

TOWN OF BLUEFIELD, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

TOWN OF BLUEFIELD, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

INTRODUCTORY SECTION

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

FINANCIAL SECTION

Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-13

	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	1	14
Statement of Activities	2	15
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	19
Statement of Net Position - Proprietary Funds	7	20
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	8	21
Statement of Cash Flows - Proprietary Funds.....	9	22
Statement of Net Position - Fiduciary Funds.....	10	23
Statement of Changes in Net Position - Fiduciary Funds.....	11	24
Notes to Financial Statements		25-49

Required Supplementary Information:

Schedule of Revenues, Expenditures and Change in Fund Balances - Budget and Actual:		
General Fund	12	50
Schedule of OPEB and Pension Funding Progress	13	51

Other Supplementary Information:

Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet - Nonmajor Governmental Funds	14	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	15	53
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:		
Public Transit Fund	16	54
Cemetery Fund	17	55

TOWN OF BLUEFIELD, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (Continued)

	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Schedule of Revenues - Budget and Actual - Governmental Funds	1	56-59
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	60-62
	<u>Table</u>	<u>Page</u>
Other Statistical Information:		
Government-wide information:		
Government-Wide Expenses by Function	1	63
Government-Wide Revenues	2	64
Fund information:		
General Governmental Expenditures by Function	3	65
General Governmental Revenues by Source	4	66
Property Tax Levies and Collections	5	67
Assessed Value of Taxable Property	6	68
Property Tax Rates	7	69
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	8	70
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	9	71
Computation of Legal Debt Margin	10	72

COMPLIANCE SECTION

	<u>Page</u>
Compliance:	
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 <i>Government Auditing Standards</i>	73-74
Schedule of Findings and Responses	75-76

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
Stephen E. Arey.....Town Attorney

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on 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 Town of Bluefield, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bluefield, Virginia, as of June 30, 2013, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the Town of Bluefield, Virginia adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. 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 on pages 5-14, budgetary comparison information, and schedule of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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, supplementary financial statements, supporting schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2013, 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 Town of Bluefield, Virginia's internal control over financial reporting and compliance.

Robinson, Famer, & Associates

Blacksburg, Virginia
November 3, 2013

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, 2013.

Financial Highlights

Government-wide Financial Statements

The assets of the Town of Bluefield, Virginia exceeded its liabilities at the close of the most recent fiscal year by \$8,424,357 (net position). Of this amount, \$3,333,553 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. Total net position of \$8,424,357 is split between governmental activities (\$7,687,257) and business-type activities (\$737,100).

Fund Financial Statements

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,916,162. (See Exhibit 3.)

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

The statement of net position presents all of the Town's assets and liabilities with the difference between the two 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

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 and sewer fund is accounted for in its' proprietary fund.

Fiduciary funds

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

Town of Bluefield, Virginia Management's Discussion and Analysis

Notes to the financial statements

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

Government-wide Financial Analysis

As previously noted, net position may serve as a useful indicator of a government's financial position. For the Town of Bluefield, assets exceeded liabilities by \$8,424,357 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 from 2012 to 2013.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 3,903,002	\$ 3,827,949	\$ 316,517	\$ 422,004	\$ 4,219,519	\$ 4,249,953
Capital assets	8,409,347	8,266,124	3,678,213	3,899,222	12,087,560	12,165,346
Total assets	12,312,349	12,094,073	3,994,730	4,321,226	16,307,079	16,415,299
Long-term liabilities	4,390,271	4,370,148	3,165,073	3,275,716	7,555,344	7,645,864
Other liabilities	234,821	196,783	92,557	99,559	327,378	296,342
Total liabilities	4,625,092	4,566,931	3,257,630	3,375,275	7,882,722	7,942,206
Net position:						
Net Invested in capital assets	4,517,709	4,197,302	573,095	672,399	5,090,804	4,869,701
Unrestricted	3,169,548	3,329,840	164,005	273,552	3,333,553	3,603,392
Restricted(Town hall Const.)	-	-	-	-	-	-
Total net position	\$ 7,687,257	\$ 7,527,142	\$ 737,100	\$ 945,951	\$ 8,424,357	\$ 8,473,093

For the Town, net investment in capital assets (i.e., land, buildings, machinery, and equipment) represents 67 percent of total net position at the end of 2013 as compared to 64 percent at the end of 2012. 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

Governmental Activities

Governmental activities increased the Town's net position by \$236,848 while net position of the business-type activities decreased by \$192,547. Key elements of these changes are as follows:

Town of Bluefield, Virginia's Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for services	\$ 599,587	\$ 610,880	\$ 1,019,883	\$ 1,134,638	\$ 1,619,470	\$ 1,745,518
Operating grants and contributions	1,264,245	1,406,280	-	-	1,264,245	1,406,280
Capital grants and contributions	141,547	211,924	-	5,274	141,547	217,198
General Revenues:					-	-
Property taxes	961,439	1,004,149	-	-	961,439	1,004,149
Other taxes	2,789,680	2,698,280	-	-	2,789,680	2,698,280
Grants and contributions not restricted to specific programs	161,088	162,040	-	-	161,088	162,040
Other	30,201	14,708	211	274	30,412	14,982
Total revenues	5,947,787	6,108,261	1,020,094	1,140,186	6,967,881	7,248,447
Expenses:						
General Government	1,523,817	1,543,039	-	-	1,523,817	1,543,039
Public safety	1,725,235	1,514,540	-	-	1,725,235	1,514,540
Public works	1,450,069	1,629,995	-	-	1,450,069	1,629,995
Parks, recreation and cultural	465,349	432,907	-	-	465,349	432,907
Community development	339,940	386,027	-	-	339,940	386,027
Other expenses	-	-	-	-	-	-
Interest on long-term debt	165,529	168,665	-	-	165,529	168,665
Water and sewer			1,253,641	1,318,941	1,253,641	1,318,941
Total expenses	5,669,939	5,675,173	1,253,641	1,318,941	6,923,580	6,994,114
Increase in net assets before transfers	277,848	433,088	(233,547)	(178,755)	44,301	254,333
Transfers	(41,000)	-	41,000	-	-	-
Increase in net assets	236,848	433,088	(192,547)	(178,755)	44,301	254,333
Net assets beginning of year *	7,450,409	7,094,054	929,647	1,124,706	8,380,056	8,218,760
Net assets end of year	\$ 7,687,257	\$ 7,527,142	\$ 737,100	\$ 945,951	\$ 8,424,357	\$ 8,473,093

*see restatement note

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

Financial Analysis of the Government's Funds

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

Governmental funds

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

At the end of the fiscal year, the Town's governmental funds reported an ending fund balance of \$3,567,038. This entire amount constitutes unreserved fund balance, which is available for spending at the government's discretion. Council may designate these funds for future projects, however the use of these funds is not legally restricted for any specific purpose. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Higher percentages indicate strong liquidity, while lower percentages indicate poor liquidity.

Proprietary funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Town of Bluefield, Virginia's water and sewer fund at the end of the year was \$164,005.

Governmental Funds Budgetary Highlights

There were several amendments to the budget for the fiscal year ending June 30, 2013.

**2012-2013 BUDGET
AMENDMENTS**

Revenue				
Line Item				
		Original Budget	Amended Budget	Change
10.0900.0204	Recovered Costs	\$30,000.00	\$42,167.60	\$12,167.60
		\$30,000.00	\$42,167.60	\$12,167.60
Expenditure				
Line Item				
		Original Budget	Amended Budget	Change
10.4120.6025	Street Materials	\$25,000.00	\$37,167.60	\$12,167.60
		\$25,000.00	\$37,167.60	\$12,167.60

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

Revenue

Line Item		Original Budget	Amended Budget	Change
10.3204.0406	Street Maintenance	\$850,000.00	\$878,461.00	\$28,461.00
		<u>\$850,000.00</u>	<u>\$878,461.00</u>	<u>\$28,461.00</u>

Expenditure

Line Item		Original Budget	Amended Budget	Change
10.8120.5646	Beautification	\$8,000.00	\$36,461.00	\$28,461.00
		<u>\$8,000.00</u>	<u>\$36,461.00</u>	<u>\$28,461.00</u>

Revenue

Line Item		Original Budget	Amended Budget	Change
10.3108.9901	Miscellaneous	\$130,000.00	\$132,400.00	\$2,400.00
		<u>\$130,000.00</u>	<u>\$132,400.00</u>	<u>\$2,400.00</u>

Expenditure

Line Item		Original Budget	Amended Budget	Change
10.9100.3180	Green space	\$5,000.00	\$7,400.00	\$2,400.00
		<u>\$5,000.00</u>	<u>\$7,400.00</u>	<u>\$2,400.00</u>

Revenue

Line Item		Original Budget	Amended Budget	Change
26.3199.3199	Prior Year Reserves	\$0.00	\$25,964.00	\$25,964.00
		<u>\$0.00</u>	<u>\$25,964.00</u>	<u>\$25,964.00</u>

