

CITY OF BUENA VISTA, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018



CITY OF BUENA VISTA, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
JUNE 30, 2018**

Prepared by

Timothy Dudley, Director of Finance

Buena Vista, Virginia

**CITY OF BUENA VISTA, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018**

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INTRODUCTORY SECTION

CITY OF BUENA VISTA

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



December 19, 2018

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

Commonwealth of Virginia law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2018.

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

Robinson, Farmer, Cox Associates, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Buena Vista's financial statements for the year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows this letter of transmittal and provides an overview and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

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

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

The City of Buena Vista is empowered to levy a property tax on both real and personal property located within its boundaries.

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

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

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

Local Economy

Buena Vista City Council is committed to creating jobs for its citizens and generating new revenue sources by both encouraging businesses to locate in the City and cultivating local entrepreneurs. The Virginia Employment Commission lists the current labor force at 3,414 with 3,319 employed for an unemployment rate of 2.8 percent. The largest sectors of the City's economy are industrial/manufacturing, historically a strong sector, and education, driven by the local school system and Southern Virginia University.

Southern Virginia University (SVU) is a tremendous growth engine in the City. One of the fastest private residential four-year institutions in the country at 50% growth in the last five years, the school enrolled over 1,000 students in the 2018-2019 school year and projects over 1,100 in the 2019-2020 school year. Recent construction projects have included the Walnut Avenue Apartments and a tennis center and multi-million dollar stadium at The Fields athletic complex. In 2019, SVU will kick off construction of a 100,000 square foot academic and residential complex partly funded with a USDA Community Facilities loan. Additionally, in 2018 the University became the largest employer within City limits. SVU is responsible for approximately \$9 million dollars in the City's economy every year.

The City is concentrating resources on revitalizing our downtown core. A bustling and vibrant destination for much of the twentieth century, Buena Vista's downtown retail has experienced the same headwinds as all small towns with the growth of big-box stores and online shopping. In 2009, the City established a low-interest revolving loan fund for small business creation or expansion, providing seed money for over a dozen businesses in the last ten years. In 2015 the City established a downtown Façade Improvement Grant program, resulting in nearly \$100,000 of investment in building renovations. In 2017, the City completed a streetscape enhancement project on Magnolia Avenue replacing sidewalk sections with brick pavers and installing new street trees. Also in 2017, the City saw unprecedented investment of over a million dollars by Ed Walker, a Roanoke-based

developer known for creative place-making, who purchased more than a dozen buildings in the center of the City with bold plans for rehabilitation.

In addition to downtown revitalization, the City is rediscovering and marketing its outdoor recreation assets. The City owns and manages a 315-acre riverfront event venue and campground, Glen Maury Park, as well as a signature mountain-top golf course, the Vista Links. Further, the flood protection levee completed in 1997 includes a 2.5 mile elevated Riverwalk, a popular walking and jogging trail that runs right next to downtown and the river. Beyond these, the Rockbridge region is an outdoor recreation destination, offering the Appalachian Trail, the George Washington National Forest, the Maury River, and numerous other hiking/biking trails and parks. In 2015 Rockbridge County, Buena Vista, and Lexington kicked off a regional outdoor recreation facilities planning and marketing study that culminated with the creation of the Rockbridge Outdoors Partnership, and unprecedented network of over thirty governments, schools, nonprofits, and businesses to coordinate and advance use and promotion of these assets.

Long-term Planning and Major Initiatives and Accomplishments

The City prepares a Capital Improvement Plan (CIP) that is used as a fiscal management tool to coordinate the location, timing and financing of capital improvements over a five year period. The CIP includes a description of proposed capital improvement projects ranked by priority, a year-by-year schedule of expected project funding and an estimate of project costs. The CIP is a working document and is reviewed and updated annually to reflect changing needs, priorities and funding opportunities.

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

The engineering/public works department oversaw an active program of projects related to water distribution, roads, sidewalks, drainage and sewers. Additionally, the City completed the Enderly Heights Safe Routes to School project, which constructed new sidewalks and flashing pedestrian lights to improve access to Enderly Heights Elementary School. The City also received \$250,000 in grant funding for the paving of Route 501.

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

Efforts to improve the appearance of the community have been increased. City staff is sweeping the City for code enforcement violations and will be bringing additional ordinance changes to assist with that effort. The City also partnered with Dabney S. Lancaster Community College, local businesses, and city schools to create a community garden. The City provided land and materials for 21 raised beds on a site that could not be developed due to flood restrictions. This provided a beautification effort as well as provided food for needy families in the community.

The City has engaged volunteers from SVU and elsewhere for many projects. Groups have helped build playground improvements, painted fences, removed graffiti, cleared and repaired trails in Glen Maury Park and helped preserve buildings for years to come.

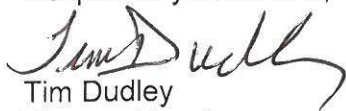
Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Buena Vista for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. The report satisfied both GAAP and applicable legal requirements.

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tim Dudley", is written over the printed name.

Tim Dudley
Finance Director



Government Finance Officers Association

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

Presented to

**City of Buena Vista
Virginia**

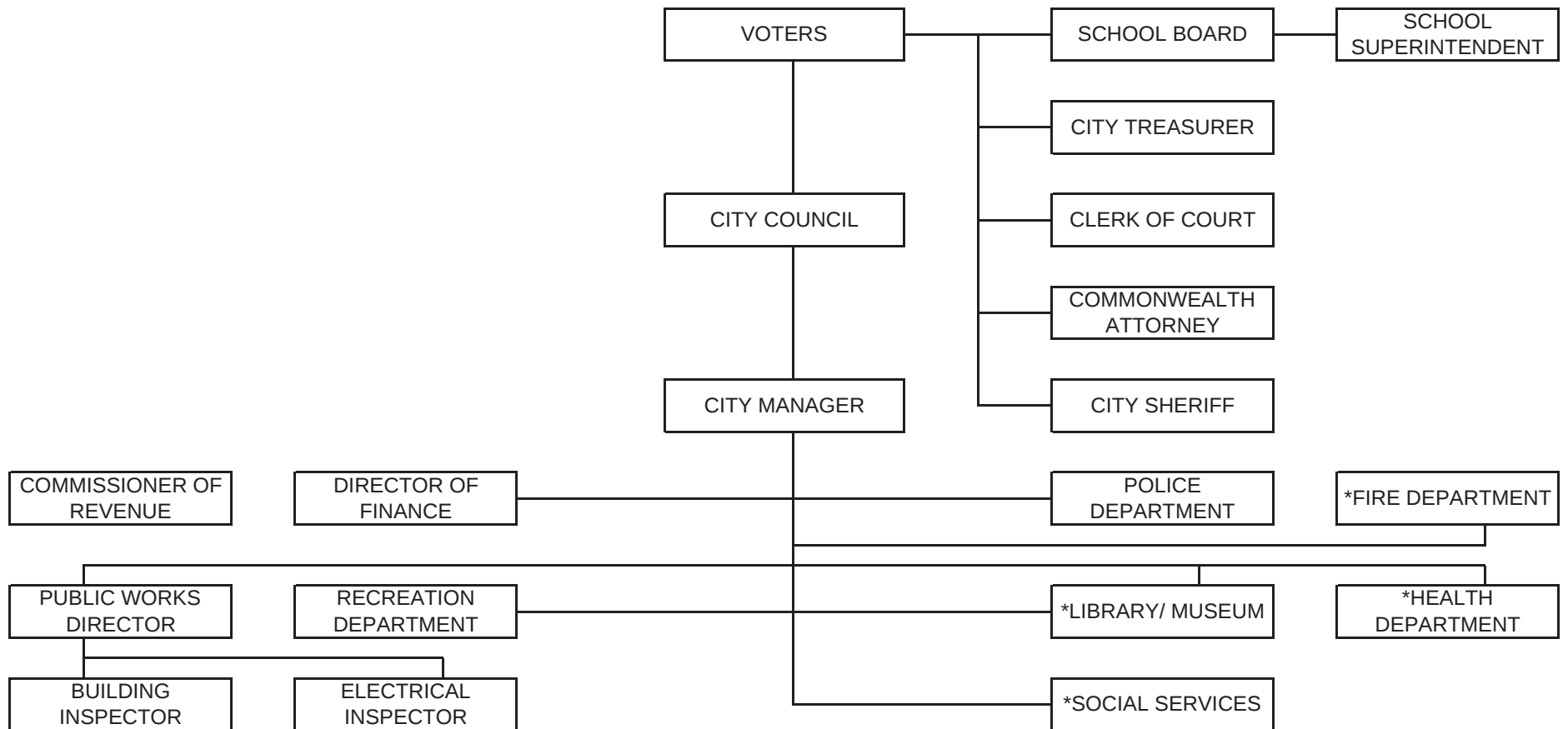
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

**CITY OF BUENA VISTA
ORGANIZATION CHART**



*=ADMINISTERED BY OTHER LOCAL GOVERNMENTAL UNITS

CITY OF BUENA VISTA, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2018

CITY COUNCIL

Danny Staton, Sr.	William Fitzgerald	Lisa Clark
Tyson Cooper		Steve Baldridge
Stanley Coffey		Melvin Henson

CITY OFFICIALS

William Fitzgerald.....	Mayor
Tyson Cooper.	Vice-Mayor
Jay Scudder	City Manager
MarVita F. Flint	Commissioner of Revenue
Timothy Dudley	Director of Finance
Mary Lee Huffman.....	City Treasurer
Keith Hartman	Chief of Police
Chris Coleman	Clerk of Court
Randy Hamilton	Sheriff
Chris Russell	Commonwealth's Attorney
Brian Kearney	City Attorney

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Buena Vista, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Buena Vista, Virginia, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2018, the City adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 2 to the financial statements, in 2018, the City restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 11-19, 112, and 113-128, 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.

Supplementary and Other Information

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

Supplementary and Other Information (Continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018 on our consideration of the City of Buena Vista, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Buena Vista, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Buena Vista, Virginia's internal control over financial reporting and compliance.

Robinson, Finner, Cox Associates

Staunton, Virginia
December 19, 2018

Management's Discussion and Analysis

As management of the City of Buena Vista, Virginia we offer readers of the City of Buena Vista's financial statements this narrative overview and analysis of the financial activities of the City of Buena Vista for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal that can be found on pages 1-4 of this report.

Financial Highlights

The net position of the City of Buena Vista's, Primary Government at the close of the current fiscal year was \$7,410,968 (net position). Of this amount, (\$2,384,072) (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The governmental activities total net position decreased \$147,665 from the prior fiscal year largely due to the decrease in cash and cash equivalents and an increase in overall liabilities.

As of the close of the current fiscal year, the City of Buena Vista's governmental funds reported combined ending fund balances of \$2,732,610, a decrease of \$311,310 in comparison with the prior year. Of this amount, \$2,403,751 is unassigned and available for spending at the government's discretion (unassigned fund balance). The decrease is attributable to increases in health and welfare, public safety, and education expenditures.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,434,483, or 18 percent of total General Fund expenditures.

The City of Buena Vista's primary government long-term liabilities decreased \$979,744, or 3.7%. The Long-term debt retirements included the Literary Loan for the building of Parry McCluer High that was reduced by \$375,000. Also the 2.5 million dollar loans to finance the Dabney Lancaster Community College educational satellite was reduced by \$39,726. The City also paid \$15,846 for a loan on a medical building. The net pension liability decreased \$238,679. The total long-term debt for the City stands at \$25,508,186. Of this amount, there is a charge of \$1,324,000 for Other Postemployment Benefits. This charge is an actuarial estimate of the costs of future retiree benefits. Also included in long-term indebtedness is \$304,101 for employee compensated absences. The amount of pension liability is \$3,101,769, a decrease of \$238,679.

The City also implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75 during the fiscal year ending June 30, 2018. As a result many balances from the prior fiscal year had to be restated due to the changes in reporting other postemployment benefits. Please see the Notes to the Financial Statements for more information on the implementation of GASB 75.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

General Fund Budgetary Highlights

The FY 2018 General Fund Budget required a \$233,364 or 2% increase over FY 2017 budgeted expenditures. The appropriation for the schools budget remained level and there was level funding for many of our departmental service operations. Some areas of the budget include both increases and reductions as a result of accurate budgeting adjustments that reflect the true cost of the activity or commodity.

There were some increases in the budget this year that were not in our control. These were primarily salary and benefit increases, such as health and liability insurance increases, and support to the regional jail. Additional funds were budgeted for the City's comprehensive services welfare programs, expenses which are 80% reimbursable. The real estate rate remained the same at \$1.21 per one hundred dollar valuation.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Buena Vista, primary government assets exceeded liabilities by \$7,410,968 at the close of fiscal year 2018 for the primary government.

The City of Buena Vista's governmental activities net investment in capital assets of \$9,418,051 reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Buena Vista uses these capital assets to provide services to citizens. These assets are not available for future spending. Although the City of Buena Vista's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The net position of the primary government decreased \$839,184 during FY 2018. Key components of this change are discussed on page 16 in the MD&A.

The following is a condensed summary of the City's statement of net position for the fiscal years ending June 30, 2018 and June 30, 2017. Please note that the FY 2018 summary has been restated due to changes of accounting principles in the implementation GASB 75 see Note 2 of the financial statements for more information on GASB 75:

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Current and						
other assets	\$ 5,271,195	\$ 5,383,228	\$ 2,883,370	\$ 2,926,363	\$ 8,154,565	\$ 8,309,591
Capital Assets	14,076,121	14,396,978	14,049,394	14,372,389	28,125,515	28,769,367
Total Assets	\$ 19,347,316	\$ 19,780,206	\$ 16,932,764	\$ 17,298,752	\$ 36,280,080	\$ 37,078,958
Deferred Outflows	\$ 873,716	867,725	150,358	172,957	1,024,074	1,040,682
Long-term						
Liabilities	\$ 8,568,089	\$ 9,320,669	\$ 16,940,097	\$ 17,167,261	\$ 25,508,186	\$ 26,487,930
Other liabilities	913,417	814,223	2,052,736	1,595,376	2,966,153	2,409,599
Total Liabilities	\$ 9,481,506	\$ 10,134,892	\$ 18,992,833	\$ 18,762,637	\$ 28,474,339	\$ 28,897,529
Deferred inflows of						
resources	\$ 1,256,325	\$ 882,173	\$ 162,522	\$ 89,786	\$ 1,418,847	\$ 971,959
Net Position:						
Net investment in						
capital assets	\$ 9,418,051	\$ 9,164,709	\$ (421,031)	\$ (271,422)	\$ 8,997,020	\$ 8,893,287
Restricted	208,672	207,337	589,348	782,330	798,020	989,667
Unrestricted						
(deficit)	(143,522)	258,820	(2,240,550)	(1,891,622)	(2,384,072)	(1,632,802)
Total Net Position	\$ 9,483,201	\$ 9,630,866	\$ (2,072,233)	\$ (1,380,714)	\$ 7,410,968	\$ 8,250,152

Governmental Activities. Net position of governmental activities decreased for the City of Buena Vista by \$147,665 for FY 2018, while net position of business-type activities decreased \$691,519 for the fiscal year. Key components of the change are discussed on page 16 of the MD&A.

