112	1,823,885	1,720,679	411,105	216,964	125,819	1,222,115	6,924,679
2015-16	1,450,930	2,022,880	2,155,929	448,671	236,154	111,208	1,191,305	7,617,077

Table 2

Town of Bluefield, Virginia
Government-wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Revenue from the use of Money and Property	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total	
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	
2012-13	1,619,470	1,264,245	141,547	961,439	2,789,680	3,769	26,643	161,088	6,967,881	
2013-14	1,620,712	1,377,633	25,000	907,160	2,692,326	2,697	33,830	160,351	6,819,709	
2014-15	1,664,346	1,987,701	-	945,292	2,854,620	2,569	68,368	168,413	7,691,309	
2015-16	1,642,992	1,507,851	151,940	995,704	2,749,753	6,900	51,452	168,183	7,274,775	

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

Fiscal Year	General		Parks,					Capital		Non-		Debt		Total
	Government Administration	Public Safety	Public Works	Recreation, and Cultural	Community Development	Projects	departmental	Service	Service	Service				
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			
2012-13	1,264,869	1,578,171	1,596,319	461,285	333,986	159,841	131,365	490,009			6,015,845			
2013-14	1,152,369	1,620,440	2,186,898	457,132	262,603	123,240	117,118	500,357			6,420,157			
2014-15	1,169,685	1,730,066	1,911,386	404,756	213,884	-	137,141	495,030			6,061,948			
2015-16	1,174,128	1,821,891	1,953,104	413,990	224,644	54,257	160,902	495,067			6,297,983			

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
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
2012-13	974,221	2,789,680	30,012	67,356	3,558	502,219	26,643	75,509	1,566,880	6,036,078
2013-14	947,029	2,692,326	19,206	57,518	2,632	508,193	33,830	39,083	1,562,984	5,862,801
2014-15	971,875	2,854,620	24,290	43,716	2,434	516,452	68,368	42,601	2,156,114	6,680,470
2015-16	959,676	2,749,753	17,364	45,134	6,708	531,517	51,452	47,148	1,827,974	6,236,726

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
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%
2012-13	1,088,123	1,033,089	94.94%	49,579	1,082,668	99.50%	194,480	17.87%
2013-14	1,101,233	1,028,674	93.41%	26,802	1,055,476	95.84%	216,561	19.67%
2014-15	1,096,521	1,063,697	97.01%	16,625	1,080,322	98.52%	240,384	21.92%
2015-16	1,092,281	1,038,431	95.07%	29,692	1,068,123	97.79%	259,704	23.78%

(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)	Total
				Real Estate and Personal Property	
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
2012-13	393,256,900	52,596,375	3,255,000	13,477,634	462,585,909
2013-14	394,607,200	54,487,845	2,989,500	14,003,570	466,088,115
2014-15	396,028,300	54,036,120	2,848,500	13,850,181	466,763,101
2015-16	397,413,600	54,166,415	2,879,900	13,998,995	468,458,910

(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
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
2012-13	0.188	0.188	0.600	0.600
2013-14	0.188	0.188	0.600	0.600
2014-15	0.188	0.188	0.600	0.600
2015-16	0.188	0.188	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 (2)	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
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
2012-13	5,444	462,585,909	3,470,000	0.75%	637
2013-14	5,444	466,088,115	6,008,500	1.29%	1,104
2014-15	5,444	466,763,101	5,701,000	1.22%	1,047
2015-16	5,444	468,458,910	5,385,500	1.15%	989

(1) Bureau of the Census.

(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
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%
2012-13	325,308	164,701	490,009	6,015,845	8.15%
2013-14	349,083	151,274	490,009	6,420,157	7.63%
2014-15	378,649	116,381	495,030	6,061,948	8.17%
2015-16	392,134	102,933	495,067	6,297,983	7.86%

Table 10

Town of Bluefield, Virginia
Computation of Legal Debt Margin
June 30, 2016

Assessed valuations:

Assessed value	\$ 397,413,600
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Legal debt margin

Debt limitation - 10 percent of total assessed value	\$ 39,741,360
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Total debt applicable to limitation	5,385,500
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Legal debt margin

	\$ 34,355,860
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COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bluefield, Virginia as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Bluefield, Virginia's basic financial statements and have issued our report thereon dated November 20, 2016.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control 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 deficiency described in the accompanying schedule of findings and responses to be a material weakness [2016-001].

Compliance and Other Matters

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

Town of Bluefield, Virginia's Response to Findings

Town of Bluefield, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Bluefield, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Robinson, Turner, & Associates

Blacksburg, Virginia
November 20, 2016

Town of Bluefield, Virginia

Schedule of Findings and Responses
For the Year Ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

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

Section II - Financial Statement Findings

2016-001

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:	Budgetary 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.