Expenditure

Line Item		Original Budget	Amended Budget	Change
26.4414.9210	Equipment Purchase	\$9,000.00	\$34,964.00	\$25,964.00
		<u>\$9,000.00</u>	<u>\$34,964.00</u>	<u>\$25,964.00</u>

Revenue

Line Item		Original Budget	Amended Budget	Change
10.3108.9901	Miscellaneous	\$130,000.00	\$131,500.00	\$1,500.00
		<u>\$130,000.00</u>	<u>\$131,500.00</u>	<u>\$1,500.00</u>

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

Expenditure

Line Item		Original Budget	Amended Budget	Change
10.4120.6027	Traffic Light Maintenance	\$5,000.00	\$6,500.00	\$1,500.00
		<u>\$5,000.00</u>	<u>\$6,500.00</u>	<u>\$1,500.00</u>

Revenue

Line Item		Original Budget	Amended Budget	Change
10.3204.0406	Street Maintenance	\$850,000.00	\$888,600.00	\$38,600.00
		<u>\$850,000.00</u>	<u>\$888,600.00</u>	<u>\$38,600.00</u>

Expenditure

Line Item		Original Budget	Amended Budget	Change
10.3110.1100	Salaries	\$677,362.00	\$704,362.00	\$27,000.00
10.3110.2300	Health Insurance	\$224,575.00	\$230,775.00	\$6,200.00
10.3110.2210	VRS Retirement	\$68,278.00	\$69,923.00	\$1,645.00
10.3110.2400	Group Life Insurance	\$8,061.00	\$8,385.00	\$324.00
10.3110.6011	Wearing Apparel	\$7,000.00	\$8,500.00	\$1,500.00
10.3110.8207	Purchase of Additional Computers	\$1,500.00	\$3,431.00	\$1,931.00
		<u>\$986,776.00</u>	<u>\$1,025,376.00</u>	<u>\$38,600.00</u>

Revenue

Line Item		Original Budget	Amended Budget	Change
10.3204.0406	Recovered Cost	\$850,000.00	\$991,546.55	\$141,546.55
10.3108.9901	Miscellaneous	\$130,000.00	\$153,120.22	\$23,120.22
10.3401.0509	Prior Year Reserves	\$90,000.00	\$200,000.00	\$110,000.00
		<u>\$1,070,000.00</u>	<u>\$1,344,666.77</u>	<u>\$274,666.77</u>

Expenditure

Line Item		Amended Budget	Amended Budget	Change
10.4120.8115	Street Paving	\$170,000.00	\$444,666.77	\$274,666.77
		<u>\$170,000.00</u>	<u>\$444,666.77</u>	<u>\$274,666.77</u>

* Move from Hockman pike expense to Street paving expense

10.9500.9001	Hockman Pike	\$21,807.60	
10.4120.8115	Street Paving		\$21,807.60

Town of Bluefield, Virginia Management's Discussion and Analysis

Revenue

Line Item		Original Budget	Amended Budget	Change
10.31.0100.0301	Personal Property - Current	\$220,000.00	\$227,500.00	\$7,500.00
		<u>\$220,000.00</u>	<u>\$227,500.00</u>	<u>\$7,500.00</u>

Expenditure

Line Item		Original Budget	Amended Budget	Change
10.1241.5830	Refunds & Rebates	\$4,000.00	\$11,500.00	\$7,500.00
		<u>\$4,000.00</u>	<u>\$11,500.00</u>	<u>\$7,500.00</u>

Capital Asset and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental activities as of June 30, 2013 is \$8,409,347 (net of accumulated depreciation). The Town's investment in capital assets for its business-type activities as of June 30, 2013 was \$3,678,213. These investments in capital assets include land, buildings and system, machinery and equipment, and construction in progress. The Town also continued work on water/sewer system upgrades which increased the assets reported for buildings and systems and decreased the assets reported for construction in progress for business-type activities. These along with other changes in the Town's capital assets are shown in the table that follows.

A summary of fixed assets by category is presented below.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,501,820	\$ 1,478,700	\$ 22,868	\$ 22,868	\$ 1,524,688	\$ 1,501,568
Buildings and systems	4,532,474	4,744,982	3,437,557	3,678,265	7,970,031	8,423,247
Machinery and equipment	1,708,397	1,638,656	97,521	77,822	1,805,918	1,716,478
Infrastructure	666,656	403,786	120,267	120,267	786,923	524,053
Total	<u>\$ 8,409,347</u>	<u>\$ 8,266,124</u>	<u>\$ 3,678,213</u>	<u>\$ 3,899,222</u>	<u>\$ 12,087,560</u>	<u>\$ 12,165,346</u>

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, 2013. 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.

Town of Bluefield, Virginia Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

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

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

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

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

All of the aforementioned factors were considered in preparing the Town's budget for the 2013-2014 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, 2013

	Primary Government		
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,305,711	\$ 166,538	\$ 1,472,249
Investments	2,136,344	29,056	2,165,400
Restricted cash and cash equivalents:			
Customers' deposits	-	54,403	54,403
Receivables (net of allowance for uncollectibles):			
Taxes receivable	155,321	-	155,321
Accounts receivable	172,502	110,119	282,621
Internal balances	43,599	(43,599)	-
Due from other governmental units	89,525	-	89,525
Capital assets not being depreciated:			
Land	1,501,820	22,868	1,524,688
Construction in progress	100,540	120,267	220,807
Capital assets, net of accumulated depreciation:			
Buildings and system	4,532,474	3,437,557	7,970,031
Machinery, equipment, and vehicles	1,708,397	97,521	1,805,918
Infrastructure	566,116	-	566,116
Total Assets	<u>\$ 12,312,349</u>	<u>\$ 3,994,730</u>	<u>\$ 16,307,079</u>
LIABILITIES			
Accounts payable	\$ 57,928	\$ 2,189	\$ 60,117
Accrued wages	120,280	20,280	140,560
Customers' deposits	-	54,403	54,403
Accrued interest payable	45,920	15,685	61,605
Unearned revenues	10,693	-	10,693
Noncurrent liabilities:			
Due within one year	423,120	168,642	591,762
Due in more than one year	3,967,151	2,996,431	6,963,582
Total Liabilities	<u>\$ 4,625,092</u>	<u>\$ 3,257,630</u>	<u>\$ 7,882,722</u>
NET POSITION			
Net investment in capital assets	\$ 4,517,709	\$ 573,095	\$ 5,090,804
Unrestricted (deficit)	3,169,548	164,005	3,333,553
Total Net Position	<u>\$ 7,687,257</u>	<u>\$ 737,100</u>	<u>\$ 8,424,357</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, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Primary Government		
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,523,817	\$ -	\$ -	\$ -	\$ (1,523,817)	\$ -	\$ (1,523,817)
Public safety	1,725,235	135,119	145,005	-	(1,445,111)	-	(1,445,111)
Public works	1,450,069	373,512	1,119,240	141,547	184,230	-	184,230
Parks, recreation, and cultural	465,349	86,707	-	-	(378,642)	-	(378,642)
Community development	339,940	4,249	-	-	(335,691)	-	(335,691)
Interest on long-term debt	165,529	-	-	-	(165,529)	-	(165,529)
Total governmental activities	\$ 5,669,939	\$ 599,587	\$ 1,264,245	\$ 141,547	\$ (3,664,560)	\$ -	\$ (3,664,560)
Business-type activities:							
Water	\$ 1,253,641	\$ 1,019,883	\$ -	\$ -	\$ (233,758)	\$ (233,758)	\$ (233,758)
Total primary government	\$ 6,923,580	\$ 1,619,470	\$ 1,264,245	\$ 141,547	\$ (3,664,560)	\$ (233,758)	\$ (3,898,318)
General revenues:							
General property taxes					\$ 961,439	\$ -	\$ 961,439
Other local taxes:							
Local sales and use tax					370,013	-	370,013
Business license taxes					639,547	-	639,547
Restaurant food taxes					1,181,678	-	1,181,678
Other local taxes					598,442	-	598,442
Unrestricted revenues from use of money and property					3,558	211	3,769
Miscellaneous					26,643	-	26,643
Grants and contributions not restricted to specific programs					161,088	-	161,088
Transfers					(41,000)	41,000	-
Total general revenues and transfers					\$ 3,901,408	\$ 41,211	\$ 3,942,619
Change in net position					\$ 236,848	\$ (192,547)	\$ 44,301
Net position - beginning, as restated					7,450,409	929,647	8,380,056
Net position - ending					\$ 7,687,257	\$ 737,100	\$ 8,424,357