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**CITY OF BUENA VISTA'S CHANGE IN NET POSITION
FOR YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2017**

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	\$ 854,702	\$ 916,221	\$ 2,343,777	\$ 2,376,154	\$ 3,198,479	\$ 3,292,375
Operating grants	4,545,783	4,526,619	-	-	4,545,783	4,526,619
General Revenues:						
Property taxes	6,027,804	5,905,508	-	-	6,027,804	5,905,508
Other taxes	1,519,267	1,514,465	-	-	1,519,267	1,514,465
Grants and contributions not restricted to specific programs	959,916	973,816	-	-	959,916	973,816
Use of money and property	174,807	183,630	7,335	902	182,142	184,532
Miscellaneous	228,992	160,503	8,663	780	237,655	161,283
Total Revenue	<u>\$ 14,311,271</u>	<u>\$ 14,180,762</u>	<u>\$ 2,359,775</u>	<u>\$ 2,377,836</u>	<u>\$ 16,671,046</u>	<u>\$ 16,558,598</u>
Expenses:						
General Government						
admin	\$ 1,436,939	\$ 1,451,815	\$ -	\$ -	\$ 1,436,939	\$ 1,451,815
Judicial Admin	880,505	860,720	-	-	880,505	860,720
Public Safety	2,864,208	2,631,032	-	-	2,864,208	2,631,032
Public works	2,316,348	2,064,999	-	-	2,316,348	2,064,999
Health and Welfare	2,534,961	2,094,471	-	-	2,534,961	2,094,471
Education	2,917,688	3,053,399	-	-	2,917,688	3,053,399
Parks, Recreation, Culture	606,652	616,884	-	-	606,652	616,884
Community Development	464,611	483,507	-	-	464,611	483,507
Interest on long-term debt	183,087	180,959	-	-	183,087	180,959
Water and Sewer	-	-	2,269,976	2,298,746	2,269,976	2,298,746
Golf Course	-	-	1,035,255	1,061,779	1,035,255	1,061,779
Total Expenses	<u>\$ 14,204,999</u>	<u>\$ 13,437,786</u>	<u>\$ 3,305,231</u>	<u>\$ 3,360,525</u>	<u>\$ 17,510,230</u>	<u>\$ 16,798,311</u>
Increase (decrease) in net position before transfers						
	\$ 106,272	\$ 742,976	\$ (945,456)	\$ (982,689)	\$ (839,184)	\$ (239,713)
Transfers	<u>(253,937)</u>	<u>(270,794)</u>	<u>253,937</u>	<u>270,794</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position						
	\$ (147,665)	\$ 472,182	\$ (691,519)	\$ (711,895)	\$ (839,184)	\$ (239,713)
Net position, beginning as restated						
	9,630,866	9,841,112	(1,380,714)	(537,247)	8,250,152	9,303,865
Effect of change in accounting principle						
	-	(682,428)	-	(131,572)	-	(814,000)
Net position, ending	<u>\$ 9,483,201</u>	<u>\$ 9,630,866</u>	<u>\$ (2,072,233)</u>	<u>\$ (1,380,714)</u>	<u>\$ 7,410,968</u>	<u>\$ 8,250,152</u>

Governmental Activities

Key factors contributing to the decrease of \$147,665 in net position for governmental activities were:

- The City had a decrease in cash and cash equivalents of \$331,226 or 16%. The decrease was the result of further increases in expenditures for the comprehensive services welfare program and to fund public safety and public works projects during the year.
- Total liabilities increased \$44,020 or 0.5% for FY 2018 primarily from an increase in accounts payable and accrued liabilities.
- Net capital assets decreased by \$320,857 for the fiscal year primarily due to depreciation.

Business-type Activities

The Golf Course Fund received a transfer from the General Fund (Governmental Activities) in the amount of \$253,937. This is less than the \$270,794 that was transferred in FY2017. Prior to this transfer, net position of the golf course business-type activity decreased by \$733,179. Both funds that make up the business-type activities of the City (Water/Sewer Fund and Golf Course Fund) combined, experienced a decrease in net position of \$691,519, mainly due to the golf course operating losses. Additional information follows concerning the City's Business-Type Activities:

- Since the inception of the golf course in 2004, it has had an operating loss of \$4,647,479. The golf course was originally planned to bring development to the community of Buena Vista. It was hoped that both single family dwellings and commercial development would offset some of the cost of the course through a higher tax base and user fees. The recent economical climate in both the national and regional economies has had a detrimental effect on both the rounds of golf being played and the development of the area. The golf course revenues are not able to support both the operational expenditures and the interest and fiscal charges. The General Fund has subsidized the golf course with transfers totaling \$6,187,959 leaving the golf course with a (\$4,647,479) ending balance of assets. For the fiscal budget 2018, the City council did not appropriate funds for the debt service.
- The Water/Sewer Fund posted a decrease in net position of \$212,277 for the fiscal year. Most of this decrease is due to an increase in water and sewer expenditures across all departments.

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Financial Analysis of the Government's Funds

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

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

As of the end of FY 2018, the City of Buena Vista's governmental funds reported combined ending fund balances of \$2,732,610, a decrease of \$311,310 in comparison with the prior year. The decrease was the result of unplanned increases in expenditures for the comprehensive services act program. Additionally, increases in wages and benefits for public safety staff exceeded expectations. Cash and cash equivalents decreased as a result of the use of fund balance to fund public safety and public works projects during the year. Approximately 88% or \$2,403,751 represents unassigned fund balance that is available for spending at the government's discretion. The remainder of fund balance is designated to indicate that it is not available for new spending because it has already been assigned toward such items as 1) for subsequent expenditure in the School Construction Fund 2) for subsequent expenditure in capital projects and special revenue funds 3) for debt service and prepaid expense in the general fund.

The General Fund is the chief operating fund of the City of Buena Vista. At the end of FY 2018, unassigned fund balance of the general fund was \$2,434,483. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to the general fund total expenditures. Unassigned fund balance represents 18% of total general fund expenditures.

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

- The Water and Sewer fund had a decrease in net position of \$212,277. As discussed earlier, the decrease is primarily due to an increase in the water and sewer expenditures and very little increase in water/sewer revenues. The unrestricted cash position of the Water and Sewer fund had an increase of \$165,398. The fund began the year with \$1,372,652 in unrestricted cash and ended with \$1,538,050 in unrestricted cash. The City increased water rates \$2.55 in FY 2012 to cover debt service on the new bond financing and anticipates that water and sewer rates will cover depreciation and other operational expenses for the foreseeable future. For grant purposes, the City keeps the water rate at a level that will not impact households and therefore disqualify the City from grant revenue.
- The golf course has been subsidized by the general fund since it began operation. This has resulted in net position of (\$4,647,479), at June 30, 2018.

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

- The School Construction Fund balance decreased \$547 for FY 2018. It was a steady year for revenues and expenditures.

Capital Assets and Debt Administration

Capital Assets. The City of Buena Vista's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$28,125,515 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, and infrastructure. The total decrease in the City of Buena Vista's capital assets for FY 2018 was \$643,852 or 2.2%. The main reason was the annual depreciation expenses.

The City completed a variety of public works projects to include, pavement of City streets, curb and guttering, and water and sewer line replacement. The following is a summary of the City's capital assets. Further information on the City's capital assets can be found at Note 20 of the financial statements.

CITY OF BUENA VISTA'S CAPITAL ASSETS NET OF DEPRECIATION FOR YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 2,146,648	\$ 2,108,097	\$ 1,364,900	\$ 1,364,900	\$ 3,511,548	\$ 3,472,997
Construction in Progress	-	767,168	-	7,750	-	774,918
Buildings & Improvements	8,459,121	8,749,093	452,932	501,941	8,912,053	9,251,034
Infrastructure	2,719,729	2,004,459	12,065,187	12,371,547	14,784,916	14,376,006
Machinery & Equipment	750,623	768,161	166,375	126,251	916,998	894,412
Total	<u>\$ 14,076,121</u>	<u>\$ 14,396,978</u>	<u>\$ 14,049,394</u>	<u>\$ 14,372,389</u>	<u>\$ 28,125,515</u>	<u>\$ 28,769,367</u>

Long – term liabilities. At the end of FY 2018, the City of Buena Vista's primary government had total long-term liabilities outstanding of \$25,508,186. This represents a decrease of \$979,744, or 3.7% from the last fiscal year. The City's bond issuer rating from Moody's is Ba1. Further information on the City's long-term debt can be found at (Note 10-Long-term Obligations) to the financial statements.

CITY OF BUENA VISTA'S LONG-TERM DEBT FOR YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 394,068	\$ 417,249	\$ -	\$ -	\$ 394,068	\$ 417,249
Lease-Revenue Bonds			11,029,906	11,084,552	11,029,906	11,084,552
Revenue Bonds	-	-	3,888,500	4,003,500	3,888,500	4,003,500
Literary Loans	1,500,000	1,875,000	-	-	1,500,000	1,875,000
Capital Leases	357,192	477,636	-	-	357,192	477,636
Loan Payable	2,406,810	2,462,382	1,201,840	1,201,840	3,608,650	3,664,222
Net OPEB Liabilities	1,088,165	1,081,132	235,835	234,869	1,324,000	1,316,001
Compensated absences	210,965	227,698	93,136	81,624	304,101	309,322
Net Pension Liability	2,610,889	2,779,572	490,880	560,876	3,101,769	3,340,448
Total	<u>\$ 8,568,089</u>	<u>\$ 9,320,669</u>	<u>\$ 16,940,097</u>	<u>\$ 17,167,261</u>	<u>\$ 25,508,186</u>	<u>\$ 26,487,930</u>

State statutes limit the amount of general bonded debt a governmental entity may issue up to 10 percent of its total assessed valuation. The current debt limit for the City of Buena Vista is approximately \$32,749,809.

Next Year's Budgets and Rates

The following factors were considered in preparing the City of Buena Vista's budget for FY 2019.

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Cash and cash equivalents	\$ 1,703,337	\$ 1,545,889	\$ 3,249,226	\$ 1,101,504
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,546,899	-	1,546,899	-
Accounts receivable	212,684	346,797	559,481	11,937
Due from other governmental units	1,346,868	-	1,346,868	308,720
Due from component unit	194,283	-	194,283	-
Internal balances	59,363	(59,363)	-	-
Inventories	16,472	-	16,472	18,383
Prepaid items	77,862	12,718	90,580	-
Restricted assets:				
Cash and cash equivalents	113,427	929,007	1,042,434	-
Cash and cash equivalents (in custody of others)	-	108,322	108,322	-
Net pension asset	-	-	-	318,334
Capital assets (net of accumulated depreciation):				
Land	2,146,648	1,364,900	3,511,548	4,634
Buildings and improvements	8,459,121	452,932	8,912,053	3,869,119
Machinery and equipment	750,623	166,375	916,998	27,107
Infrastructure	2,719,729	12,065,187	14,784,916	-
Total assets	\$ 19,347,316	\$ 16,932,764	\$ 36,280,080	\$ 5,659,738
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 849,583	\$ 145,488	\$ 995,071	\$ 1,023,370
OPEB related items	24,133	4,870	29,003	93,448
Total deferred outflows of resources	\$ 873,716	\$ 150,358	\$ 1,024,074	\$ 1,116,818
LIABILITIES				
Accounts payable	\$ 495,195	\$ 90,424	\$ 585,619	\$ 455,767
Accrued liabilities	78,580	7,396	85,976	763,308
Accrued interest payable	57,464	1,877,541	1,935,005	-
Due to other governmental units	172,046	-	172,046	-
Due to primary government	-	-	-	194,283
Deposits held in escrow	-	77,375	77,375	-
Unearned revenue	110,132	-	110,132	-
Long-term liabilities:				
Due within one year	747,351	9,653,827	10,401,178	160,466
Due in more than one year	7,820,738	7,286,270	15,107,008	10,962,489
Total liabilities	\$ 9,481,506	\$ 18,992,833	\$ 28,474,339	\$ 12,536,313
DEFERRED INFLOWS OF RESOURCES				
Pension related items	\$ 323,290	\$ 157,485	\$ 480,775	\$ 1,218,668
OPEB related items	24,963	5,037	30,000	98,000
Deferred revenue - property taxes	908,072	-	908,072	-
Total deferred inflows of resources	\$ 1,256,325	\$ 162,522	\$ 1,418,847	\$ 1,316,668
NET POSITION				
Net investment in capital assets	\$ 9,418,051	\$ (421,031)	\$ 8,997,020	\$ 3,900,860
Restricted:				
Community development block grant	95,245	-	95,245	-
Repayment of loans payable	113,427	589,348	702,775	-
Unrestricted (deficit)	(143,522)	(2,240,550)	(2,384,072)	(10,977,285)
Total net position	\$ 9,483,201	\$ (2,072,233)	\$ 7,410,968	\$ (7,076,425)

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

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City of Buena Vista, Virginia

Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,436,939	\$ 3,507	\$ 392,436	\$ -
Judicial administration	880,505	881	299,430	-
Public safety	2,864,208	81,260	693,007	-
Public works	2,316,348	677,866	1,426,441	-
Health and welfare	2,534,961	-	1,734,469	-
Education	2,917,688	-	-	-
Parks, recreation, and cultural	606,652	91,188	-	-
Community development	464,611	-	-	-
Interest on long-term debt	183,087	-	-	-
Total governmental activities	<u>\$ 14,204,999</u>	<u>\$ 854,702</u>	<u>\$ 4,545,783</u>	<u>\$ -</u>
Business-type activities:				
Water and Sewer	\$ 2,269,976	\$ 2,042,514	\$ -	\$ -
Golf Course	1,035,255	301,263	-	-
Total business-type activities	<u>\$ 3,305,231</u>	<u>\$ 2,343,777</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u><u>\$ 17,510,230</u></u>	<u><u>\$ 3,198,479</u></u>	<u><u>\$ 4,545,783</u></u>	<u><u>\$ -</u></u>
COMPONENT UNIT:				
School Board	\$ 11,294,097	\$ 131,916	\$ 8,184,562	\$ -
Total component unit	<u>\$ 11,294,097</u>	<u>\$ 131,916</u>	<u>\$ 8,184,562</u>	<u>\$ -</u>

General revenues:

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

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	School Board	
\$ (1,040,996)	\$ -	\$ (1,040,996)	\$	-
(580,194)	-	(580,194)		-
(2,089,941)	-	(2,089,941)		-
(212,041)	-	(212,041)		-
(800,492)	-	(800,492)		-
(2,917,688)	-	(2,917,688)		-
(515,464)	-	(515,464)		-
(464,611)	-	(464,611)		-
(183,087)	-	(183,087)		-
<u>\$ (8,804,514)</u>	<u>\$ -</u>	<u>\$ (8,804,514)</u>	<u>\$</u>	<u>-</u>
\$ -	\$ (227,462)	\$ (227,462)	\$	-
-	(733,992)	(733,992)		-
<u>\$ -</u>	<u>\$ (961,454)</u>	<u>\$ (961,454)</u>	<u>\$</u>	<u>-</u>
<u>\$ (8,804,514)</u>	<u>\$ (961,454)</u>	<u>\$ (9,765,968)</u>	<u>\$</u>	<u>-</u>
\$ -	\$ -	\$ -	\$	(2,977,619)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$</u>	<u>(2,977,619)</u>
\$ 6,027,804	\$ -	\$ 6,027,804	\$	-
388,643	-	388,643		-
267,128	-	267,128		-
314,150	-	314,150		-
176,301	-	176,301		-
161,220	-	161,220		-
211,825	-	211,825		-
174,807	7,335	182,142		111
228,992	8,663	237,655		-
959,916	-	959,916		2,881,215
(253,937)	253,937	-		-
<u>\$ 8,656,849</u>	<u>\$ 269,935</u>	<u>\$ 8,926,784</u>	<u>\$</u>	<u>2,881,326</u>
<u>\$ (147,665)</u>	<u>\$ (691,519)</u>	<u>\$ (839,184)</u>	<u>\$</u>	<u>(96,293)</u>
<u>9,630,866</u>	<u>(1,380,714)</u>	<u>8,250,152</u>		<u>(6,980,132)</u>
<u>\$ 9,483,201</u>	<u>\$ (2,072,233)</u>	<u>\$ 7,410,968</u>	<u>\$</u>	<u>(7,076,425)</u>

FUND FINANCIAL STATEMENTS

Balance Sheet
Governmental Funds
June 30, 2018

	General	School Construction Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 1,610,894	\$ -	\$ 92,443	\$ 1,703,337
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,546,899	-	-	1,546,899
Accounts receivable	177,800	-	34,884	212,684
Due from other funds	59,363	-	-	59,363
Due from component unit	194,283	-	-	194,283
Due from other governmental units	1,346,868	-	-	1,346,868
Inventories	16,472	-	-	16,472
Prepaid items	77,044	-	818	77,862
Restricted assets:				
Cash and cash equivalents	113,427	-	-	113,427
Total assets	<u>\$ 5,143,050</u>	<u>\$ -</u>	<u>\$ 128,145</u>	<u>\$ 5,271,195</u>
LIABILITIES				
Accounts payable	\$ 459,996	\$ 14,374	\$ 20,825	\$ 495,195
Accrued liabilities	76,818	-	1,762	78,580
Due to other governmental units	172,046	-	-	172,046
Unearned revenue	110,132	-	-	110,132
Total liabilities	<u>\$ 818,992</u>	<u>\$ 14,374</u>	<u>\$ 22,587</u>	<u>\$ 855,953</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	<u>\$ 1,682,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,682,632</u>
FUND BALANCES (DEFICITS)				
Nonspendable:				
Prepaid items	\$ 77,044	\$ -	\$ 818	\$ 77,862
Inventory	16,472	-	-	16,472
Restricted:				
Repayment of loans payable	113,427	-	-	113,427
Community development block grant	-	-	95,245	95,245
Assigned:				
Senior Center	-	-	6,818	6,818
Green Hill Cemetary	-	-	19,035	19,035
Unassigned	2,434,483	(14,374)	(16,358)	2,403,751
Total fund balances	<u>\$ 2,641,426</u>	<u>\$ (14,374)</u>	<u>\$ 105,558</u>	<u>\$ 2,732,610</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,143,050</u>	<u>\$ -</u>	<u>\$ 128,145</u>	<u>\$ 5,271,195</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2018

Amounts reported for governmental activities in the statement of net position are differ

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	2,732,610
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	2,146,648	
Buildings and improvements		8,459,121	
Machinery and equipment		750,623	
Infrastructure		<u>2,719,729</u>	
			14,076,121

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

Deferred revenue - property taxes	\$	<u>774,560</u>	774,560
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds

Pension related items	\$	849,583	
OPEB related items		<u>24,133</u>	
			873,716

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	\$	(394,068)	
Accrued interest payable		(57,464)	
Capital leases payable		(357,192)	
Loans payable		(3,906,810)	
Compensated absences		(210,965)	
Net pension liability		(2,610,889)	
Net OPEB liability		<u>(1,088,165)</u>	
			(8,625,553)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$	(323,290)	
OPEB related items		<u>(24,963)</u>	
			<u>(348,253)</u>

Net position of governmental activities	\$	<u><u>9,483,201</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2018

	General	School Construction Fund	Other Governmental Funds	Total
REVENUES				
General property taxes	\$ 6,005,861	\$ -	\$ -	\$ 6,005,861
Other local taxes	1,519,267	-	-	1,519,267
Permits, privilege fees, and regulatory licenses	37,805	-	-	37,805
Fines and forfeitures	66,589	-	-	66,589
Revenue from the use of money and property	42,941	9,145	122,721	174,807
Charges for services	703,020	-	47,288	750,308
Miscellaneous	212,918	-	16,074	228,992
Recovered costs	24,979	-	8,523	33,502
Intergovernmental:				
Local government	-	193,474	-	193,474
Commonwealth	4,931,116	-	-	4,931,116
Federal	381,109	-	-	381,109
Total revenues	\$ 13,925,605	\$ 202,619	\$ 194,606	\$ 14,322,830
EXPENDITURES				
Current:				
General government administration	\$ 1,126,123	\$ -	\$ -	\$ 1,126,123
Judicial administration	854,800	-	-	854,800
Public safety	2,858,765	-	-	2,858,765
Public works	2,427,429	-	-	2,427,429
Health and welfare	2,601,619	-	7,420	2,609,039
Education	2,648,982	-	-	2,648,982
Parks, recreation, and cultural	158,893	-	484,564	643,457
Community development	480,415	-	56	480,471
Capital projects	-	65	-	65
Debt service:				
Principal retirement	129,889	444,308	-	574,197
Interest and other fiscal charges	92,445	64,430	-	156,875
Total expenditures	\$ 13,379,360	\$ 508,803	\$ 492,040	\$ 14,380,203
Excess (deficiency) of revenues over (under) expenditures	\$ 546,245	\$ (306,184)	\$ (297,434)	\$ (57,373)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 10,000	\$ 305,637	\$ 356,570	\$ 672,207
Transfers out	(916,144)	-	(10,000)	(926,144)
Total other financing sources (uses)	\$ (906,144)	\$ 305,637	\$ 346,570	\$ (253,937)
Net change in fund balances	\$ (359,899)	\$ (547)	\$ 49,136	\$ (311,310)
Fund balances - beginning	3,001,325	(13,827)	56,422	3,043,920
Fund balances - ending	\$ 2,641,426	\$ (14,374)	\$ 105,558	\$ 2,732,610

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

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds	\$	(311,310)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded the capital outlays in the current period.

Capital outlays	\$	383,621	
Depreciation expense		(648,123)	
Allocation of debt financed school assets based on current year repayments		<u>(56,355)</u>	(320,857)

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

Property taxes	\$	<u>21,943</u>	21,943
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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.

Principal repayments	\$	<u>574,197</u>	574,197
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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.

Change in compensated absences	\$	16,733	
Change in accrued interest		(26,212)	
Pension expense		(79,318)	
OPEB expense		<u>(22,841)</u>	<u>(111,638)</u>

Change in net position of governmental activities	\$	<u><u>(147,665)</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds
June 30, 2018

	Enterprise Funds		
	Water & Sewer Fund	Golf Course Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,538,050	\$ 7,839	\$ 1,545,889
Accounts receivable, net of allowance for uncollectibles	340,062	6,735	346,797
Prepaid expenses	9,845	2,873	12,718
Total current assets	<u>\$ 1,887,957</u>	<u>\$ 17,447</u>	<u>\$ 1,905,404</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 929,007	\$ -	\$ 929,007
Cash and cash equivalents (in custody of others)	-	108,322	108,322
Total restricted assets	<u>\$ 929,007</u>	<u>\$ 108,322</u>	<u>\$ 1,037,329</u>
Capital assets:			
Land	\$ -	\$ 1,364,900	\$ 1,364,900
Buildings	-	722,543	722,543
Equipment	455,877	455,722	911,599
Infrastructure	16,709,791	5,854,800	22,564,591
Accumulated depreciation	(10,513,023)	(1,001,216)	(11,514,239)
Total capital assets	<u>\$ 6,652,645</u>	<u>\$ 7,396,749</u>	<u>\$ 14,049,394</u>
Total noncurrent assets	<u>\$ 7,581,652</u>	<u>\$ 7,505,071</u>	<u>\$ 15,086,723</u>
Total assets	<u>\$ 9,469,609</u>	<u>\$ 7,522,518</u>	<u>\$ 16,992,127</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 124,388	\$ 21,100	\$ 145,488
OPEB related items	4,164	706	4,870
Total deferred outflows of resources	<u>\$ 128,552</u>	<u>\$ 21,806</u>	<u>\$ 150,358</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 78,318	\$ 12,106	\$ 90,424
Accrued liabilities	5,496	1,900	7,396
Due to other funds	-	59,363	59,363
Accrued interest payable	83,872	1,793,669	1,877,541
Customer deposits	77,375	-	77,375
Other obligations - current portion	-	1,201,840	1,201,840
Bonds payable - current portion	130,593	8,251,542	8,382,135
Compensated absences - current portion	35,354	34,498	69,852
Total current liabilities	<u>\$ 411,008</u>	<u>\$ 11,354,918</u>	<u>\$ 11,765,926</u>
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 5,838,107	\$ 698,164	\$ 6,536,271
Net OPEB liabilities	197,462	38,373	235,835
Compensated absences - net of current portion	11,785	11,499	23,284
Net pension liability	418,903	71,977	490,880
Total noncurrent liabilities	<u>\$ 6,466,257</u>	<u>\$ 820,013</u>	<u>\$ 7,286,270</u>
Total liabilities	<u>\$ 6,877,265</u>	<u>\$ 12,174,931</u>	<u>\$ 19,052,196</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 141,343	\$ 16,142	\$ 157,485
OPEB related items	4,307	730	5,037
Total deferred inflows of resources	<u>\$ 145,650</u>	<u>\$ 16,872</u>	<u>\$ 162,522</u>
NET POSITION			
Net investment in capital assets	\$ 1,131,926	\$ (1,552,957)	\$ (421,031)
Restricted for debt service and bond covenants	481,026	108,322	589,348
Unrestricted	962,294	(3,202,844)	(2,240,550)
Total net position	<u>\$ 2,575,246</u>	<u>\$ (4,647,479)</u>	<u>\$ (2,072,233)</u>

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended June 30, 2018

	Enterprise Funds		
	Water & Sewer Fund	Golf Course	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 1,029,827	\$ -	\$ 1,029,827
Sewer revenues	900,313	-	900,313
Penalties	50,816	-	50,816
Course fees	-	112,190	112,190
Golf cart rentals	-	157,287	157,287
Golf clubs and balls	-	12,022	12,022
Meter service charges	45,318	-	45,318
Reconnection fees and other charges	16,240	-	16,240
Food and beverage sales	-	19,764	19,764
Miscellaneous	7,850	813	8,663
Total operating revenues	<u>\$ 2,050,364</u>	<u>\$ 302,076</u>	<u>\$ 2,352,440</u>
OPERATING EXPENSES			
Personal services	\$ 624,545	\$ 200,853	\$ 825,398
Fringe benefits	245,514	46,286	291,800
Contractual services	84,047	-	84,047
Other charges	513,956	206,983	720,939
Depreciation	418,026	49,009	467,035
Rentals and leases	98	35,535	35,633
Total operating expenses	<u>\$ 1,886,186</u>	<u>\$ 538,666</u>	<u>\$ 2,424,852</u>
Operating income (loss)	<u>\$ 164,178</u>	<u>\$ (236,590)</u>	<u>\$ (72,412)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	\$ 7,335	\$ -	\$ 7,335
Interest expense	(322,088)	(496,589)	(818,677)
Nutrient credit purchase	(61,702)	-	(61,702)
Total nonoperating revenues (expenses)	<u>\$ (376,455)</u>	<u>\$ (496,589)</u>	<u>\$ (873,044)</u>
Income before transfers	<u>\$ (212,277)</u>	<u>\$ (733,179)</u>	<u>\$ (945,456)</u>
Transfers in	<u>\$ -</u>	<u>\$ 253,937</u>	<u>\$ 253,937</u>
Change in net position	<u>\$ (212,277)</u>	<u>\$ (479,242)</u>	<u>\$ (691,519)</u>
Total net position - beginning, as restated	<u>2,787,523</u>	<u>(4,168,237)</u>	<u>(1,380,714)</u>
Total net position - ending	<u>\$ 2,575,246</u>	<u>\$ (4,647,479)</u>	<u>\$ (2,072,233)</u>

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

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2018

	Enterprise Funds		
	Water & Sewer Fund	Golf Course	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,073,751	\$ 297,181	\$ 2,370,932
Payments to suppliers	(593,352)	(246,928)	(840,280)
Payments to employees	(838,760)	(240,479)	(1,079,239)
Net cash provided by (used for) operating activities	\$ 649,489	\$ (190,226)	\$ 459,263
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	\$ -	\$ 253,937	\$ 253,937
Net cash provided by (used for) noncapital financing activities	\$ -	\$ 253,937	\$ 253,937
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	\$ (144,040)	\$ -	\$ (144,040)
Purchase of nutrient credits	(61,702)	-	(61,702)
Principal payments on bonds	(148,509)	(21,137)	(169,646)
Interest expense	(323,977)	(44,071)	(368,048)
Net cash provided by (used for) capital and related financing activities	\$ (678,228)	\$ (65,208)	\$ (743,436)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	\$ 7,335	\$ -	\$ 7,335
Net cash provided by (used in) investing activities	\$ 7,335	\$ -	\$ 7,335
Net increase (decrease) in cash and cash equivalents	\$ (21,404)	\$ (1,497)	\$ (22,901)
Cash and cash equivalents - beginning, including restricted cash of \$1,115,809 and \$110,299, respectively	2,488,461	117,658	2,606,119
Cash and cash equivalents - ending, including restricted cash of \$929,007 and \$108,322, respectively	\$ 2,467,057	\$ 116,161	\$ 2,583,218
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 164,178	\$ (236,590)	\$ (72,412)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 418,026	\$ 49,009	\$ 467,035
(Increase) decrease in accounts receivable	24,987	(4,895)	20,092
(Increase) decrease in deferred outflows of resources	19,262	3,337	22,599
Increase (decrease) in compensated absences	8,078	3,434	11,512
Increase (decrease) in net OPEB liabilities	816	150	966
Increase (decrease) in accounts payable	4,749	(4,410)	339
Increase (decrease) in customer deposits	6,250	-	6,250
Increase (decrease) in accrued liabilities	119	23	142
Increase (decrease) in deferred inflows of resources	63,708	9,028	72,736
Increase (decrease) in net pension liability	(60,684)	(9,312)	(69,996)
Total adjustments	\$ 485,311	\$ 46,364	\$ 531,675
Net cash provided by (used for) operating activities	\$ 649,489	\$ (190,226)	\$ 459,263

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2018

	Blues Education Foundation Private-Purpose Trust	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 12,515	\$ 1,913
Total assets	<u>\$ 12,515</u>	<u>\$ 1,913</u>
LIABILITIES		
Amounts held for social services clients	\$ -	\$ 1,913
Total liabilities	<u>\$ -</u>	<u>\$ 1,913</u>
NET POSITION		
Restricted for grant awards	\$ 12,515	\$ -
Total net position	<u>\$ 12,515</u>	<u>\$ -</u>

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

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 Year Ended June 30, 2018

	Blues Education Foundation Private-Purpose Trust
ADDITIONS	
Contributions and events:	
Donations	\$ 650
Event revenue	2,648
Total contributions	\$ 3,298
Investment earnings:	
Interest	\$ 2
Total investment earnings	\$ 2
Total additions	\$ 3,300
DEDUCTIONS	
Grants awarded	\$ 4,213
Total deductions	\$ 4,213
Change in net position	\$ (913)
Net position - beginning	13,428
Net position - ending	\$ 12,515

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

CITY OF BUENA VISTA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Financial Reporting Entity

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

Blended Component Units – The City has no blended component units for the year ended June 30, 2018.