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

Town of Bluefield, Virginia
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,258,213	\$ 47,498	\$ 1,305,711
Investments	2,115,296	21,048	2,136,344
Receivables (net of allowance for uncollectibles):			
Taxes receivable	155,321	-	155,321
Accounts receivable	172,502	-	172,502
Due from other funds	56,759	-	56,759
Due from other governmental units	74,200	15,325	89,525
Total assets	<u>\$ 3,832,291</u>	<u>\$ 83,871</u>	<u>\$ 3,916,162</u>
LIABILITIES			
Accounts payable	\$ 52,896	\$ 5,032	\$ 57,928
Accrued wages	113,812	6,468	120,280
Due to other funds	-	13,160	13,160
Unearned revenue - other	10,693	-	10,693
Total liabilities	<u>\$ 177,401</u>	<u>\$ 24,660</u>	<u>\$ 202,061</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 147,063	-	\$ 147,063
FUND BALANCES			
Committed:			
Public Transit Fund	\$ -	\$ 11,113	\$ 11,113
Cemetery Fund	-	48,098	48,098
Unassigned:			
General fund	3,507,827	-	3,507,827
Total fund balances	<u>\$ 3,507,827</u>	<u>\$ 59,211</u>	<u>\$ 3,567,038</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,832,291</u>	<u>\$ 83,871</u>	<u>\$ 3,916,162</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, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 3,567,038
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 1,501,820	
Buildings and system	4,532,474	
Machinery and equipment	1,708,397	
Infrastructure	566,116	
Construction in progress	100,540	8,409,347

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	147,063
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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	\$ (2,990,000)	
Capital lease	(901,638)	
Accrued interest payable	(45,920)	
Net OPEB obligation	(325,196)	
Compensated absences	(173,437)	(4,436,191)

Net position of governmental activities	\$ 7,687,257
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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, 2013

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 974,221	\$ -	\$ 974,221
Other local taxes	2,789,680	-	2,789,680
Permits, privilege fees, and regulatory licenses	30,012	-	30,012
Fines and forfeitures	67,356	-	67,356
Revenue from the use of money and property	3,558	-	3,558
Charges for services	453,488	48,731	502,219
Miscellaneous	25,554	1,089	26,643
Recovered costs	75,509	-	75,509
Intergovernmental revenues:			
Commonwealth	1,397,534	45,230	1,442,764
Federal	11,716	112,400	124,116
Total revenues	<u>\$ 5,828,628</u>	<u>\$ 207,450</u>	<u>\$ 6,036,078</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,264,869	\$ -	\$ 1,264,869
Public safety	1,578,171	-	1,578,171
Public works	1,316,394	279,925	1,596,319
Parks, recreation, and cultural	403,795	57,490	461,285
Community development	333,986	-	333,986
Non-departmental	131,365	-	131,365
Capital projects	159,841	-	159,841
Debt service:			
Principal	325,308	-	325,308
Interest and other fiscal charges	164,701	-	164,701
Total expenditures	<u>\$ 5,678,430</u>	<u>\$ 337,415</u>	<u>\$ 6,015,845</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 150,198</u>	<u>\$ (129,965)</u>	<u>\$ 20,233</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 107,066	\$ 107,066
Transfers out	(148,066)	-	(148,066)
Issuance of debt	148,125	-	148,125
Total other financing sources (uses)	<u>\$ 59</u>	<u>\$ 107,066</u>	<u>\$ 107,125</u>
Net change in fund balances	\$ 150,257	\$ (22,899)	\$ 127,358
Fund balances - beginning	3,357,570	82,110	3,439,680
Fund balances - ending	<u>\$ 3,507,827</u>	<u>\$ 59,211</u>	<u>\$ 3,567,038</u>

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

Town of Bluefield, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds	\$ 127,358
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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 the capital outlays exceeded depreciation in the current period.

Capital asset additions	\$ 636,180	
Depreciation expense	<u>(492,956)</u>	143,224

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(12,782)
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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.

Issuance of capital lease	\$ (148,125)	
Principal payments:		
General obligation debt	115,000	
Tax exempt loan	23,288	
Capital leases	<u>187,020</u>	177,183

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 compensated absences	\$ 14,549	
(Increase) decrease in accrued interest payable	(828)	
(Increase) decrease in net OPEB obligation	<u>(211,856)</u>	<u>(198,135)</u>

Change in net position of governmental activities	<u>\$ 236,848</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, 2013

	Enterprise Fund <u>Water Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 166,538
Investments	29,056
Restricted cash and cash equivalents:	
Customers' deposits	54,403
Accounts receivable, net of allowance for uncollectibles	110,119
Total current assets	<u>\$ 360,116</u>
Noncurrent assets:	
Land	\$ 22,868
Utility plant in service	7,389,242
Machinery, equipment, and vehicles	265,440
Construction in progress	120,267
Less accumulated depreciation	(4,119,604)
Total capital assets	<u>\$ 3,678,213</u>
Total noncurrent assets	<u>\$ 3,678,213</u>
Total assets	<u>\$ 4,038,329</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 2,189
Customers' deposits	54,403
Accrued wages payable	20,280
Accrued interest payable	15,685
Due to other funds	43,599
Compensated absences - current portion	44,966
Bonds payable - current portion	123,676
Total current liabilities	<u>\$ 304,798</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 2,981,442
Compensated absences - net of current portion	14,989
Total noncurrent liabilities	<u>\$ 2,996,431</u>
Total liabilities	<u>\$ 3,301,229</u>
NET POSITION	
Net investment in capital assets	\$ 573,095
Unrestricted	<u>164,005</u>
Total net position	<u>\$ 737,100</u>

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

Town of Bluefield, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Fund <u>Water Fund</u>
OPERATING REVENUES	
Charges for services:	
Water sales	\$ 1,007,583
Other revenues	12,300
Total operating revenues	<u>\$ 1,019,883</u>
OPERATING EXPENSES	
Salaries and fringes	\$ 589,036
Utilities	62,653
Maintenance and repairs	139,925
Office expense	25,249
Chemicals	33,394
Permits	8,740
Professional services	5,755
Miscellaneous	248
Depreciation	255,118
Total operating expenses	<u>\$ 1,120,118</u>
Operating income (loss)	<u>\$ (100,235)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	\$ 211
Interest expense	(133,523)
Total nonoperating revenues (expenses)	<u>\$ (133,312)</u>
Income before transfers	<u>\$ (233,547)</u>
Transfers in	<u>\$ 41,000</u>
Change in net position	\$ (192,547)
Net position - beginning, as restated	929,647
Net position - ending	<u><u>\$ 737,100</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, 2013

	Enterprise Fund Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,015,034
Payments to and for employees	(578,942)
Payments for goods and services	(269,768)
Net cash provided by (used for) operating activities	<u>\$ 166,324</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>\$ 41,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (34,109)
Principal payments on bonds	(119,929)
Interest payments	(136,666)
Net cash provided by (used for) capital and related financing activities	<u>\$ (290,704)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>\$ 211</u>
Net increase (decrease) in cash and cash equivalents	\$ (83,169)
Cash and cash equivalents - July 1, 2012 (includes investments of \$68,950 and restricted cash and cash equivalents of \$60,747)	<u>\$ 333,166</u>
Cash and cash equivalents - June 30, 2013 (includes investments of \$29,056 and restricted cash and cash equivalents of \$54,403)	<u><u>\$ 249,997</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (100,235)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	\$ 255,118
(Increase) decrease in accounts receivable	1,495
Increase (decrease) in customers' deposits	(6,344)
Increase (decrease) in accounts payable	1,677
Increase (decrease) in accrued wages	(968)
Increase (decrease) in compensated absences	11,062
Increase (decrease) in due to other funds	4,519
Total adjustments	<u>\$ 266,559</u>
Net cash provided by (used for) operating activities	<u><u>\$ 166,324</u></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, 2013

	<u>Cemetery Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 5,732
Investments	536,862
Total assets	<u>\$ 542,594</u>
NET POSITION	
Held in trust for Cemetery expenses	<u>\$ 542,594</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, 2013

	<u>Cemetery Trust Fund</u>
ADDITIONS	
Contributions:	
Contributions from the Town of Bluefield	\$ 6,600
Investment earnings:	
Interest	\$ 10,024
Net increase (decrease) in the fair market value of investments	(25,566)
Total investment earnings	\$ (15,542)
Less: investment expense	(5,396)
Net investment earnings	\$ (20,938)
Total additions	\$ (14,338)
Change in net position	\$ (14,338)
Net position - beginning	556,932
Net position - ending	<u>\$ 542,594</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, 2013

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:

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

Blended Component Units - None

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations - Sanitary Board of Bluefield

B. Government-wide financial statements:

The government-wide financial statements (i.e., the Statement of Net 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) and its discretely presented component unit. 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 FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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 un-collectible 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 government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

1. Deposits and investments

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

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and Collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act").

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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 \$115,008 at June 30, 2013. The allowance consists of delinquent taxes in the amount of \$80,442 and delinquent water bills of \$34,566.

4. Use of Estimates

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

5. Capital Assets

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

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

5. Capital Assets (Continued)

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

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

6. Compensated Absences

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

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

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

8. 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.

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.

9. 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) until then. The Town does not have any deferred outflows of resources as of June 30, 2013.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

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

9. Deferred Outflows/Inflows of Resources (Continued)

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 \$147,063 of deferred inflows of resources related to property tax receivables as of June 30, 2013.

10. Net Position

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

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.

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.

11. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

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

12. Interfund Transfers

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

13. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and outflows of resources. The requirement of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

14. Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board

The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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 and Sewer, Transit, and Cemetery Funds have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 2-Stewardship, Compliance, and Accountability:

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 Legal, Refuse, Town Hall Building Maintenance, Donations, and Public Transit departments exceeded their appropriations.

C. Deficit fund equity

At June 30, 2013, 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, 2013 were held in the Town's name by the Town's custodial bank.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 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, 2013 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

Town's Rated Debt Investments' Values			
Rated Debt Investments	Fair Quality Ratings		
	AAA	AA+	Total
LGIP	\$ 2,165,400	\$ -	\$ 2,165,400
US Government Agency Obligations	-	536,862	536,862
	\$ 2,165,400	\$ 536,862	\$ 2,702,262

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

Interest Rate Risk:

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

Investment Type	Investment Maturities (in years)			
	Fair Value	1-5 yrs	6-10 yrs	11-15 yrs
US Government Agency Obligations	\$ 40,175	\$ 19,644	\$ 414,634	\$ 62,409

Investment Type	Fair Value	Maturity Date	Call Options
Government Agency Obligations (U.S. Agencies):			
Federal Home Loan Banks	\$ 28,308	8/15/2022	None
Federal Home Loan Banks	19,183	9/20/2021	None
Federal Home Loan Banks	28,711	10/29/2020	None
Federal Home Loan Banks	38,826	12/27/2018	None
Farm Credit System Banks	32,801	10/17/2022	None
Farm Credit System Banks	34,031	6/25/2019	None
Farm Credit System Banks	47,393	7/25/2022	None
Farm Credit System Banks	37,045	3/7/2022	None
Farm Credit System Banks	38,799	4/3/2025	None
Freddie Mac	38,502	10/15/2021	None
Freddie Mac	19,644	9/12/2017	None
Freddie Mac	43,391	9/4/2018	None
Freddie Mac	23,610	12/18/2026	None
Fannie Mae	40,175	12/24/2013	None
Fannie Mae	38,333	10/9/2019	None
Fannie Mae	28,110	10/29/2020	None
	\$ 536,862		

TOWN OF BLUEFIELD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 4-Due from Other Governmental Units:

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

	<u>Primary Government</u>
<u>Commonwealth of Virginia:</u>	
Local sales tax	\$ 65,623
Communications tax	7,058
Categorical aid	15,325
<u>Federal Government:</u>	
Categorical aid	<u>1,519</u>
Total	<u>\$ 89,525</u>

Note 5-Interfund Activity:

Interfund transfers for the year ended June 30, 2013, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 148,066
Public Transit Fund	107,066	-
Water Fund	41,000	-
Total	<u>\$ 148,066</u>	<u>\$ 148,066</u>

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

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>
General Fund	\$ 56,759	\$ -
Public Transit Fund	-	13,160
Water and Sewer Fund	-	43,599
Total	<u>\$ 56,759</u>	<u>\$ 56,759</u>

Since 2009, the Town's General Fund has loaned the Water and Sewer Fund \$38,213. As of June 30, 2013 that amount increased to \$43,599. There are no repayment terms.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 6-Long-Term Obligations:Primary Government - Governmental Activity Indebtedness:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2013:

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
General obligation bond	\$ 3,105,000	\$ -	\$ (115,000)	\$ 2,990,000
Capital lease (Note 7)	940,533	148,125	(187,020)	901,638
Tax exempt loan	23,288	-	(23,288)	-
Net OPEB Obligation (Note 12)	113,340	221,595	(9,739)	325,196
Compensated absences	187,986	126,441	(140,990)	173,437
Total	\$ 4,370,147	\$ 496,161	\$ (476,037)	\$ 4,390,271

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

Year Ending June 30,	General Obligation Bond	
	Principal	Interest
2014	\$ 115,000	\$ 123,131
2015	120,000	118,575
2016	125,000	113,675
2017	130,000	108,575
2018	135,000	103,275
2019-2023	765,000	428,769
2024-2028	935,000	251,009
2029-2031	665,000	44,297
Totals	\$ 2,990,000	\$ 1,291,306

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 6-Long-Term Obligations: (Continued)Primary Government - Governmental Activity Indebtedness: (Continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>General Obligation Bond:</u>		
\$3,705,000 general obligation bond bearing interest at 4.17%, issued July 1, 2005, payable in annual installments varying from \$90,000 to \$215,000 beginning August 1, 2006. Interest payments are due semi-annually on August 1st and February 1st.	\$ 2,990,000	\$ 115,000
<u>Other Obligations:</u>		
Capital lease (Note 7)	\$ 901,638	\$ 178,042
Net OPEB Obligation (Note 12)	325,196	-
Compensated absences	173,437	130,078
 Total Other Obligations	 \$ 1,400,271	 \$ 308,120
 Total Long-Term Obligations	 \$ 4,390,271	 \$ 423,120

Primary Government-Enterprise Fund Indebtedness:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2013:

	<u>Balance July 1, 2012</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2013</u>
General obligation bond	\$ 555,000	\$ -	\$ (75,000)	\$ 480,000
Unamortized Premium	14,208	-	(1,776)	12,432
Revenue bond	2,657,615	-	(44,929)	2,612,686
Compensated absences	48,893	47,732	(36,670)	59,955
 Total	 \$ 3,275,716	 \$ 47,732	 \$ (158,375)	 \$ 3,165,073

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 6-Long-Term Obligations: (Continued)Primary Government-Enterprise Fund Indebtedness: (Continued)

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

Year Ending June 30,	General Obligation Bond		Revenue Bond	
	Principal	Interest	Principal	Interest
2014	\$ 75,000	\$ 21,263	\$ 46,900	\$ 120,132
2015	75,000	18,450	48,920	108,100
2016	75,000	15,450	51,040	105,980
2017	75,000	12,450	53,252	103,768
2018	70,000	9,450	55,560	101,460
2019-2023	110,000	7,613	316,074	469,026
2024-2028	-	-	390,763	394,337
2029-2033	-	-	483,101	301,999
2034-2038	-	-	597,259	187,841
2039-2042	-	-	569,817	50,126
Totals	\$ 480,000	\$ 84,676	\$ 2,612,686	\$ 1,942,769

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>General Obligation Bond:</u>		
\$1,010,000 general obligation bond bearing interest at 4.22%, issued February 8, 2007, payable in semi-annual principal installments of \$37,500 plus interest thereon through December 2021.	\$ 480,000	\$ 75,000
Plus: Unamortized Premium on Refunding	12,432	1,776
Total General Obligation Bond	\$ 492,432	\$ 76,776
<u>Revenue Bond:</u>		
\$2,987,400 revenue bond bearing interest at 4.25% issued December 6, 2004. Monthly installments of principal and interest equaling \$13,085 are due through May 2042.	\$ 2,612,686	\$ 46,900
<u>Other Obligations:</u>		
Compensated absences	\$ 59,955	\$ 44,966
Total Long-Term Obligations	\$ 3,165,073	\$ 168,642

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 7-Capital Lease:

The Town has entered into several lease agreements to finance the acquisition of two garbage trucks, a fire truck, and an excavator. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception dates.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 1,448,424
Less: Accumulated depreciation	<u>(352,495)</u>
 Total	 <u>\$ 1,095,929</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2013, were as follows:

Fiscal Year Ended	Governmental Activities
2014	\$ 209,432
2015	200,686
2016	200,686
2017	151,497
2018	135,101
2019	<u>101,326</u>
Total minimum lease payments	\$ 998,728
Less: Amount representing interest	<u>(97,090)</u>
Present value of minimum lease payments	<u>\$ 901,638</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 8-Defined Benefit Pension Plan:

A. Plan Description

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 8-Defined Benefit Pension Plan: (Continued)**A. Plan Description (Continued)**

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

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

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town of Bluefield, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town of Bluefield, Virginia's contribution rate for the fiscal year ended 2013 was 11.08% (which includes the 5% member contribution) of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2013, the Town of Bluefield, Virginia's annual pension cost of \$229,231 (which includes the employee portion of \$103,443) was equal to the Town of Bluefield, Virginia's required and actual contributions.

Three - Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)*	Percentage of APC Contributed	Net Pension Obligation
6/30/2013	\$ 229,231	100.00%	\$ -
6/30/2012	159,686	100.00%	-
6/30/2011	154,602	100.00%	-

* Employer and employee portion

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 8-Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost (Continued)

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town of Bluefield, Virginia's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 82.89% funded. The actuarial accrued liability for benefits was \$5,280,761, and the actuarial value of assets was \$4,377,254, resulting in an unfunded actuarial accrued liability (UAAL) of \$903,507. The covered payroll (annual payroll of active employees covered by the plan) was \$2,036,958, and ratio of the UAAL to the covered payroll was 44.36%.