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

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

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

Other Organizations:

Included in the City's Financial Report: None

Excluded from the City's Financial Report:

Rockbridge Area Community Services Board:

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

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

A. Financial Reporting Entity (continued)

Other Organizations: (continued)

Maury Service Authority:

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

Rockbridge County Regional Jail Commission:

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

Rockbridge Regional Public Safety Communications Center:

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the City.

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

The government reports the following major governmental funds:

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

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

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

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

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

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

1. Cash and Cash Equivalents

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

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

2. Receivables and payables

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

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

3. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable in two installments on June 5th and December 5th. Personal property taxes are also payable in two installments on June 5th and December 5th. The City bills and collects its own property taxes.

4. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$217,401 at June 30, 2018 and is comprised of property tax and water and sewer receivables of \$118,895, and \$98,506, respectively.

5. Use of Estimates

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)****6. Capital assets**

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

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

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

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

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

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

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

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

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

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

7. *Compensated Absences*

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

8. *Long-term obligations*

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

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

9. *Fund equity*

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

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

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

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

9. Fund equity (continued)

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

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

10. Net Position

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

11. Net Position Flow Assumption

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

12. Prepaid Items

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

13. Restricted Assets

The enterprise funds maintain restricted cash for debt service that are limited by applicable bond covenants. At June 30, 2018 the general, golf, and water and sewer funds had restricted cash for debt service of \$113,427, \$108,322, and \$481,026, respectively. Additionally, the water and sewer fund had unspent bond proceeds of \$447,981.

As of June 30, 2018 the City was not in compliance with the bond agreement for the Series 2005A lease revenue bonds for the golf course fund. The 2005A bond agreement indicates that the City is required to maintain the lesser of the maximum annual debt services on the bonds or 10% of the stated principal amount of the bonds in a debt service reserve account. At year end the balance in the restricted debt service account was \$108,322.

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

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

14. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has multiple items to report in this category. One item is comprised of certain items related to the measurement of the net pension asset or liability, and net OPEB liabilities. The other item is comprised of contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset or liability, and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has multiple types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset or liability, and the OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

15. Pensions

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

16. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the Programs' OPEB, and the related OPEB expenses, information about the fiduciary net position of the VRS Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Medical, Dental, and Prescription Insurance – Pay as You Go Program

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined based on an actuarial valuation. Benefit payments are recognized when due and payable in accordance with the benefit terms.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 2—ADOPTION OF ACCOUNTING PRINCIPLES:

The City implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the City implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

	Governmental Activities	Business-type Activities	Total Primary Government	Component Unit School Board
Net Position as reported at June 30, 2017	\$ 10,313,294	\$ (1,249,142)	\$ 9,064,152	\$ (4,692,132)
Implementation of GASB 75:				
To record the Group Life Insurance (GLI) net OPEB liability and related deferred outflow of resources as of June 30, 2017				
GLI net OPEB liability at June 30, 2017, as restated	(252,125)	(50,875)	(303,000)	(543,000)
Deferred outflow of resources related to GLI net OPEB Liability at June 30, 2017, as restated	14,978	3,022	18,000	28,000
To remove OPEB health insurance obligation as reported under GASB 45	383,726	100,275	484,001	496,000
To record the net OPEB liability for health insurance based on actuarial valuation	(829,007)	(183,994)	(1,013,001)	(1,455,000)
To record the Health Insurance Credit (HIC) Program net OPEB liability and related deferred outflow of resources as of June 30, 2017				
HIC net OPEB liability at June 30, 2017, as restated	-	-	-	(872,000)
Deferred outflow of resources related to HIC net OPEB liability at June 30, 2017, as restated	-	-	-	58,000
Net Position as restated at June 30, 2017	\$ <u>9,630,866</u>	\$ <u>(1,380,714)</u>	\$ <u>8,250,152</u>	\$ <u>(6,980,132)</u>

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

1. Prior to April 30, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budgets include proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an appropriations ordinance.
4. The Appropriations Ordinance places legal restrictions on expenditures at the department level. The appropriation for each department can be revised only by the City Council. The City Manager is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts between the school system's departments without the approval of the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Capital Projects and Proprietary Funds.
6. Budgets for all funds are legally adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All appropriations lapse at year-end.
8. Budgetary data presented in the accompanying financial statements includes both the original and the amended budget for the year ended June 30, 2018. Several supplemental appropriations were necessary during the year.
9. The following funds have legally adopted budgets: General, Park and Recreation, Emergency 911, Senior Center, School Construction, Flood Protection, Water and Sewer, Golf Course, School Operating and School Cafeteria Funds. The legal level of control, the level on which expenditures may not legally exceed appropriations, is the departmental level.
10. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the City's accounting system.

B. Excess of expenditures over appropriations

For the year ended June 30, 2018, the following funds incurred expenditures exceeding appropriations:

Fund	Excess Expenditures over Appropriations
General	\$ 310,066
CDBG fund	56
School Construction	65
Total All Funds	<u>\$ 310,187</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

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

C. Deficit fund equity

At June 30, 2018, the parks and recreation, golf course, school construction, and school health insurance funds had deficit fund equity of \$15,540, \$4,647,479, \$14,374, and \$168,592 respectively.

NOTE 4—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

Custodial Credit Risk (Investments)

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

City's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government	
Investment Pool	\$ 15,065
Total	\$ 15,065

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 4—DEPOSITS AND INVESTMENTS (CONTINUED):

External Investment Pool

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

Interest Rate Risk

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

	<u>Fair Value</u>	<u>Less than 1 yr</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>10+ years</u>
LGIP	\$ <u>15,065</u>	\$ <u>15,065</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

NOTE 5—JOINT VENTURES:

As described in Note 1-A, the following boards are construed as operating as joint ventures between the Cities of Lexington and Buena Vista and the County of Rockbridge. Summary financial information for the Boards at June 30, 2018 is provided below:

	<u>Maury Service Authority (1)</u>	<u>Rockbridge County Regional Jail Commission</u>	<u>Rockbridge Area Community Services Board</u>	<u>Rockbridge Regional Public Safety Communications Center</u>
Total assets and deferred outflows of resources	\$ 39,014,079	\$ 3,629,625	\$ 8,146,982	\$ 7,924,023
Total liabilities and deferred inflows of resources	13,813,532	1,869,022	6,105,297	7,649,343
Total net position	<u>\$ 25,200,547</u>	<u>\$ 1,760,603</u>	<u>\$ 2,041,685</u>	<u>\$ 274,680</u>
For the year ended June 30, 2018				
Operating revenue	\$ 2,916,462	\$ 3,689,920	\$ 4,244,891	\$ 273,685
Operating expenses	(3,232,335)	(3,722,362)	(8,346,399)	(1,749,170)
Nonoperating income (expense)	1,173,366	4,017	3,563,733	1,456,192
Change in net position	<u>\$ 857,493</u>	<u>\$ (28,425)</u>	<u>\$ (537,775)</u>	<u>\$ (19,293)</u>
Net position at beginning of year, as restated	24,343,054	1,789,028	2,579,460	293,973
Net position at end of year	<u>\$ 25,200,547</u>	<u>\$ 1,760,603</u>	<u>\$ 2,041,685</u>	<u>\$ 274,680</u>

(1) Maury Service Authority June 30, 2018 summary financial data was not available at the time of report issuance. June 30, 2017 data is presented above.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 6—DUE FROM OTHER GOVERNMENTS:

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

	Primary Government	Discretely Presented Component Unit School Board
<u>Federal Government:</u>		
Categorical aid - welfare	\$ 6,227	\$ -
Categorical aid - Edward Byrne Memorial JAG	77,700	-
Categorical aid - IDEA part B section 611 special education	-	67,424
Categorical aid - title I	-	24,164
Categorical aid - title II part A	-	6,146
Categorical aid - twenty-first century	-	99,645
Categorical aid - rural and low income	-	3,374
Categorical aid - IDEA part B section 619 special education preschool	-	1,965
Categorical aid - vocational education	-	19,601
<u>Commonwealth of Virginia:</u>		
State sales tax	68,036	86,401
Personal property tax relief funds	374,445	-
Communications tax	46,280	-
Comprehensive Service Act funds - Rockbridge County	681,131	-
Other state funds	93,049	-
Totals	<u>\$ 1,346,868</u>	<u>\$ 308,720</u>

NOTE 7—DUE TO OTHER GOVERNMENTS:

During fiscal year 2013 the City entered into an agreement with the County of Rockbridge, Virginia and the City of Lexington, Virginia in order to fund certain renovation improvements to the Rockbridge County Regional Jail. The agreement stipulates that each locality shall be responsible for a portion of the debt issued to finance the project. The City of Lexington serves as fiscal agent for the project and as such, will pay the annual debt service. The participating localities will reimburse the City of Lexington for the debt service. As of June 30, 2018 the portion of the debt allocable to the City of Buena Vista, Virginia amounted to \$172,046.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 8—INTERFUND OBLIGATIONS:

Fund	Due From Other Funds	Due To Other Funds	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:				
General Fund	\$ -	\$ 59,363	\$ -	\$ 194,283
Golf Course	59,363	-	-	-
Total Primary Government	\$ 59,363	\$ 59,363	\$ -	\$ 194,283
Component Unit-School Board:				
School Fund	\$ -	\$ -	\$ 194,283	\$ -
Total Component Unit	\$ -	\$ -	\$ 194,283	\$ -
Total reporting entity	\$ 59,363	\$ 59,363	\$ 194,283	\$ 194,283

The amount receivable from the component unit School Fund relates to cash necessary to cover the balance of local appropriations overspent at year-end due back from the School Fund. The amount payable to the General Fund from the Golf Course Fund resulted from a cash advance to the Golf Course Fund.

NOTE 9—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
Governmental activities:		
General Fund	\$ 10,000	\$ 916,144
Park Activities Fund	356,570	-
School Construction Fund	305,637	-
Green Hill Cemetery Fund	-	10,000
Total governmental activities	\$ 672,207	\$ 926,144
Business-type Activities:		
Golf Course Fund	\$ 253,937	\$ -
Total business-type activities	\$ 253,937	\$ -
Total primary government	\$ 926,144	\$ 926,144
Total interfund transfers	\$ 926,144	\$ 926,144

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 9—INTERFUND TRANSFERS (CONTINUED):

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

Transfers to/from other funds:

Transfer to the General Fund from the Green Hill Cemetery Fund: to fund capital projects	\$ 10,000
Transfer to the Park and Recreation Fund from the General Fund: to supplement Park and Recreation Fund operations	356,570
Transfer to School Construction Fund from the General Fund: to fund debt service payments for long-term obligations	305,637
Transfer to the Golf Course Fund from the General Fund to supplement Golf Course Fund operations	<u>253,937</u>
Total transfers	<u>\$ 926,144</u>

NOTE 10—LONG-TERM OBLIGATIONS:

Primary Government-Governmental Activities Obligations

The following is a summary of long-term obligation transactions for the City's governmental activities for the year ended June 30, 2018.