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 9-Capital Assets:**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,478,700	\$ 23,120	\$ -	\$ 1,501,820
Construction in progress	122,722	-	(22,182)	100,540
Total capital assets not being depreciated	<u>\$ 1,601,422</u>	<u>\$ 23,120</u>	<u>\$ (22,182)</u>	<u>\$ 1,602,360</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 6,398,725	\$ -	\$ -	\$ 6,398,725
Machinery and equipment	5,025,837	336,365	-	5,362,202
Infrastructure	307,110	298,877	-	605,987
Total capital assets being depreciated	<u>\$ 11,731,672</u>	<u>\$ 635,242</u>	<u>\$ -</u>	<u>\$ 12,366,914</u>
Accumulated depreciation:				
Buildings and improvements	\$ (1,653,743)	\$ (212,508)	\$ -	\$ (1,866,251)
Machinery and equipment	(3,387,181)	(266,624)	-	(3,653,805)
Infrastructure	(26,047)	(13,824)	-	(39,871)
Total accumulated depreciation	<u>\$ (5,066,971)</u>	<u>\$ (492,956)</u>	<u>\$ -</u>	<u>\$ (5,559,927)</u>
Total capital assets being depreciated, net	<u>\$ 6,664,701</u>	<u>\$ 142,286</u>	<u>\$ -</u>	<u>\$ 6,806,987</u>
Governmental activities capital assets, net	<u>\$ 8,266,123</u>	<u>\$ 165,406</u>	<u>\$ (22,182)</u>	<u>\$ 8,409,347</u>

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TOWN OF BLUEFIELD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 9-Capital Assets: (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 22,868	\$ -	\$ -	\$ 22,868
Construction in progress	120,267	-	-	120,267
Total capital assets not being depreciated	<u>\$ 143,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,135</u>
Capital assets, being depreciated:				
Utility plant and equipment	\$ 7,389,242	\$ -	\$ -	\$ 7,389,242
Machinery and equipment	231,331	34,109	-	265,440
Total capital assets being depreciated	<u>\$ 7,620,573</u>	<u>\$ 34,109</u>	<u>\$ -</u>	<u>\$ 7,654,682</u>
Accumulated depreciation:				
Utility plant and equipment	\$ (3,710,977)	\$ (240,708)	\$ -	\$ (3,951,685)
Machinery and equipment	(153,509)	(14,410)	-	(167,919)
Total accumulated depreciation	<u>\$ (3,864,486)</u>	<u>\$ (255,118)</u>	<u>\$ -</u>	<u>\$ (4,119,604)</u>
Total capital assets being depreciated, net	<u>\$ 3,756,087</u>	<u>\$ (221,009)</u>	<u>\$ -</u>	<u>\$ 3,535,078</u>
Business-Type activities capital assets, net	<u>\$ 3,899,222</u>	<u>\$ (221,009)</u>	<u>\$ -</u>	<u>\$ 3,678,213</u>

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

Governmental activities:

General government	\$ 185,642
Public safety	185,343
Public works	110,910
Parks, recreation, and cultural	9,754
Community development	1,307

Total depreciation expense-governmental activities	<u>\$ 492,956</u>
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Business type activities:

Water and Sewer	<u>\$ 255,118</u>
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Total depreciation expense-business type activities	<u>\$ 255,118</u>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 10-Surety Bonds:*Acordia of West Virginia:*

All Town Employees - blanket bond	\$	25,000
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Note 11-Risk Management:

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

Note 12-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. The 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 the Town of Bluefield, Virginia's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2010 liability.

A. Plan Description

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

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

B. Funding Policy

The Town of Bluefield, Virginia currently pays for the post-retirement health care benefits on a pay-as-you-go basis. The Town currently has 61 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	Married	Family
Pre-Medicare Eligible	\$ 565	\$ 1,045	\$ 1,526
Post-Medicare Eligible	190	N/A	N/A

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 12-Other Postemployment Benefits - Health Insurance: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 222,681
Interest on net OPEB obligation	2,834
Adjustment to annual required contribution	(3,920)
Annual OPEB cost (expense)	221,595
Contributions made	(9,739)
Increase in net OPEB obligation	211,856
Net OPEB obligation - beginning of year	113,340
Net OPEB obligation - end of year	\$ 325,196

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 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>
6/30/2013	\$ 221,595	4.39%	\$ 325,196
6/30/2012	64,516	41.19%	113,340
6/30/2011	64,678	41.84%	75,396

D. Funded Status and Funding Progress

The funded status of the Plan for the Town as of June 30, 2013, the date of the most recent actuarial, is as follows:

Actuarial accrued liability (AAL)	\$ 1,098,842
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 1,098,842
Funded ratio (actuarial value of plan assets / AAL)	0.00%
Covered payroll (active plan members)	\$ 2,036,958
UAAL as a percentage of covered payroll	53.95%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 12-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, 2013 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, 2013 was 27 years.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 13-Unearned/Unavailable Revenue:

Unearned/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. Unearned/unavailable revenue is comprised of the following:

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Primary Government:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures.	\$ -	\$ 147,063
Prepaid property taxes due in December 2012, but paid in advance by taxpayers.	<u>10,693</u>	<u>10,693</u>
Total unearned/unavailable revenue	\$ <u><u>10,693</u></u>	\$ <u><u>157,756</u></u>

Note 14-Litigation:

As of June 30, 2013, there were no matters of litigation involving the Town which would materially affect the Town's financial position should an court decisions on pending matters not be favorable.

Note 15-Restatement of Net Position:

Due to the implementation of GASB Statement No. 65, bond issuance costs are to be expensed. Therefore, the Town has restated the net position as demonstrated below.

Governmental activities:	
Net Position as previously reported 6/30/12	\$ 7,527,142
Bond issuance costs	<u>(76,733)</u>
Net Position as restated 6/30/12	\$ 7,450,409
Business type activities:	
Net Position as previously reported 6/30/12	\$ 945,951
Bond issuance costs	<u>(16,304)</u>
Net Position as restated 6/30/12	\$ 929,647

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 16-Upcoming Pronouncements:

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Town has not determined the impact of this pronouncement on its financial statements.

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, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 990,300	\$ 997,800	\$ 974,221	\$ (23,579)
Other local taxes	2,689,400	2,689,400	2,789,680	100,280
Permits, privilege fees, and regulatory licenses	34,000	34,000	30,012	(3,988)
Fines and forfeitures	46,000	46,000	67,356	21,356
Revenue from the use of money and property	35,000	35,000	3,558	(31,442)
Charges for services	540,807	540,807	453,488	(87,319)
Miscellaneous	134,350	161,370	25,554	(135,816)
Recovered costs	38,000	50,168	75,509	25,341
Intergovernmental revenues:				
Commonwealth	1,900,724	2,122,332	1,397,534	(724,798)
Federal	86,624	86,624	11,716	(74,908)
Total revenues	\$ 6,495,205	\$ 6,763,501	\$ 5,828,628	\$ (934,873)
EXPENDITURES				
Current:				
General government administration	\$ 1,238,631	\$ 1,246,131	\$ 1,264,869	\$ (18,738)
Public safety	1,689,531	1,741,131	1,578,171	162,960
Public works	1,299,579	1,587,914	1,316,394	271,520
Parks, recreation, and cultural	426,456	426,456	403,795	22,661
Community development	298,166	326,627	333,986	(7,359)
Non-departmental	166,368	168,768	131,365	37,403
Capital projects	1,722,000	1,722,000	159,841	1,562,159
Debt service:				
Principal	346,663	346,663	325,308	21,355
Interest and other fiscal charges	175,513	175,513	164,701	10,812
Total expenditures	\$ 7,362,907	\$ 7,741,203	\$ 5,678,430	\$ 2,062,773
Excess (deficiency) of revenues over (under) expenditures	\$ (867,702)	\$ (977,702)	\$ 150,198	\$ 1,127,900
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (122,298)	\$ (149,567)	\$ (148,066)	\$ 1,501
Issuance of debt	900,000	900,000	148,125	(751,875)
Total other financing sources (uses)	\$ 777,702	\$ 750,433	\$ 59	\$ (750,374)
Net change in fund balances	\$ (90,000)	\$ (227,269)	\$ 150,257	\$ 377,526
Fund balances - beginning	90,000	227,269	3,357,570	3,130,301
Fund balances - ending	\$ -	\$ -	\$ 3,507,827	\$ 3,507,827

Town of Bluefield, Virginia
Schedule of Pension and OPEB Funding Progress
As of June 30, 2013

Primary Government:

Town Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2012	\$ 4,377,254	\$ 5,280,761	\$ 903,507	82.89%	\$ 2,036,958	44.36%
6/30/2011	4,331,035	4,951,376	620,341	87.47%	1,985,207	31.25%
6/30/2010	4,225,510	4,440,271	214,761	95.16%	1,873,592	11.46%

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)
6/30/2013	\$ -	\$ 1,098,842	\$ 1,098,842	0.00%	\$ 2,036,958	53.95%
6/30/2010	-	545,701	545,701	0.00%	1,992,617	27.39%

*The actuarial is performed every three years and the first valuation date was 6/30/10.

Other Supplementary Information

Town of Bluefield, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue Funds		
	Public Transit <u>Fund</u>	Cemetery <u>Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 19,551	\$ 27,947	\$ 47,498
Due from other governmental units	15,325	-	15,325
Investments	-	21,048	21,048
Total assets	<u>\$ 34,876</u>	<u>\$ 48,995</u>	<u>\$ 83,871</u>
LIABILITIES			
Accounts payable	\$ 4,135	\$ 897	\$ 5,032
Accrued wages	6,468	-	6,468
Due to other funds	13,160	-	13,160
Total liabilities	<u>\$ 23,763</u>	<u>\$ 897</u>	<u>\$ 24,660</u>
FUND BALANCES			
Committed:	\$ 11,113	\$ 48,098	\$ 59,211
Total fund balances	<u>\$ 11,113</u>	<u>\$ 48,098</u>	<u>\$ 59,211</u>
Total liabilities and fund balances	<u>\$ 34,876</u>	<u>\$ 48,995</u>	<u>\$ 83,871</u>

Town of Bluefield, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue Funds		
	Public Transit Fund	Cemetery Fund	Total
REVENUES			
Charges for services	\$ 8,354	\$ 40,377	\$ 48,731
Miscellaneous	1,089	-	1,089
Intergovernmental revenues:			
Commonwealth	45,230	-	45,230
Federal	112,400	-	112,400
Total revenues	<u>\$ 167,073</u>	<u>\$ 40,377</u>	<u>\$ 207,450</u>
EXPENDITURES			
Current:			
Public works	\$ 279,925	\$ -	\$ 279,925
Parks, recreation, and cultural	-	57,490	57,490
Total expenditures	<u>\$ 279,925</u>	<u>\$ 57,490</u>	<u>\$ 337,415</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (112,852)</u>	<u>\$ (17,113)</u>	<u>\$ (129,965)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>\$ 107,066</u>	<u>\$ -</u>	<u>\$ 107,066</u>
Net change in fund balances	\$ (5,786)	\$ (17,113)	\$ (22,899)
Fund balances - beginning	16,899	65,211	82,110
Fund balances - ending	<u>\$ 11,113</u>	<u>\$ 48,098</u>	<u>\$ 59,211</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 9,000	\$ 9,000	\$ 8,354	\$ (646)
Miscellaneous	1,000	1,000	1,089	89
Intergovernmental revenues:				
Commonwealth	33,000	33,000	45,230	12,230
Federal	100,114	100,114	112,400	12,286
Total revenues	<u>\$ 143,114</u>	<u>\$ 143,114</u>	<u>\$ 167,073</u>	<u>\$ 23,959</u>
EXPENDITURES				
Current:				
Public works	\$ 224,412	\$ 224,412	\$ 279,925	\$ (55,513)
Total expenditures	<u>\$ 224,412</u>	<u>\$ 224,412</u>	<u>\$ 279,925</u>	<u>\$ (55,513)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (81,298)</u>	<u>\$ (81,298)</u>	<u>\$ (112,852)</u>	<u>\$ (31,554)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 81,298	\$ 81,298	\$ 107,066	\$ 25,768
Total other financing sources (uses)	<u>\$ 81,298</u>	<u>\$ 81,298</u>	<u>\$ 107,066</u>	<u>\$ 25,768</u>
Net change in fund balances	\$ -	\$ -	\$ (5,786)	\$ (5,786)
Fund balances - beginning	-	-	16,899	16,899
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,113</u>	<u>\$ 11,113</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 1,050	\$ 1,050	\$ -	\$ (1,050)
Charges for services	33,500	33,500	40,377	6,877
Total revenues	\$ 34,550	\$ 34,550	\$ 40,377	\$ 5,827
EXPENDITURES				
Current:				
Parks, recreation, and cultural	\$ 34,550	\$ 60,514	\$ 57,490	\$ 3,024
Total expenditures	\$ 34,550	\$ 60,514	\$ 57,490	\$ 3,024
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (25,964)	\$ (17,113)	\$ 8,851
Net change in fund balances	\$ -	\$ (25,964)	\$ (17,113)	\$ 8,851
Fund balances - beginning	-	-	65,211	65,211
Fund balances - ending	\$ -	\$ (25,964)	\$ 48,098	\$ 74,062

Supporting Schedules

Town of Bluefield, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
Page 1 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 700,000	\$ 700,000	\$ 748,769	\$ 48,769
Real and Personal PSC Tax	26,000	26,000	25,214	(786)
Personal Property Tax	232,500	240,000	171,497	(68,503)
Mobile Home Tax	1,500	1,500	1,657	157
Machinery and Tools Tax	24,000	24,000	19,530	(4,470)
Penalties	5,000	5,000	3,535	(1,465)
Interest	1,300	1,300	4,019	2,719
Total general property taxes	\$ 990,300	\$ 997,800	\$ 974,221	\$ (23,579)
Other local taxes:				
Local sales and use taxes	\$ 335,000	\$ 335,000	\$ 370,013	\$ 35,013
Consumers' utility taxes	130,000	130,000	126,803	(3,197)
Cigarette tax	305,000	305,000	220,730	(84,270)
Business license taxes	498,400	498,400	639,547	141,147
Consumption taxes	80,000	80,000	30,531	(49,469)
Gross receipts taxes	-	-	7,750	7,750
Motor vehicle licenses	1,000	1,000	27,240	26,240
Bank stock taxes	150,000	150,000	178,392	28,392
Franchise tax	-	-	6,996	6,996
Restaurant food taxes	1,190,000	1,190,000	1,181,678	(8,322)
Total other local taxes	\$ 2,689,400	\$ 2,689,400	\$ 2,789,680	\$ 100,280
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 30,000	\$ 30,000	\$ 25,763	\$ (4,237)
Zoning permits	2,000	2,000	2,080	80
Erosion and sediment permits	1,000	1,000	2,169	1,169
Permits and other licenses	1,000	1,000	-	(1,000)
Total permits, privilege fees, and regulatory licenses	\$ 34,000	\$ 34,000	\$ 30,012	\$ (3,988)
Fines and forfeitures:				
Court fines and forfeitures	\$ 46,000	\$ 46,000	\$ 67,356	\$ 21,356
Revenue from use of money and property:				
Revenue from use of money	\$ 35,000	\$ 35,000	\$ 3,558	\$ (31,442)

Town of Bluefield, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
Page 2 of 4

<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)				
Charges for services:				
Charges for recreation user fees	\$ 8,000	\$ 8,000	\$ 2,621	\$ (5,379)
Charges for fire calls	56,063	56,063	42,000	(14,063)
Charges for weed cutting	1,000	1,000	-	(1,000)
Charges for refuse collections	375,000	375,000	365,158	(9,842)
Charges for container rent	58,244	58,244	-	(58,244)
Charges for Harmony Acres pool	42,500	42,500	43,709	1,209
Total charges for services	<u>\$ 540,807</u>	<u>\$ 540,807</u>	<u>\$ 453,488</u>	<u>\$ (87,319)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 134,350	\$ 161,370	\$ 25,554	\$ (135,816)
Recovered costs:				
Other recovered costs	\$ 38,000	\$ 50,168	\$ 75,509	\$ 25,341
Total revenue from local sources	<u>\$ 4,507,857</u>	<u>\$ 4,554,545</u>	<u>\$ 4,419,378</u>	<u>\$ (135,167)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 2,977	\$ 2,977	\$ -	\$ (2,977)
Wine taxes	3,120	3,120	-	(3,120)
Rolling stock tax	5,500	5,500	7,543	2,043
Mobile home titling tax	750	750	455	(295)
Telecommunications Tax	-	-	44,643	44,643
Personal property tax relief funds	108,477	108,477	108,447	(30)
Total noncategorical aid	<u>\$ 120,824</u>	<u>\$ 120,824</u>	<u>\$ 161,088</u>	<u>\$ 40,264</u>
Categorical aid:				
Other categorical aid:				
DJCP law enforcement grants	\$ 159,100	\$ 159,100	\$ 133,289	\$ (25,811)
Litter control grant	2,355	2,355	3,398	1,043
State fire funds	18,445	18,445	-	(18,445)
Street maintenance	850,000	930,061	958,212	28,151
VDOT revenue sharing	750,000	891,547	141,547	(750,000)
Total categorical aid	<u>\$ 1,779,900</u>	<u>\$ 2,001,508</u>	<u>\$ 1,236,446</u>	<u>\$ (765,062)</u>
Total revenue from the Commonwealth	<u>\$ 1,900,724</u>	<u>\$ 2,122,332</u>	<u>\$ 1,397,534</u>	<u>\$ (724,798)</u>