	Balance July 1, 2017 as Restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
<u>Governmental activities obligations:</u>				
General obligation bonds	\$ 417,249	\$ -	\$ 23,181	\$ 394,068
Literary loan	1,875,000	-	375,000	1,500,000
Capital leases	477,636	-	120,444	357,192
Loans payable	2,462,382	-	55,572	2,406,810
Net OPEB liabilities	1,081,132	76,435	69,402	1,088,165
Compensated absences	227,698	154,041	170,774	210,965
Net pension liability	<u>2,779,572</u>	<u>1,885,720</u>	<u>2,054,403</u>	<u>2,610,889</u>
Total governmental activities obligations	<u>\$ 9,320,669</u>	<u>\$ 2,116,196</u>	<u>\$ 2,868,776</u>	<u>\$ 8,568,089</u>

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Governmental Activities Obligations (Continued)

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2019	\$ 23,181	\$ 19,583
2020	23,181	19,583
2021	23,181	19,583
2022	23,181	19,583
2023	23,181	19,583
2024	23,181	19,583
2025	23,181	19,583
2026	23,181	19,583
2027	23,181	19,583
2028	23,181	19,583
2029	23,181	19,583
2030	23,181	19,583
2031	23,181	19,583
2032	23,181	19,583
2033	23,181	19,583
2034	23,181	19,583
2035	23,172	9,791
Totals	\$ <u>394,068</u>	\$ <u>323,119</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Governmental Activities Obligations (continued)

Year Ending June 30,	Literary Fund Loan		Capital Leases		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 375,000	\$ 30,000	\$ 125,158	\$ 12,352	\$ 65,788	\$ 97,640
2020	375,000	22,500	129,714	7,795	68,594	94,834
2021	375,000	15,000	50,404	3,070	71,523	91,905
2022	375,000	7,500	51,916	1,558	72,493	89,209
2023	-	-	-	-	77,134	87,234
2024	-	-	-	-	80,613	83,755
2025	-	-	-	-	84,256	80,112
2026	-	-	-	-	88,072	76,296
2027	-	-	-	-	92,069	72,300
2028	-	-	-	-	96,255	68,113
2029	-	-	-	-	100,640	63,728
2030	-	-	-	-	86,831	58,953
2031	-	-	-	-	79,079	56,114
2032	-	-	-	-	82,295	52,898
2033	-	-	-	-	85,645	49,548
2034	-	-	-	-	89,135	46,058
2035	-	-	-	-	92,770	42,423
2036	-	-	-	-	96,558	38,636
2037	-	-	-	-	100,504	34,690
2038	-	-	-	-	104,615	30,579
2039	-	-	-	-	108,898	26,295
2040	-	-	-	-	113,361	21,832
2041	-	-	-	-	118,012	17,182
2042	-	-	-	-	122,858	12,335
2043	-	-	-	-	127,909	7,285
2044	-	-	-	-	100,903	2,021
Totals	\$ <u>1,500,000</u>	\$ <u>75,000</u>	\$ <u>357,192</u>	\$ <u>24,775</u>	\$ <u>2,406,810</u>	\$ <u>1,401,975</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Governmental Activities Obligations (continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Governmental Activities Indebtedness:</u>		
<u>General Obligation Bonds:</u>		
\$509,973 School Tax Credit Bonds, Series 2012-1, dated September 26, 2012 maturing annually with principal payments of \$23,181 through December 1, 2034, with interest payable semi-annually at a rate of 1.9%. Interest is reimbursed by a federal interest subsidy.	\$ 394,068	\$ 23,181
Total general obligation bonds	\$ 394,068	\$ 23,181
<u>Loans Payable:</u>		
\$7,500,000 issued February 2, 2000, due in annual installments of \$375,000 plus interest at 2%, through 2022.	\$ 1,500,000	\$ 375,000
\$1,800,000 loan payable dated March 5, 2009, due in annual installments of \$109,179 including interest at 5% through 2044.	1,562,904	37,118
\$700,000 loan payable dated March 5, 2009, due in annual installments of \$42,459 including interest at 5% through 2044.	599,658	12,034
\$300,000 loan payable dated October 1, 2014, issued to finance the purchase of real property, due in monthly installments of \$2,431 including interest at 4.875% through October 1, 2029.	244,248	16,636
Total loans payable	\$ 3,906,810	\$ 440,788

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Governmental Activities Obligations (continued)

Details of long-term obligations (continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Governmental Activities Indebtedness: (continued)</u>		
<u>Capital Leases:</u>		
\$294,292 capital lease for school buses, dated July 7, 2015, due in annual payment of \$53,474, including interest at 3% through August 15, 2021.	\$ 198,768	\$ 47,511
\$97,045 capital lease for police cars, dated July 27, 2016, due in annual payment of \$35,107, including interest at 4%, through 2020.	66,184	32,438
\$135,697 capital lease for a refuse truck, dated July 8, 2016, due in annual payment of \$48,929, including interest at 4%, through 2020.	92,240	45,209
Sub-total capital leases	\$ 357,192	\$ 125,158
Net OPEB liabilities	\$ 1,088,165	\$ -
Compensated absences (payable from the General and Park and Recreation Funds)	\$ 210,965	\$ 158,224
Net pension liability	\$ 2,610,889	\$ -
Total governmental activities obligations	\$ 8,568,089	\$ 747,351

Primary Government-Business-type Activities Obligations

The following is a summary of changes in long-term obligation transactions for the City's enterprise funds for the year ended June 30, 2018:

	Balance July 1, 2017 as Restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
<u>Business-type activities obligations:</u>				
Revenue bonds	\$ 4,003,500	\$ -	\$ 115,000	\$ 3,888,500
Lease-revenue bonds	11,084,552	-	54,646	11,029,906
Other obligations	1,201,840	-	-	1,201,840
Net OPEB liabilities	234,869	14,566	13,600	235,835
Compensated absences	81,624	72,730	61,218	93,136
Net pension liabilities	560,876	348,480	418,476	490,880
Total business-type obligations	\$ 17,167,261	\$ 435,776	\$ 662,940	\$ 16,940,097

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Business-type Activities Obligations (Continued)

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

Year Ending June 30,	Revenue Bonds/Other Obligation	
	Principal	Interest
2019	\$ 9,583,975	\$ 360,069
2020	254,760	353,069
2021	267,505	341,402
2022	280,377	328,118
2023	293,380	314,190
2024	306,522	299,612
2025	324,807	282,699
2026	343,244	264,427
2027	361,838	245,098
2028	385,598	224,704
2029	404,530	201,768
2030	433,644	177,358
2031	457,945	151,255
2032	715,988	123,595
2033	107,151	81,960
2034	112,074	69,690
2035	117,223	64,541
2036	122,608	59,156
2037	128,240	53,524
2038	134,132	47,632
2039	140,294	41,470
2040	146,739	35,025
2041	153,480	28,284
2042	160,531	21,233
2043	167,905	13,859
2044	175,619	6,145
2045	40,137	290
Total	\$ <u>16,120,246</u>	\$ <u>4,190,173</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Business-type Activities Indebtedness:</u>		
<u>Revenue Bonds:</u>		
\$4,765,000, Series 2011A Revenue Bond, dated July 14, 2011, maturing semi-annually through 2032 with interest payable at rates varying from 3.625% to 6.500%. Principal payments vary from \$90,000 to \$615,000.	\$ 3,888,500	\$ 90,000
\$3,300,000 Rural Development Revenue Bond, Series 2004, dated November 18, 2004, issued through the Industrial Development Authority of Buena Vista at 4.50% interest per annum. Monthly payments of principal and interest of \$15,147 are due through September 18, 2044.	2,794,906	57,135
\$9,205,000 Lease-Revenue Bond, Series 2005A, dated April 14, 2005 issued through the Public Recreation Facilities Authority of Buena Vista at interest rates from 4.125% to 5.500% per annum. Semi-annual interest payments commence January 1, 2006 through maturity. Annual principal payments ranging from \$180,000 to \$630,000 commence July 1, 2010 through July 1, 2035. The City has ceased paying rent payments to the Public Recreational Facilities Authority of Buena Vista and the bonds are in default of the debt agreement. The full principal balance of the bonds is classified as current because violation of the debt agreement makes the full obligation callable by the lender. See Note 22 for additional information on events related to these bonds.	8,235,000	8,235,000
Sub-total revenue bonds	\$ <u>14,918,406</u>	\$ <u>8,382,135</u>
<u>Other Obligations:</u>		
Forbearance agreement dated July 18, 2011 for the deferral of 50% of the annual debt service on the Series 2005A lease revenue bond for fiscal years 2012 through 2016. The Deferred payments are payable to the bond insurer, ACA, in semi-annual installments commencing July 1, 2035 through January 1, 2040. See Note 22 for additional information on events related to this agreement.	\$ 1,201,840	\$ 1,201,840
Net OPEB liabilities	\$ 235,835	\$ -
Compensated absences (payable from the Water and Sewer and Golf Course Funds)	\$ 93,136	\$ 69,852
Net pension liability	\$ 490,880	\$ -
Total business-type activities indebtedness	\$ <u>16,940,097</u>	\$ <u>9,653,827</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

Discretely Presented Component Unit—School Board:

The following is a summary of long-term obligation transactions for the Discretely Presented Component Unit—School Board for the year ended June 30, 2018.

	Balance July 1, 2017 as Restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
<u>General Long-Term Obligations</u>				
Net OPEB liabilities	\$ 2,870,000	\$ 205,000	\$ 302,000	\$ 2,773,000
Compensated absences	187,312	307,859	281,216	213,955
Net pension liability	9,633,000	1,076,000	2,573,000	8,136,000
Total Long-Term Obligations	<u>\$ 12,690,312</u>	<u>\$ 1,588,859</u>	<u>\$ 3,156,216</u>	<u>\$ 11,122,955</u>

Details of Long-term Indebtedness:

	Total Amount	Amount Due Within One Year
Net OPEB liabilities	\$ 2,773,000	\$ -
Compensated absences (payable from the School Fund)	\$ 213,955	\$ 160,466
Net pension liability	\$ 8,136,000	\$ -
Total Long-term obligations, Discretely Presented Component Unit - School Board	<u>\$ 11,122,955</u>	<u>\$ 160,466</u>

NOTE 11—CAPITAL LEASES:

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

Asset:	Governmental Activities
Machinery and Equipment	\$ 527,234
Less: Accumulated depreciation	(174,983)
Total	<u>\$ 352,251</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2018, are as follows:

Year Ended June 30,	Governmental Activities
2019	\$ 137,510
2020	137,510
2021	53,474
2022	53,474
Total minimum lease payments	\$ 381,968
Less: Amount representing interest	(24,776)
Present value of minimum lease payments	<u>\$ 357,192</u>

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

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTE 12—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. *Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

NOTE 12—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 12—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 12—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 12—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) <u>Defined Contribution Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1

NOTE 12—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 12—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 12—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 12—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.

NOTE 12—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: •Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 12—PENSION PLAN: (CONTINUED)***Employees Covered by Benefit Terms***

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	72	26
Inactive members:		
Vested inactive members	6	4
Non-vested inactive members	10	20
Inactive members active elsewhere in VRS	25	6
Total inactive members	41	30
Active members	78	23
Total covered employees	191	79

Contributions

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

The City's contractually required employer contribution rate for the year ended June 30, 2018 was 13.17% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$420,150 and \$433,392 for the years ended June 30, 2018 and June 30, 2016, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 0.04% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were (\$0) and \$136 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability/Asset

The City's and Component Unit School Board's (nonprofessional) net pension liability/asset were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension liability/asset were determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the City's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 12—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related
Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates:

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service related
Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

NOTE 12—PENSION PLAN: (CONTINUED)***Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (Continued)***

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the City and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 12—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 17,898,005	\$ 14,557,557	\$ 3,340,448
Changes for the year:			
Service cost	\$ 421,410	\$ -	\$ 421,410
Interest	1,218,525	-	1,218,525
Changes in assumptions	(86,427)	-	(86,427)
Differences between expected and actual experience	550,201	-	550,201
Contributions - employer	-	433,392	(433,392)
Contributions - employee	-	167,101	(167,101)
Net investment income	-	1,753,735	(1,753,735)
Benefit payments, including refunds of employee contributions	(981,021)	(981,021)	-
Administrative expenses	-	(10,284)	10,284
Other changes	-	(1,556)	1,556
Net changes	\$ 1,122,688	\$ 1,361,367	\$ (238,679)
Balances at June 30, 2017	\$ 19,020,693	\$ 15,918,924	\$ 3,101,769

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 12—PENSION PLAN: (CONTINUED)

Changes in Net Pension (Asset)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a) - (b)
Balances at June 30, 2016	\$ 1,389,994	\$ 1,672,100	\$ (282,106)
Changes for the year:			
Service cost	\$ 38,384	\$ -	\$ 38,384
Interest	92,937	-	92,937
Changes in assumptions	(2,589)	-	(2,589)
Differences between expected and actual experience	47,166	-	47,166
Contributions - employer	-	104	(104)
Contributions - employee	-	16,246	(16,246)
Net investment income	-	197,169	(197,169)
Benefit payments, including refunds of employee contributions	(124,649)	(124,649)	-
Administrative expenses	-	(1,221)	1,221
Other changes	-	(172)	172
Net changes	\$ 51,249	\$ 87,477	\$ (36,228)
Balances at June 30, 2017	\$ 1,441,243	\$ 1,759,577	\$ (318,334)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
City of Buena Vista, Virginia			
Net Pension Liability	\$ 5,436,206	\$ 3,101,769	\$ 1,153,012
Component Unit School Board (nonprofessional)			
Net Pension Asset	\$ (182,165)	\$ (318,334)	\$ (434,962)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

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

For the year ended June 30, 2018, the City and Component Unit School Board (nonprofessional) recognized pension expense of \$521,618 and \$26,378 respectively. At June 30, 2018, the City and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 478,373	\$ 101,741	\$ 21,944	\$ -
Change in assumptions		61,007		1,205
Net difference between projected and actual earnings on pension plan investments	-	221,479	-	22,463
Impact of change in proportional allocation	96,548	96,548		
Employer contributions subsequent to the measurement date	420,150	-	-	-
Total	<u>\$ 995,071</u>	<u>\$ 480,775</u>	<u>\$ 21,944</u>	<u>\$ 23,668</u>

\$420,150 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30,	Primary Government	Component Unit School Board (nonprofessional)
2019	\$ 12,237	\$ 3,364
2020	173,480	10,077
2021	58,116	1,628
2022	(149,687)	(16,793)
Thereafter	-	-

NOTE 12—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$831,426 and \$752,811 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$8,163,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was .06616% as compared to .06874% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$548,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 12—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 576,000
Change in assumptions	119,000	-
Net difference between projected and actual earnings on pension plan investments	-	296,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	51,000	323,000
Employer contributions subsequent to the measurement date	<u>831,426</u>	<u>-</u>
Total	\$ <u><u>1,001,426</u></u>	\$ <u><u>1,195,000</u></u>

\$831,426 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30,</u>	
2019	\$ (372,000)
2020	(82,000)
2021	(167,000)
2022	(337,000)
2023	(67,000)
Thereafter	-

NOTE 12—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)***Actuarial Assumptions***

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Asests	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each one of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

NOTE 12—PENSION PLAN: (CONTINUED)**Component Unit School Board (professional) (Continued)*****Net Pension Liability***

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan are as follows (amounts expressed in thousands):

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	45,417,520
Plan Fiduciary Net Position		<u>33,119,545</u>
Employers' Net Pension Liability (Asset)	\$	<u><u>12,297,975</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		72.92%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 12—PENSION PLAN: (CONTINUED)**Component Unit School Board (professional) (Continued)*****Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

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

	Rate		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 12,150,000	\$ 8,136,000	\$ 4,816,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 13—LINE OF DUTY ACT (LODA) (OPEB BENEFITS):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The City has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the City to VACORP. VACORP assumes all liability for the City's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The City's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals.

NOTE 14—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN):***Plan Description***

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. • <u>Natural Death Benefit</u> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <u>Accidental Death Benefit</u> – The accidental death benefit is double the natural death benefit. • <u>Other Benefit Provisions</u> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: - o Accidental dismemberment benefit - o Safety belt benefit - o Repatriation benefit - o Felonious assault benefit - o Accelerated death benefit option

NOTE 14—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. City contributions to the Group Life Insurance Program were \$17,003 and \$17,389 for the years ended June 30, 2018 and June 30, 2017, respectively. School Board contributions to the Group Life Insurance Program for professional employees were \$27,208 and \$27,273, for the years ended June 30, 2018 and June 30, 2017 respectively. School Board contributions to the Group Life Insurance Program for nonprofessional employees were \$1,961 and \$1,778, for the years ended June 30, 2018 and June 30, 2017 respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the City reported a liability of \$272,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.01813% as compared to 0.01732% at June 30, 2016.