Town of Bluefield, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<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)				
Intergovernmental revenues: (continued)				
Revenue from the Federal Government:				
Categorical aid:				
Department of Transportation	\$ -	\$ -	\$ 11,716	\$ 11,716
Floorplan determination grants	86,624	86,624	-	(86,624)
Total categorical aid	<u>\$ 86,624</u>	<u>\$ 86,624</u>	<u>\$ 11,716</u>	<u>\$ (74,908)</u>
Total revenue from the federal government	<u>\$ 86,624</u>	<u>\$ 86,624</u>	<u>\$ 11,716</u>	<u>\$ (74,908)</u>
Total intergovernmental revenues	<u>\$ 1,987,348</u>	<u>\$ 2,208,956</u>	<u>\$ 1,409,250</u>	<u>\$ (799,706)</u>
Total General Fund	<u>\$ 6,495,205</u>	<u>\$ 6,763,501</u>	<u>\$ 5,828,628</u>	<u>\$ (934,873)</u>
Special Revenue Funds:				
Public Transit Fund:				
Revenue from local sources:				
Charges for services:				
Charges for fares	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 8,354</u>	<u>\$ (646)</u>
Miscellaneous revenue:				
Other miscellaneous	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 1,089</u>	<u>\$ 89</u>
Total revenue from local sources	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 9,443</u>	<u>\$ (557)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Public transportation grant	<u>\$ 33,000</u>	<u>\$ 33,000</u>	<u>\$ 45,230</u>	<u>\$ 12,230</u>
Total revenue from the Commonwealth	<u>\$ 33,000</u>	<u>\$ 33,000</u>	<u>\$ 45,230</u>	<u>\$ 12,230</u>
Revenue from the federal government:				
Categorical aid:				
Public transportation grant	<u>\$ 100,114</u>	<u>\$ 100,114</u>	<u>\$ 112,400</u>	<u>\$ 12,286</u>
Total revenue from the federal government	<u>\$ 100,114</u>	<u>\$ 100,114</u>	<u>\$ 112,400</u>	<u>\$ 12,286</u>
Total intergovernmental revenues	<u>\$ 133,114</u>	<u>\$ 133,114</u>	<u>\$ 157,630</u>	<u>\$ 24,516</u>
Total Public Transit Fund	<u>\$ 143,114</u>	<u>\$ 143,114</u>	<u>\$ 167,073</u>	<u>\$ 23,959</u>

Town of Bluefield, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
Page 4 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (continued)				
Cemetery Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,050	\$ 1,050	\$ -	\$ (1,050)
Charges for services:				
Charges for grave openings	\$ 20,000	\$ 20,000	\$ 22,338	\$ 2,338
Charges for plots	13,500	13,500	18,039	4,539
Total charges for services	<u>\$ 33,500</u>	<u>\$ 33,500</u>	<u>\$ 40,377</u>	<u>\$ 6,877</u>
Total revenue from local sources	<u>\$ 34,550</u>	<u>\$ 34,550</u>	<u>\$ 40,377</u>	<u>\$ 5,827</u>
Total Cemetery Fund	<u>\$ 34,550</u>	<u>\$ 34,550</u>	<u>\$ 40,377</u>	<u>\$ 5,827</u>
Total Primary Government	<u>\$ 6,672,869</u>	<u>\$ 6,941,165</u>	<u>\$ 6,036,078</u>	<u>\$ (905,087)</u>

Town of Bluefield, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<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	\$ 61,462	\$ 61,462	\$ 58,134	\$ 3,328
General and financial administration:				
Town manager	\$ 367,440	\$ 367,440	\$ 363,266	\$ 4,174
Legal services	36,000	36,000	51,907	(15,907)
Vehicle maintenance	488,483	488,483	493,091	(4,608)
Treasurer	161,608	169,108	171,763	(2,655)
Bookkeeper	103,638	103,638	98,233	5,405
Audit services	20,000	20,000	28,475	(8,475)
Total general and financial administration	\$ 1,177,169	\$ 1,184,669	\$ 1,206,735	\$ (22,066)
Total general government administration	\$ 1,238,631	\$ 1,246,131	\$ 1,264,869	\$ (18,738)
Public safety:				
Law enforcement and traffic control:				
Police	\$ 1,377,730	\$ 1,429,330	\$ 1,340,284	\$ 89,046
Fire and rescue services:				
Fire department	\$ 255,239	\$ 255,239	\$ 206,214	\$ 49,025
Inspections:				
Building	\$ 56,562	\$ 56,562	\$ 31,673	\$ 24,889
Total public safety	\$ 1,689,531	\$ 1,741,131	\$ 1,578,171	\$ 162,960
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Street department	\$ 962,843	\$ 1,251,178	\$ 963,721	\$ 287,457
Sanitation and waste removal:				
Refuse collections	\$ 210,498	\$ 210,498	\$ 221,482	\$ (10,984)
Maintenance of general buildings and grounds:				
General properties	\$ 126,238	\$ 126,238	\$ 131,191	\$ (4,953)
Total public works	\$ 1,299,579	\$ 1,587,914	\$ 1,316,394	\$ 271,520
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation department	\$ 345,358	\$ 345,358	\$ 333,045	\$ 12,313

Town of Bluefield, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<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)				
Parks, recreation, and cultural: (continued)				
Cultural enrichment:				
Cemetery department	\$ 81,098	\$ 81,098	\$ 70,750	\$ 10,348
Total parks, recreation, and cultural	\$ 426,456	\$ 426,456	\$ 403,795	\$ 22,661
Community development:				
Planning and community development:				
Planning commission	\$ 6,990	\$ 6,990	\$ 4,589	\$ 2,401
Zoning administration	88,476	88,476	87,080	1,396
Contributions and community activities	194,200	222,661	236,346	(13,685)
Economic development	8,500	8,500	5,971	2,529
Total planning and community development	\$ 298,166	\$ 326,627	\$ 333,986	\$ (7,359)
Total community development	\$ 298,166	\$ 326,627	\$ 333,986	\$ (7,359)
Non-departmental:				
Non-departmental	\$ 166,368	\$ 168,768	\$ 131,365	\$ 37,403
Capital projects:				
Other capital projects	\$ 1,722,000	\$ 1,722,000	\$ 159,841	\$ 1,562,159
Debt service:				
Principal retirement	\$ 346,663	\$ 346,663	\$ 325,308	\$ 21,355
Interest and other fiscal charges	175,513	175,513	164,701	10,812
Total debt service	\$ 522,176	\$ 522,176	\$ 490,009	\$ 32,167
Total General Fund	\$ 7,362,907	\$ 7,741,203	\$ 5,678,430	\$ 2,062,773
Special Revenue Funds:				
Public Transit Fund:				
Public works:				
Public transportation:				
Transit system	\$ 224,412	\$ 224,412	\$ 279,925	\$ (55,513)
Total Public Transit Fund	\$ 224,412	\$ 224,412	\$ 279,925	\$ (55,513)

Town of Bluefield, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<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>
Special Revenue Funds: (continued)				
Cemetery Fund:				
Parks, recreation, and cultural:				
Cultural enrichment:				
Cemetery	\$ 34,550	\$ 60,514	\$ 57,490	\$ 3,024
Total Cemetery Fund	\$ 34,550	\$ 60,514	\$ 57,490	\$ 3,024
Total Primary Government	\$ 7,621,869	\$ 8,026,129	\$ 6,015,845	\$ 2,010,284

Other Statistical Information

Table 1

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

Fiscal Year	General Government		Parks, Recreation, and Cultural				Community Development		Non- departmental		Interest on Long- Term Debt		Water and Sewer		Total
	Administration	Safety	Public	Public Works	Recreation, and Cultural	Community Development	Non- departmental	Interest on Long- Term Debt	Water and Sewer	Total					
2003-04	\$ 787,812	\$ 1,224,269	\$ 1,273,528	\$ 196,833	\$ 1,116,734	\$ 53,983	\$ 1,196,612	\$ 5,849,771							
2004-05	806,974	1,102,301	1,314,889	345,487	671,897	46,788	1,209,521	5,625,525							
2005-06	950,084	1,343,094	1,398,297	304,934	1,184,986	-	1,221,934	6,592,919							
2006-07	1,277,327	1,279,935	1,400,546	292,604	914,124	-	1,149,926	6,503,069							
2007-08	1,272,809	1,381,652	1,684,336	326,119	258,879	-	1,341,135	6,417,526							
2008-09	1,350,375	1,512,050	1,745,948	215,530	227,317	-	1,434,771	6,653,340							
2009-10	1,385,303	1,514,967	1,643,054	372,835	264,006	-	1,339,675	6,717,682							
2010-11	1,423,696	1,486,594	1,269,626	478,707	696,843	-	1,371,961	6,914,543							
2011-12	1,543,039	1,514,540	1,629,995	432,907	386,027	-	1,318,941	6,994,114							
2012-13	1,523,817	1,725,235	1,450,069	465,349	339,940	-	1,253,641	6,923,580							

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	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2003-04	\$ 1,638,747	\$ 1,934,562	\$ -	\$ 871,604	\$ 1,813,155	\$ -	\$ 23,287	\$ 13,988	\$ 68,911	\$ 121,454	\$ 6,485,708
2004-05	1,672,465	1,186,309	-	852,092	1,965,748	43,385	29,207	29,128	23,914	231,620	6,033,868
2005-06	1,702,463	859,794	-	930,229	2,134,419	30,751	41,549	131,295	40,630	1,063,468	6,934,598
2006-07	1,842,441	1,720,048	-	975,047	2,251,303	-	-	86,513	22,904	120,771	7,019,027
2007-08	1,798,928	1,123,170	-	1,017,638	2,499,005	-	-	70,027	235,434	115,806	6,860,008
2008-09	1,788,489	1,374,954	-	951,698	2,546,705	-	-	33,854	48,492	115,998	6,860,190
2009-10	1,732,872	1,303,013	200,000	945,358	2,449,245	-	-	6,027	64,770	154,917	6,856,202
2010-11	1,762,929	1,413,698	50,000	1,004,015	2,550,085	-	-	4,227	22,973	162,204	6,970,131
2011-12	1,745,518	1,406,280	217,198	1,004,149	2,698,280	-	-	3,180	11,802	162,040	7,248,447
2012-13	1,619,470	1,264,245	141,547	961,439	2,789,680	-	-	3,769	26,643	161,088	6,967,881

Table 3

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

Fiscal Year	General and Financial Administration		Parks, Recreation, and Cultural						Community Development		Capital Projects	Non- departmental	Debt Service	Total
	Public Safety	Public Works	Public and Cultural	Recreation, and Cultural	Community Development	Capital Projects	Non- departmental	Debt Service	Total					
2003-04	\$ 785,451	\$ 1,163,858	\$ 1,117,870	\$ 316,283	\$ 1,116,734	\$ 446,386	\$ -	\$ 300,312	\$ 5,246,894					
2004-05	780,332	1,034,903	1,260,956	360,675	646,762	613,079	127,668	269,479	5,093,854					
2005-06	907,082	1,231,763	1,265,940	287,308	1,157,462	3,039,464	222,044	473,784	8,584,847					
2006-07	1,052,787	1,327,729	1,322,527	287,443	900,642	576,892	130,283	696,769	6,295,072					
2007-08	1,045,397	1,387,110	1,783,907	345,893	246,500	-	119,380	346,380	5,274,567					
2008-09	1,079,618	2,600,811	1,593,368	360,872	218,394	361,642	141,114	400,067	6,755,886					
2009-10	1,068,112	1,449,174	1,556,075	373,722	254,334	167,640	118,976	503,550	5,491,583					
2010-11	1,110,483	1,417,753	1,308,380	453,844	703,675	64,897	124,559	499,386	5,682,977					
2011-12	1,213,731	1,381,949	1,692,065	417,621	380,582	141,729	150,215	502,326	5,880,218					
2012-13	1,264,869	1,578,171	1,596,319	461,285	333,986	159,841	131,365	490,009	6,015,845					

Table 4

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

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

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	
2003-04	\$	956,299	\$	930,826	97.34%	\$	29,112	\$	959,938	100.38%	\$	113,545	11.87%	
2004-05		961,714		936,677	97.40%		31,511		968,188	100.67%		105,157	10.93%	
2005-06		1,023,403		1,010,931	98.78%		21,077		1,032,008	100.84%		112,358	10.98%	
2006-07		1,032,759		1,025,049	99.25%		13,879		1,038,928	100.60%		130,744	12.66%	
2007-08		1,084,067		1,093,869	100.90%		16,343		1,110,212	102.41%		111,590	10.29%	
2008-09		1,114,308		1,046,895	93.95%		33,526		1,080,421	96.96%		124,166	11.14%	
2009-10		1,053,211		1,019,891	96.84%		52,007		1,071,898	101.77%		168,531	16.00%	
2010-11		1,067,010		1,033,110	96.82%		69,935		1,103,045	103.38%		171,744	16.10%	
2011-12		1,075,508		1,020,105	94.85%		29,574		1,049,679	97.60%		216,855	20.16%	
2012-13		1,088,123		1,033,089	94.94%		49,579		1,082,668	99.50%		194,480	17.87%	

(1) May include penalties and interest.

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

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes		Machinery and Tools	Public Utility (2) Real Estate and Personal Property		Total
2003-04	\$ 261,047,796	\$	43,743,957	\$ 3,750,013	\$	10,167,943	\$ 318,709,709
2004-05	266,563,800		43,769,896	3,718,900		8,927,013	322,979,609
2005-06	276,566,700		48,725,773	3,600,700		9,744,072	338,637,245
2006-07	393,126,100		50,039,555	4,009,900		10,885,435	458,060,990
2007-08	393,651,800		51,222,820	4,052,600		11,435,588	460,362,808
2008-09	395,692,500		58,380,755	2,751,500		11,142,517	467,967,272
2009-10	396,833,200		49,214,478	2,275,800		11,825,759	460,149,237
2010-11	395,996,569		51,341,670	1,391,400		11,653,371	460,383,010
2011-12	398,370,600		52,048,366	1,506,500		12,090,827	464,016,293
2012-13	393,256,900		52,596,375	3,255,000		13,477,634	462,585,909

(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
2003-04	\$ 0.250	\$ 0.250	\$ 0.600	\$ 0.600
2004-05	0.250	0.250	0.600	0.600
2005-06	0.250	0.250	0.600	0.600
2006-07	0.185	0.185	0.600	0.600
2007-08	0.185	0.185	0.600	0.600
2008-09	0.185	0.185	0.600	0.600
2009-10	0.185	0.185	0.600	0.600
2010-11	0.185	0.185	0.600	0.600
2011-12	0.185	0.185	0.600	0.600
2012-13	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 (in thousands) (2)	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2003-04	5,078	\$ 318,709,709	\$ 1,977,186	0.62%	\$ 389
2004-05	5,078	322,979,609	2,912,093	0.90%	573
2005-06	5,078	338,637,245	4,717,500	1.39%	929
2006-07	5,078	458,060,990	4,691,973	1.02%	924
2007-08	5,078	460,362,808	4,390,000	0.95%	865
2008-09	5,078	467,967,272	4,210,000	0.90%	829
2009-10	5,078	460,149,237	4,030,000	0.88%	794
2010-11	5,444	460,383,010	3,845,000	0.84%	706
2011-12	5,444	464,016,293	3,660,000	0.79%	672
2012-13	5,444	462,585,909	3,470,000	0.75%	637

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

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

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

Excludes capital leases and compensated absences.

Table 9

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2003-04	\$ 241,714	\$ 58,598	\$ 300,312	\$ 5,246,894	5.72%
2004-05	218,551	50,928	269,479	5,093,854	5.29%
2005-06	240,400	128,381	368,781	8,584,847	4.30%
2006-07	446,155	250,614	696,769	6,295,072	11.07%
2007-08	252,302	94,078	346,380	5,274,567	6.57%
2008-09	234,799	165,268	400,067	6,755,886	5.92%
2009-10	308,402	195,148	503,550	5,491,583	9.17%
2010-11	314,886	184,500	499,386	5,682,977	8.79%
2011-12	327,308	175,018	502,326	5,880,218	8.54%
2012-13	325,308	164,701	490,009	6,015,845	8.15%

Table 10

Town of Bluefield, Virginia
Computation of Legal Debt Margin
June 30, 2013

Assessed valuations:	
Assessed value	<u>\$ 393,256,900</u>
Legal debt margin	
Debt limitation - 10 percent of total assessed value	39,325,690
Total debt applicable to limitation	<u>3,470,000</u>
Legal debt margin	<u>\$ 35,855,690</u>

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the 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 and 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 Town of Bluefield, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Bluefield, Virginia's basic financial statements and have issued our report thereon dated November 3, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Town of Bluefield, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 deficiencies described in the accompanying schedule of findings and responses to be material weaknesses [2013-1, 2013-2]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 did not disclose an instance 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, Farmer, Cox Associates

Blacksburg, Virginia
November 3, 2013

Schedule of Findings and Responses
Year Ended June 30, 2013

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

2013-1

Criteria:	Per Statement on Auditing Standards 115, identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The Town's financial statements required material adjustments by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles.
Effect:	There is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls over financial reporting.
Cause:	The Town used a new consultant in the current year that will become more familiar with the Town's books in subsequent years.
Recommendation:	Continue with the Town's consultant and as they grow more familiar with the Town's books, the audit changes will lessen to an immaterial amount.
Management's Response:	To comply with standards established by Statement on Auditing Standards 115, the Town employed an external accounting firm to prepare all necessary year-end accounting adjustments and to assist in the selection and application of accounting principles for the fiscal year ending June 30, 2013. As the Town's consultant becomes more familiar with the Town's records we hope to correct this going forward.

Schedule of Findings and Responses (Continued)
Year Ended June 30, 2013

2013-2

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