At June 30, 2018, the School Board reported liability of \$27,000 for nonprofessional employees and \$428,000 for professional employees for its proportionate share of the Net GLI OPEB Liability. At June 30, 2017, the participating employer's proportion for nonprofessional employees was 0.00185% as compared to 0.00191% at June 30, 2016. At June 30, 2017, the participating employer's proportion for School Board professional employees was 0.02843% as compared to 0.02916% at June 30, 2016.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 14—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)***

For the year ended June 30, 2018, the City recognized GLI OPEB expense of \$5,000, while the School Board recognized GLI OPEB expense of (\$1,000), and \$3,000 for nonprofessional and professional employees, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,000	\$ 6,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	10,000
Change in assumptions	-	14,000
Employer contributions subsequent to the measurement date	17,003	-
Total	<u>\$ 29,003</u>	<u>\$ 30,000</u>

	Component Unit School Board			
	Nonprofessional Employees Deferred Outflows of Resources	Deferred Inflows of Resources	Professional Employees Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,000	\$ -	\$ 10,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,000	-	16,000
Change in assumptions	-	1,000	-	22,000
Changes in proportion	-	-	-	11,000
Employer contributions subsequent to the measurement date	1,961	-	27,208	-
Total	<u>\$ 1,961</u>	<u>\$ 3,000</u>	<u>\$ 27,208</u>	<u>\$ 59,000</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 14—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

\$17,003, \$1,961 and \$27,208 for the City and School Board nonprofessional and professional employees respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Primary Government		Component Unit School Board			
		Nonprofessional Employees		Professional Employees	
		Year Ended		Year Ended	
June 30		June 30		June 30	
2019	\$ (4,000)	2019	\$ (1,000)	2019	\$ (12,000)
2020	(4,000)	2020	(1,000)	2020	(12,000)
2021	(4,000)	2021	(1,000)	2021	(12,000)
2022	(4,000)	2022	-	2022	(12,000)
2023	(2,000)	2023	-	2023	(8,000)
Thereafter	-	Thereafter	-	Thereafter	(3,000)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

General state employees	3.5% – 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

NOTE 14—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**Actuarial Assumptions (Continued)****Mortality Rates – General State Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality Rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

NOTE 14—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**Actuarial Assumptions (Continued)****Mortality Rates – Teachers (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Mortality Rates – SPORS Employees**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

NOTE 14—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)***Actuarial Assumptions (Continued)*****Mortality Rates – VaLORS Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

NOTE 14—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)***Actuarial Assumptions (Continued)*****Mortality Rates – JRS Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

NOTE 14—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)***Actuarial Assumptions (Continued)*****Mortality Rates – Largest Ten Locality Employers – General Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

NOTE 14—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)***Actuarial Assumptions (Continued)*****Mortality Rates – Non-Largest Ten Locality Employers – General Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

NOTE 14—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)***Actuarial Assumptions (Continued)*****Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

NOTE 14—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)***Actuarial Assumptions (Continued)*****Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NOTE 14—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**NET GLI OPEB Liability**

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$	1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

NOTE 14—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)***Discount Rate***

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
City's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 353,000	\$ 272,000	\$ 208,000
School Board's proportionate share of the Group Life Insurance Program Net OPEB Liability - nonprofessional employees	\$ 36,000	\$ 27,000	\$ 21,000
School Board's proportionate share of the Group Life Insurance Program Net OPEB Liability - professional employees	\$ 553,000	\$ 428,000	\$ 326,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN):***Plan Description***

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
Eligible Employees The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: • Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
Benefit Amounts The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees: • <u>At Retirement</u> – For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • <u>Disability Retirement</u> – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: - o \$4.00 per month, multiplied by twice the amount of service credit, or - o \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
Health Insurance Credit Program Notes: • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

**NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN):
(CONTINUED)****Contributions**

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$64,279 and \$58,129 for the years ended June 30, 2018 and June 30, 2017, respectively.

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB

At June 30, 2018, the school division reported a liability of \$842,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was .06636% as compared to 0.06873% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$64,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	\$ -	\$ 2,000
Change in assumptions	-	8,000
Change in proportion	-	26,000
Employer contributions subsequent to the measurement date	64,279	-
Total	<u>\$ 64,279</u>	<u>\$ 36,000</u>

**NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN):
(CONTINUED)*****Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (Continued)***

\$64,279 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (6,000)
2020	(6,000)
2021	(6,000)
2022	(6,000)
2023	(5,000)
Thereafter	(7,000)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

**NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN):
(CONTINUED)*****Actuarial Assumptions (Continued)*****Mortality Rates – Teachers*****Actuarial Assumptions***

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

**NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN):
(CONTINUED)**

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,364,702
Plan Fiduciary Net Position		96,091
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,268,611</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		7.04%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	2.50%
		*Expected arithmetic nominal return	<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

**NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN):
(CONTINUED)*****Discount Rate***

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan				
Net HIC OPEB Liability	\$	939,000	\$ 842,000	\$ 759,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 16—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN):***Plan Description***

In addition to the pension benefits described in Note 10, the City administers a single-employer defined benefit healthcare plan, the City of Buena Vista OPEB Plan. The plan provides post-employment health care benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

The School Board also administers a single-employer defined benefit healthcare plan, the City of Buena Vista School Board OPEB Plan. Similar to the City of Buena Vista OPEB Plan, this plan provides post-employment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The School Board plan does not issue a publicly available financial report.

Benefits Provided

Post-employment benefits are provided to eligible retirees include Medical, Dental, and Prescription insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the County who meet eligibility requirements of the pension plan are eligible to receive post-employment health care benefits if they have at least 5 years of service with the County. All permanent employees of the School Board who meet eligibility requirements of the pension plan are eligible to receive post-employment health care benefits if they have at least 10 years of service with the School Board.

Plan Membership

At July 1, 2017 (the measurement date), the following employees were covered by the benefit terms:

	Primary Government	Component Unit School Board
Total active employees with coverage	66	129
Total retirees with coverage	3	20
Total	69	149

Contributions

The County and School Board do not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County or the School board for the respective plans. The amount paid by the City for OPEB as the benefits came due during the year ended June 30, 2018 was \$35,000. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2018 was \$118,000.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

**NOTE 16—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN):
(CONTINUED)**

Total OPEB Liability

The City's and School Board's total OPEB liabilities were measured as of July 1, 2017. The total OPEB liabilities were determined by actuarial valuations as of that date.

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuations for the County and for the School Board were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Salary Increases	2.5% per year for general salary inflations
Discount Rate	The discount rate has been set to equal 3.56% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2017
Investment Rate of Return	N/A

Mortality rates for Active employees and healthy retirees were based on a RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is selected from a range of 20-Year Municipal Bond Indices and include the Bond Buyer 11-Bond GO Index, the S&P Municipal Bond 20-Year High Grade Rate Index, and the Fidelity 20-Year GO Municipal Bond Index. The final equivalent single discount rate used for this year's valuation is 3.56% as of the end of the fiscal year with the expectation that the County and School Board will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Changes in Total OPEB Liability

	Primary Government Total OPEB Liability	Component Unit School Board Total OPEB Liability
Balances at June 30, 2017	\$ 1,013,000	\$ 1,455,000
Changes for the year:		
Service cost	37,000	86,000
Interest	37,000	53,000
Benefit payments	(35,000)	(118,000)
Net changes	39,000	21,000
Balances at June 30, 2018	\$ 1,052,000	\$ 1,476,000

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

**NOTE 16—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN):
(CONTINUED)**

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liabilities of the County and School Board, as well as what the total OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current discount rate:

	Rate		
	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Primary Government			
\$	1,164,000	\$ 1,052,000	\$ 951,000
Component Unit School Board			
\$	1,586,000	\$ 1,476,000	\$ 1,374,000

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liabilities of the County and School Board, as well as what the total OPEB liabilities would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current healthcare cost trend rates:

	Rates		
	1% Decrease (5.5% decreasing to 4.00%)	Healthcare Cost Trend (6.50% decreasing to 5.00%)	1% Increase (7.5% decreasing to 6.00%)
Primary Government			
\$	927,000	\$ 1,052,000	\$ 1,198,000
Component Unit School Board			
\$	1,341,000	\$ 1,476,000	\$ 1,634,000

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the Primary Government recognized OPEB expense in the amount of \$74,000. The School Board recognized OPEB expense in the amount of \$139,000. At June 30, 2018, the Primary Government and School Board did not report any deferred outflows of resources or deferred inflows of resources related to OPEB.

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found on the required supplementary information following the notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 17—DEFERRED, UNAVAILABLE, AND UNEARNED REVENUE:

Deferred and unavailable revenue represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred and unavailable revenue in the government-wide financial statements and fund financial statements totaling \$908,072, and \$1,682,632, respectively is comprised of the following:

- A. Prepaid Property Taxes—Property taxes due subsequent to June 30, 2018 but paid in advance by the taxpayers totaled \$198,349 at June 30, 2018.
- B. Unbilled Property Taxes—Property taxes for the second half of 2018 that had not been billed as of June 30, 2018 amounted to \$709,723.
- C. Unavailable Property Taxes—Uncollected tax billings not available for funding of current expenditures totaled \$774,560.

Unearned revenue reported in the primary government represents lease revenue of \$110,132, which is available to fund current expenditures.

NOTE 18—CONTINGENT LIABILITIES:

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

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

The City along with the City of Lexington and County of Rockbridge, have entered into an agreement with the Rockbridge Regional Public Safety Communications Center, for the purpose of providing contributions for the payment of debt associated with its radio upgrade project through June 30, 2030. Each locality will contribute a percentage of the total cost of the upgrade based upon its annual assessed value of real estate. The County of Rockbridge is serving as fiscal agent for the radio upgrade project. The amount owed by the Rockbridge Regional Public Safety Communications Center on the capital lease obligation at June 30, 2018 was \$6,812,423 and an annual payment of \$757,744 will be paid by the Center through June 2030.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 19—HEALTH INSURANCE FUND:

The Buena Vista City School Board maintains an internal service fund entitled Health Insurance Fund that has been included in the discretely presented component unit financial statements. The purpose of this fund is to disclose the School Board's self-insured health insurance transactions for the fiscal year as required by GASB 10. The School Board uses Piedmont Community Health as the administrator of their self-insured plan. The Health Insurance fund pays Piedmont Community Health an administrative fee for these services. This fund serves the School Board component unit and accounts for the health insurance activities of the aforementioned funds but does not constitute a transfer of risk from the City.

Significant losses, over \$80,000, are covered by commercial insurance. Stop loss insurance coverage began in October 2015. During fiscal year 2087, there were no settlement amounts exceeding coverage.

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

Piedmont Community Health has established a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. At June 30, 2018 the plan liability was \$266,644. The net position of the Plan maintained by the School Board can be found on Exhibit 40. The following represents the change in approximate aggregate liabilities for the fund:

	Beginning of Fiscal Year (Surplus) Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End (Surplus) Liability
2017-2018	\$ 65,610	\$ 1,276,827	\$ 1,075,793	\$ 266,644
2016-2017	257,379	1,400,789	1,592,558	65,610
2015-2016	-	791,019	533,640	257,379

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 20—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2018 was as follows:

Primary Government

	Balance July 1, 2017	Increases	Decreases/ Transfers/ Reclassifications	Balance June 30, 2018
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 2,108,097	\$ 38,551	\$ -	\$ 2,146,648
Construction in progress	767,168	128,828	(895,996)	-
Total capital assets not being depreciated	\$ 2,875,265	\$ 167,379	\$ (895,996)	\$ 2,146,648
Capital assets being depreciated:				
Buildings and improvements	\$ 13,080,375	\$ -	\$ -	\$ 13,080,375
Infrastructure	28,138,633	-	895,996	29,034,629
Machinery and Equipment	3,081,674	216,242	(225,421)	3,072,495
Total capital assets being depreciated	\$ 44,300,682	\$ 216,242	\$ 670,575	\$ 45,187,499
Accumulated depreciation:				
Buildings and improvements	\$ (4,331,282)	\$ (289,972)	\$ -	\$ (4,621,254)
Infrastructure	(26,134,174)	(180,726)	-	(26,314,900)
Machinery and Equipment	(2,313,513)	(177,425)	169,066	(2,321,872)
Total accumulated depreciation	\$ (32,778,969)	\$ (648,123)	\$ 169,066	\$ (33,258,026)
Capital assets being depreciated, net	\$ 11,521,713	\$ (431,881)	\$ 839,641	\$ 11,929,473
Governmental activities capital assets, net	\$ 14,396,978	\$ (264,502)	\$ (56,355)	\$ 14,076,121
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 1,364,900	\$ -	\$ -	\$ 1,364,900
Construction in progress	7,750	78,756	(86,506)	-
Total capital assets not being depreciated	\$ 1,372,650	\$ 78,756	\$ (86,506)	\$ 1,364,900
Capital assets being depreciated:				
Infrastructure	\$ 22,478,085	\$ -	\$ 86,506	\$ 22,564,591
Buildings	722,543	-	-	722,543
Machinery and equipment	846,315	65,284	-	911,599
Total capital assets being depreciated	\$ 24,046,943	\$ 65,284	\$ 86,506	\$ 24,198,733
Accumulated depreciation:				
Infrastructure	\$ (10,106,538)	\$ (392,866)	\$ -	\$ (10,499,404)
Buildings	(220,602)	(49,009)	-	(269,611)
Machinery and equipment	(720,064)	(25,160)	-	(745,224)
Total accumulated depreciation	\$ (11,047,204)	\$ (467,035)	\$ -	\$ (11,514,239)
Capital assets being depreciated, net	\$ 12,999,739	\$ (401,751)	\$ 86,506	\$ 12,684,494
Business-type activities capital assets, net	\$ 14,372,389	\$ (322,995)	\$ -	\$ 14,049,394

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 CONTINUED

NOTE 20—CAPITAL ASSETS: (CONTINUED)

Primary Government (Continued)

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

Governmental activities:	
General government administration	\$ 297,621
Judicial administration	7,528
Public safety	66,542
Public works	50,605
Health and welfare	2,795
Education	212,286
Parks, recreation and cultural	10,746
Total depreciation expense - governmental activities	<u>\$ 648,123</u>
Business-type activities:	
Water and Sewer	\$ 418,026
Golf course	49,009
Total depreciation expense - business-type activities	<u>\$ 467,035</u>

Discretely Presented Component Unit

School Board

	Balance July 1, 2017	Increases	Decreases/ Transfers/ Reclassifications	Balance June 30, 2018
Governmental activities				
Capital assets not being depreciated:				
Land and land improvements	\$ 4,634	\$ -	\$ -	\$ 4,634
Total capital assets not being depreciated	<u>\$ 4,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,634</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 7,920,848	\$ 89,259	\$ -	\$ 8,010,107
Machinery and equipment	544,889	-	225,421	770,310
Total capital assets being depreciated	<u>\$ 8,465,737</u>	<u>\$ 89,259</u>	<u>\$ 225,421</u>	<u>\$ 8,780,417</u>
Accumulated depreciation:				
Buildings and improvements	\$ (4,004,707)	\$ (136,281)	\$ -	\$ (4,140,988)
Machinery and equipment	(531,810)	(42,327)	(169,066)	(743,203)
Total accumulated depreciation	<u>\$ (4,536,517)</u>	<u>\$ (178,608)</u>	<u>\$ (169,066)</u>	<u>\$ (4,884,191)</u>
Capital assets being depreciated, net	<u>\$ 3,929,220</u>	<u>\$ (89,349)</u>	<u>\$ 56,355</u>	<u>\$ 3,896,226</u>
Governmental activities capital assets, net	<u>\$ 3,933,854</u>	<u>\$ (89,349)</u>	<u>\$ 56,355</u>	<u>\$ 3,900,860</u>

Depreciation expense for the Component Unit School Board was \$178,608 for the year ended June 30, 2018 and was charged to the education function.

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

NOTE 21—RISK MANAGEMENT:

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

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

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

NOTE 22—ARBITRAGE REBATE COMPLIANCE:

As of June 30, 2018 and for the year then ended, the City was not liable for any amounts due under current rules governing arbitrage earnings.

NOTE 23—LITIGATION:

In June 2016, ACA Financial Guaranty Corporation filed a State suit against the City for its default on \$9.2 million in lease revenue bonds issued in 2005 to refund debt the City had incurred building Vista Links, a municipal golf course. In February 2017, the State suit was nonsuited by ACA and refiled in Federal court. The new Federal suit requests damages of at least \$75,000 in addition to the City making its lease payments. The Series 2005A lease revenue bonds are secured by the City's municipal building and police station in addition to the Vista Links municipal golf course. It is anticipated that failure to pay the debt service on the bonds may result in the loss of these properties, and will likely have a negative impact on the City's ability to borrow funds in future years. The City Council has since filed a Motion to Dismiss the Federal suit that was filed by ACA. The Motion to Dismiss is under consideration.

NOTE 24—COMMITMENTS AND CONTINGENCIES:

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

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

NOTE 24—COMMITMENTS AND CONTINGENCIES: (CONTINUED)

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

In June 2016, the ACA filed a State suit against the City requesting the City honor its obligations by making its obligated payments related to the lease revenue bonds. In February 2017, the ACA refiled its suit against the City in Federal court, requesting specified damages and repayment of the City's obligations. The City subsequently filed a Motion to Dismiss the Federal suit; the Motion to Dismiss is currently under Consideration.

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

NOTE 25—UPCOMING PRONOUNCEMENTS:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

NOTE 25—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 5,643,810	\$ 5,643,810	\$ 6,005,861	\$ 362,051
Other local taxes	1,474,015	1,474,015	1,519,267	45,252
Permits, privilege fees, and regulatory licenses	37,050	37,050	37,805	755
Fines and forfeitures	60,700	60,700	66,589	5,889
Revenue from the use of money and property	35,000	35,000	42,941	7,941
Charges for services	741,180	741,180	703,020	(38,160)
Miscellaneous	205,536	205,536	212,918	7,382
Recovered costs	-	712,872	24,979	(687,893)
Intergovernmental:				
Commonwealth	3,957,451	4,745,950	4,931,116	185,166
Federal	50,000	50,000	381,109	331,109
Total revenues	<u>\$ 12,204,742</u>	<u>\$ 13,706,113</u>	<u>\$ 13,925,605</u>	<u>\$ 219,492</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,218,119	\$ 1,229,119	\$ 1,126,123	\$ 102,996
Judicial administration	988,002	988,002	854,800	133,202
Public safety	2,448,857	2,580,390	2,858,765	(278,375)
Public works	1,951,261	2,549,885	2,427,429	122,456
Health and welfare	1,498,351	2,141,559	2,601,619	(460,060)
Education	2,619,211	2,619,211	2,648,982	(29,771)
Parks, recreation, and cultural	152,535	152,535	158,893	(6,358)
Community development	544,497	544,497	480,415	64,082
Debt service:				
Principal retirement	130,075	130,075	129,889	186
Interest and other fiscal charges	134,021	134,021	92,445	41,576
Total expenditures	<u>\$ 11,684,929</u>	<u>\$ 13,069,294</u>	<u>\$ 13,379,360</u>	<u>\$ (310,066)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 519,813</u>	<u>\$ 636,819</u>	<u>\$ 546,245</u>	<u>\$ (90,574)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 10,000	\$ 10,000
Transfers out	<u>(519,813)</u>	<u>(636,819)</u>	<u>(916,144)</u>	<u>(279,325)</u>
Total other financing sources (uses)	<u>\$ (519,813)</u>	<u>\$ (636,819)</u>	<u>\$ (906,144)</u>	<u>\$ (269,325)</u>
Net change in fund balances	\$ -	\$ -	\$ (359,899)	\$ (359,899)
Fund balances - beginning	-	-	3,001,325	3,001,325
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,641,426</u>	<u>\$ 2,641,426</u>

Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 421,410	\$ 370,108	\$ 376,655	\$ 357,099
Interest	1,218,525	1,193,493	1,122,225	1,081,457
Changes in assumptions	(86,427)			-
Differences between expected and actual experience	550,201	(234,737)	449,987	-
Benefit payments, including refunds of employee contributions	(981,021)	(961,506)	(900,002)	(812,332)
Net change in total pension liability	\$ 1,122,688	\$ 367,358	\$ 1,048,865	\$ 626,224
Total pension liability - beginning	17,898,005	17,530,647	16,481,782	15,855,558
Total pension liability - ending (a)	<u>\$ 19,020,693</u>	<u>\$ 17,898,005</u>	<u>\$ 17,530,647</u>	<u>\$ 16,481,782</u>
Plan fiduciary net position				
Contributions - employer	\$ 433,392	\$ 456,213	\$ 422,230	\$ 421,903
Contributions - employee	167,101	152,926	142,031	147,251
Net investment income	1,753,735	248,114	649,744	1,976,108
Benefit payments, including refunds of employee contributions	(981,021)	(961,506)	(900,002)	(812,332)
Administrative expense	(10,284)	(9,194)	(9,098)	(10,762)
Other	(1,556)	(107)	(136)	104
Net change in plan fiduciary net position	\$ 1,361,367	\$ (113,554)	\$ 304,769	\$ 1,722,272
Plan fiduciary net position - beginning	14,557,557	14,671,111	14,366,342	12,644,070
Plan fiduciary net position - ending (b)	<u>\$ 15,918,924</u>	<u>\$ 14,557,557</u>	<u>\$ 14,671,111</u>	<u>\$ 14,366,342</u>
City's net pension liability - ending (a) - (b)	\$ 3,101,769	\$ 3,340,448	\$ 2,859,536	\$ 2,115,440
Plan fiduciary net position as a percentage of the total pension liability	83.69%	81.34%	83.69%	87.16%
Covered payroll	\$ 3,343,997	\$ 3,112,616	\$ 2,867,942	\$ 2,947,103
City's net pension liability as a percentage of covered payroll	92.76%	107.32%	99.71%	71.78%

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

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 Component Unit School Board (nonprofessional)
 Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 38,384	\$ 36,487	\$ 36,673	\$ 35,849
Interest	92,937	90,797	90,772	89,028
Changes in assumptions	(2,589)	-	-	-
Differences between expected and actual experience	47,166	38,859	(1,342)	-
Benefit payments, including refunds of employee contributions	(124,649)	(146,497)	(105,003)	(94,923)
Net change in total pension liability	\$ 51,249	\$ 19,646	\$ 21,100	\$ 29,954
Total pension liability - beginning	1,389,994	1,370,348	1,349,248	1,319,294
Total pension liability - ending (a)	<u>\$ 1,441,243</u>	<u>\$ 1,389,994</u>	<u>\$ 1,370,348</u>	<u>\$ 1,349,248</u>
Plan fiduciary net position				
Contributions - employer	\$ 104	\$ 7,034	\$ 7,976	\$ 16,821
Contributions - employee	16,246	16,078	17,257	16,427
Net investment income	197,169	27,381	78,925	246,211
Benefit payments, including refunds of employee contributions	(124,649)	(146,497)	(105,003)	(94,923)
Administrative expense	(1,221)	(1,148)	(1,143)	(1,367)
Other	(172)	(12)	(17)	13
Net change in plan fiduciary net position	\$ 87,477	\$ (97,164)	\$ (2,005)	\$ 183,182
Plan fiduciary net position - beginning	1,672,100	1,769,264	1,771,269	1,588,087
Plan fiduciary net position - ending (b)	<u>\$ 1,759,577</u>	<u>\$ 1,672,100</u>	<u>\$ 1,769,264</u>	<u>\$ 1,771,269</u>
School Division's net pension liability (asset) - ending (a) - (b)	\$ (318,334)	\$ (282,106)	\$ (398,916)	\$ (422,021)
Plan fiduciary net position as a percentage of the total pension liability	122.09%	120.30%	129.11%	131.28%
Covered payroll	\$ 340,987	\$ 337,453	\$ 346,316	\$ 328,542
School Division's net pension liability (asset) as a percentage of covered payroll	-93.36%	-83.60%	-115.19%	-128.45%

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

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
 Years Ended June 30, 2015 through June 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.06616%	0.06874%	0.06844%	0.06896%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 8,136,000	\$ 9,633,000	\$ 8,615,000	\$ 8,334,000
Employer's Covered Payroll	\$ 5,244,764	\$ 5,240,836	\$ 5,105,532	\$ 5,082,174
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	155.13%	183.81%	168.74%	163.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	70.68%	70.68%	70.88%

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

Schedule of Employer Contributions-Pension Plan
 Years Ended June 30, 2009 through June 30, 2018

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
Primary Government					
2018	\$ 420,150	\$ 420,150	\$ -	\$ 3,269,880	12.85%
2017	433,392	433,392	-	3,343,997	12.96%
2016	456,213	456,213	-	3,112,616	14.66%
2015	423,595	423,595	-	2,867,942	14.77%
2014	420,846	420,846	-	2,947,103	14.28%
2013	415,104	415,104	-	2,906,889	14.28%
2012	293,068	293,068	-	2,864,790	10.23%
2011	293,015	293,015	-	2,864,273	10.23%
2010	242,981	242,981	-	3,025,911	8.03%
2009	260,033	260,033	-	3,238,274	8.03%
Component Unit School Board (nonprofessional)					
2018	\$ -	\$ -	\$ -	\$ 376,028	0.00%
2017	136	136	-	340,987	0.04%
2016	7,034	7,034	-	337,453	2.08%
2015	8,035	8,035	-	346,316	2.32%
2014	16,821	16,821	-	328,542	5.12%
2013	16,769	16,769	-	327,519	5.12%
2012	-	-	-	385,558	0.00%
2011	-	-	-	334,395	0.00%
2010	-	-	-	361,393	0.00%
2009	-	-	-	394,481	0.00%
Component Unit School Board (professional)					
2018	\$ 831,426	\$ 831,426	\$ -	\$ 5,232,217	15.89%
2017	752,811	752,811	-	5,244,764	14.35%
2016	736,862	736,862	-	5,240,836	14.06%
2015	737,854	737,854	-	5,105,532	14.45%
2014	586,176	586,176	-	5,082,174	11.53%
2013	532,330	532,330	-	4,903,590	10.86%
2012	324,200	324,200	-	5,181,231	6.26%
2011	211,283	211,283	-	5,366,815	3.94%
2010	372,292	372,292	-	5,619,414	6.63%
2009	525,202	525,202	-	5,873,665	8.94%

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

Notes to Required Supplementary Information-Pension Plan
Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Schedule of City's Share of Net OPEB Liability
 Group Life Insurance Program
 Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2017	0.01813% \$	272,000 \$	3,343,997	8.13%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of School Board's Share of Net OPEB Liability
 Group Life Insurance Program
 Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Component Unit School Board (nonprofessional)					
2017	0.00185% \$	27,000	\$ 341,847	7.90%	48.86%
Component Unit School Board (professional)					
2017	0.02843% \$	428,000	\$ 5,244,764	8.16%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions

Group Life Insurance Program

Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	\$ 17,003	\$ 17,003	\$ -	\$ 3,269,880	0.52%
2017	17,389	17,389	-	3,343,997	0.52%
2016	14,941	14,941	-	3,112,616	0.48%
2015	13,766	13,766	-	2,867,942	0.48%
2014	14,146	14,146	-	2,947,103	0.48%
2013	13,953	13,953	-	2,906,889	0.48%
2012	8,021	8,021	-	2,864,790	0.28%
2011	8,020	8,020	-	2,864,273	0.28%
2010	6,131	6,131	-	3,025,911	0.20%
2009	8,743	8,743	-	3,238,274	0.27%
Component Unit School Board (nonprofessional)					
2018	\$ 1,961	\$ 1,961	\$ -	\$ 377,086	0.52%
2017	1,778	1,778	-	341,847	0.52%
2016	1,645	1,645	-	342,623	0.48%
2015	1,662	1,662	-	346,316	0.48%
2014	1,586	1,586	-	330,437	0.48%
2013	1,584	1,584	-	330,100	0.48%
2012	1,080	1,080	-	385,558	0.28%
2011	936	936	-	334,395	0.28%
2010	711	711	-	361,393	0.20%
2009	1,065	1,065	-	394,481	0.27%
Component Unit School Board (professional)					
2018	\$ 27,208	\$ 27,208	\$ -	\$ 5,232,217	0.52%
2017	27,273	27,273	-	5,244,764	0.52%
2016	25,156	25,156	-	5,240,836	0.48%
2015	24,507	24,507	-	5,105,532	0.48%
2014	24,394	24,394	-	5,082,174	0.48%
2013	23,537	23,537	-	4,903,590	0.48%
2012	14,507	14,507	-	5,181,231	0.28%
2011	15,027	15,027	-	5,366,815	0.28%
2010	11,414	11,414	-	5,619,414	0.20%
2009	15,859	15,859	-	5,873,665	0.27%

Notes to Required Supplementary Information
Group Life Insurance Program
Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

ValORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Notes to Required Supplementary Information
 Group Life Insurance Program
 Year Ended June 30, 2018 (Continued)

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Schedule of City School Board's Share of Net OPEB Liability
Teacher Health Insurance Credit Program (HIC)
Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.06636% \$	842,000 \$	5,236,883	16.08%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Teacher Health Insurance Credit Program (HIC)
Years Ended June 30, 2009 through June 30, 2018

Date	Contributions in Relation to		Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution (1)	Contractually Required Contribution (2)			
2018	\$ 64,279	\$ 64,279	\$ -	\$ 5,225,965	1.23%
2017	58,129	58,129	-	5,236,883	1.11%
2016	55,553	55,553	-	5,240,836	1.06%
2015	53,940	53,940	-	5,088,650	1.06%
2014	55,977	55,977	-	5,042,941	1.11%
2013	53,872	53,872	-	4,853,331	1.11%
2012	30,872	30,872	-	5,145,366	0.60%
2011	32,201	32,201	-	5,366,815	0.60%
2010	43,948	43,948	-	5,617,770	0.78%
2009	63,510	63,510	-	5,880,600	1.08%

Notes to Required Supplementary Information
Teacher Health Insurance Credit Program (HIC)
Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Primary Government
 Year Ended June 30, 2018

	2018
Total OPEB liability	
Service cost	\$ 37,000
Interest	37,000
Benefit payments	(35,000)
Net change in total OPEB liability	\$ 39,000
Total OPEB liability - beginning	1,013,000
Total OPEB liability - ending	\$ 1,052,000
 Covered payroll	 \$ 2,920,000
 City's total OPEB liability (asset) as a percentage of covered payroll	 36.03%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Component Unit School Board
 Year Ended June 30, 2018

	2018
Total OPEB liability	
Service cost	\$ 86,000
Interest	53,000
Benefit payments	<u>(118,000)</u>
Net change in total OPEB liability	\$ 21,000
Total OPEB liability - beginning	1,455,000
Total OPEB liability - ending	<u>\$ 1,476,000</u>
 Covered payroll	 \$ 5,018,000
 School Board's total OPEB liability (asset) as a percentage of covered payroll	 29.41%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information - OPEB
Year Ended June 30, 2018

Valuation Date: 6/30/2017
Measurement Date: 6/30/2017

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.56% as of June 30, 2017
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 6.5% in 2018, gradually decreasing 0.50% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.5% annually
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Total Dataset Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

OTHER SUPPLEMENTARY INFORMATION

MAJOR CAPITAL PROJECT FUNDS

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

School Construction Fund-Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Revenue from the use of money and property	\$ 18,173	\$ 18,173	\$ 9,145	\$ (9,028)
Intergovernmental:				
Local government	185,431	185,431	193,474	8,043
Total revenues	<u>\$ 203,604</u>	<u>\$ 203,604</u>	<u>\$ 202,619</u>	<u>\$ (985)</u>
EXPENDITURES				
Capital projects	\$ -	\$ -	\$ 65	\$ (65)
Debt service:				
Principal retirement	445,692	445,692	444,308	1,384
Interest and other fiscal charges	63,046	63,046	64,430	(1,384)
Total expenditures	<u>\$ 508,738</u>	<u>\$ 508,738</u>	<u>\$ 508,803</u>	<u>\$ (65)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (305,134)</u>	<u>\$ (305,134)</u>	<u>\$ (306,184)</u>	<u>\$ (1,050)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 305,134	\$ 305,134	\$ 305,637	\$ 503
Total other financing sources (uses)	<u>\$ 305,134</u>	<u>\$ 305,134</u>	<u>\$ 305,637</u>	<u>\$ 503</u>
Net change in fund balances	\$ -	\$ -	\$ (547)	\$ (547)
Fund balances - beginning	-	-	(13,827)	(13,827)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,374)</u>	<u>\$ (14,374)</u>

FIDUCIARY FUNDS

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

Statement of Changes in Assets and Liabilities
 Agency Fund
 Year Ended June 30, 2018

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
ASSETS				
Cash and cash equivalents	\$ 2,153	\$ 1,222	\$ 1,462	\$ 1,913
Total assets	<u>\$ 2,153</u>	<u>\$ 1,222</u>	<u>\$ 1,462</u>	<u>\$ 1,913</u>
LIABILITIES				
Amounts held for social services clients	\$ 2,153	\$ 1,222	\$ 1,462	\$ 1,913
Total liabilities	<u>\$ 2,153</u>	<u>\$ 1,222</u>	<u>\$ 1,462</u>	<u>\$ 1,913</u>

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

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

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

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

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

CAPITAL PROJECT FUNDS

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

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

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2018

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 27,260	\$ 65,183	\$ 92,443
Receivables (net of allowance for uncollectibles):			
Accounts receivable	4,822	30,062	34,884
Prepaid items	818	-	818
Total assets	<u>\$ 32,900</u>	<u>\$ 95,245</u>	<u>\$ 128,145</u>
LIABILITIES			
Accounts payable	\$ 20,825	\$ -	\$ 20,825
Accrued liabilities	1,762	-	1,762
Total liabilities	<u>\$ 22,587</u>	<u>\$ -</u>	<u>\$ 22,587</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	\$ 818	\$ -	\$ 818
Restricted:			
Community development block grant	-	95,245	95,245
Assigned:			
Green Hill Cemetary	19,035	-	19,035
Senior citizens program	6,818	-	6,818
Unassigned	(16,358)	-	(16,358)
Total fund balances	<u>\$ 10,313</u>	<u>\$ 95,245</u>	<u>\$ 105,558</u>
Total liabilities and fund balances	<u>\$ 32,900</u>	<u>\$ 95,245</u>	<u>\$ 128,145</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2018

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 122,345	\$ 376	\$ 122,721
Charges for services	47,288	-	47,288
Miscellaneous	16,074	-	16,074
Recovered costs	8,523	-	8,523
Total revenues	<u>\$ 194,230</u>	<u>\$ 376</u>	<u>\$ 194,606</u>
EXPENDITURES			
Current:			
Health and welfare	\$ 7,420	\$ -	\$ 7,420
Parks, recreation, and cultural	484,564	-	484,564
Community development	-	56	56
Total expenditures	<u>\$ 491,984</u>	<u>\$ 56</u>	<u>\$ 492,040</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (297,754)</u>	<u>\$ 320</u>	<u>\$ (297,434)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 356,570	\$ -	\$ 356,570
Transfers out	(10,000)	-	(10,000)
Total other financing sources (uses)	<u>\$ 346,570</u>	<u>\$ -</u>	<u>\$ 346,570</u>
Net change in fund balances	\$ 48,816	\$ 320	\$ 49,136
Fund balances - beginning	(38,503)	94,925	56,422
Fund balances - ending	<u>\$ 10,313</u>	<u>\$ 95,245</u>	<u>\$ 105,558</u>

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018

	<u>Park and Recreation Fund</u>	<u>Senior Center Fund</u>	<u>Green Hill Cemetery Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 663	\$ 7,562	\$ 19,035	\$ 27,260
Receivables (net of allowance for uncollectibles):				
Accounts receivable	4,822	-	-	4,822
Prepaid items	818	-	-	818
Total assets	<u>\$ 6,303</u>	<u>\$ 7,562</u>	<u>\$ 19,035</u>	<u>\$ 32,900</u>
LIABILITIES				
Accounts payable	\$ 20,081	\$ 744	\$ -	\$ 20,825
Accrued liabilities	1,762	-	-	1,762
Total liabilities	<u>\$ 21,843</u>	<u>\$ 744</u>	<u>\$ -</u>	<u>\$ 22,587</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	\$ 818	\$ -	\$ -	\$ 818
Assigned:				
Green Hill Cemetery	-	-	19,035	19,035
Senior citizens program	-	6,818	-	6,818
Unassigned	(16,358)	-	-	(16,358)
Total fund balances	<u>\$ (15,540)</u>	<u>\$ 6,818</u>	<u>\$ 19,035</u>	<u>\$ 10,313</u>
Total liabilities and fund balances	<u>\$ 6,303</u>	<u>\$ 7,562</u>	<u>\$ 19,035</u>	<u>\$ 32,900</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2018

	Park and Recreation Fund	Senior Center Fund	Green Hill Cemetery Fund	Total
REVENUES				
Revenue from the use of money and property	\$ 122,124	\$ -	\$ 221	\$ 122,345
Charges for services	45,038	-	2,250	47,288
Miscellaneous	16,074	-	-	16,074
Recovered costs	-	8,523	-	8,523
Total revenues	<u>\$ 183,236</u>	<u>\$ 8,523</u>	<u>\$ 2,471</u>	<u>\$ 194,230</u>
EXPENDITURES				
Current:				
Health and welfare	\$ -	\$ 7,420	\$ -	\$ 7,420
Parks, recreation, and cultural	484,564	-	-	484,564
Total expenditures	<u>\$ 484,564</u>	<u>\$ 7,420</u>	<u>\$ -</u>	<u>\$ 491,984</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (301,328)</u>	<u>\$ 1,103</u>	<u>\$ 2,471</u>	<u>\$ (297,754)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 356,570	\$ -	\$ -	\$ 356,570
Transfers out	-	-	(10,000)	(10,000)
Total other financing sources (uses)	<u>\$ 356,570</u>	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>\$ 346,570</u>
Net change in fund balances	\$ 55,242	\$ 1,103	\$ (7,529)	\$ 48,816
Fund balances - beginning	(70,782)	5,715	26,564	(38,503)
Fund balances - ending	<u><u>\$ (15,540)</u></u>	<u><u>\$ 6,818</u></u>	<u><u>\$ 19,035</u></u>	<u><u>\$ 10,313</u></u>

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City of Buena Vista, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2018

	Park and Recreation Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 106,000	\$ 106,000	\$ 122,124	\$ 16,124
Charges for services	35,300	35,300	45,038	9,738
Miscellaneous	2,200	2,200	16,074	13,874
Recovered costs	-	-	-	-
Total revenues	<u>\$ 143,500</u>	<u>\$ 143,500</u>	<u>\$ 183,236</u>	<u>\$ 39,736</u>
EXPENDITURES				
Current:				
Health and welfare	\$ -	\$ -	\$ -	\$ -
Parks, recreation, and cultural	368,179	485,185	484,564	621
Total expenditures	<u>\$ 368,179</u>	<u>\$ 485,185</u>	<u>\$ 484,564</u>	<u>\$ 621</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (224,679)</u>	<u>\$ (341,685)</u>	<u>\$ (301,328)</u>	<u>\$ 40,357</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 224,679	\$ 341,685	\$ 356,570	\$ 14,885
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ 224,679</u>	<u>\$ 341,685</u>	<u>\$ 356,570</u>	<u>\$ 14,885</u>
Net change in fund balances	\$ -	\$ -	\$ 55,242	\$ 55,242
Fund balances - beginning	-	-	(70,782)	(70,782)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,540)</u>	<u>\$ (15,540)</u>

Senior Center Fund				Green Hill Cemetery Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 221	\$ 221
-	-	-	-	-	-	2,250	2,250
-	-	-	-	-	-	-	-
8,500	8,500	8,523	23	-	-	-	-
<u>\$ 8,500</u>	<u>\$ 8,500</u>	<u>\$ 8,523</u>	<u>\$ 23</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,471</u>	<u>\$ 2,471</u>
\$ 8,500	\$ 8,500	\$ 7,420	\$ 1,080	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
<u>\$ 8,500</u>	<u>\$ 8,500</u>	<u>\$ 7,420</u>	<u>\$ 1,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 1,103	\$ 1,103	\$ -	\$ -	\$ 2,471	\$ 2,471
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	(10,000)	(10,000)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>
\$ -	\$ -	\$ 1,103	\$ 1,103	\$ -	\$ -	\$ (7,529)	\$ (7,529)
-	-	5,715	5,715	-	-	26,564	26,564
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,818</u>	<u>\$ 6,818</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,035</u>	<u>\$ 19,035</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Capital Projects Fund
Year Ended June 30, 2018

	Community Development Block Grant Fund			Variance with Final Budget Positive Negative
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 376	\$ 376
Total revenues	\$ -	\$ -	\$ 376	\$ 376
EXPENDITURES				
Current:				
Community development	\$ -	\$ -	\$ 56	\$ (56)
Total expenditures	\$ -	\$ -	\$ 56	\$ (56)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 320	\$ 320
Net change in fund balances	\$ -	\$ -	\$ 320	\$ 320
Fund balances - beginning	-	-	94,925	94,925
Fund balances - ending	\$ -	\$ -	\$ 95,245	\$ 95,245

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

NONMAJOR GOVERNMENTAL FUNDS

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

INTERNAL SERVICE FUND

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

Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2018

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 885,437	\$ 118,015	\$ 1,003,452
Receivables (net of allowance for uncollectibles):			
Accounts receivable	7,858	4,079	11,937
Due from other governmental units	308,720	-	308,720
Inventories	-	18,383	18,383
Total assets	<u>\$ 1,202,015</u>	<u>\$ 140,477</u>	<u>\$ 1,342,492</u>
LIABILITIES			
Accounts payable	\$ 183,321	\$ 5,802	\$ 189,123
Contracts payable	763,308	-	763,308
Due to primary government	194,283	-	194,283
Total liabilities	<u>\$ 1,140,912</u>	<u>\$ 5,802</u>	<u>\$ 1,146,714</u>
FUND BALANCES			
Nonspendable:			
Inventories	\$ -	\$ 18,383	\$ 18,383
Committed:			
School capital projects	61,103	-	61,103
School lunch program	-	116,292	116,292
Total fund balances	<u>\$ 61,103</u>	<u>\$ 134,675</u>	<u>\$ 195,778</u>
Total liabilities and fund balances	<u>\$ 1,202,015</u>	<u>\$ 140,477</u>	<u>\$ 1,342,492</u>

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

Total fund balances per above	\$ 195,778
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 4,634	
Buildings and improvements	3,869,119	
Machinery and equipment	<u>27,107</u>	3,900,860

The net pension asset is not an available resource and, therefore, is not reported in the funds.	318,334
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related	\$ 1,023,370	
OPEB related	<u>93,448</u>	1,116,818

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

Health Insurance Fund	\$ <u>(168,592)</u>	(168,592)
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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.

Compensated absences	\$ (213,955)	
Net pension liability	(8,136,000)	
Net OPEB liability	<u>(2,773,000)</u>	(11,122,955)

Deferred inflows of resources are not due and payable in the current-period and, therefore, are not reported in the funds.

Pension related	\$ (1,218,668)	
OPEB related	<u>(98,000)</u>	(1,316,668)

Net position of governmental activities	<u>\$ (7,076,425)</u>
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Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 Year Ended June 30, 2018

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 111	\$ -	\$ 111
Charges for services	38,690	93,226	131,916
Recovered costs	115,728	-	115,728
Intergovernmental:			
Local government	2,612,574	-	2,612,574
Commonwealth	7,062,591	13,669	7,076,260
Federal	841,099	267,203	1,108,302
Total revenues	<u>\$ 10,670,793</u>	<u>\$ 374,098</u>	<u>\$ 11,044,891</u>
EXPENDITURES			
Current:			
Education	\$ 10,827,766	\$ 345,316	\$ 11,173,082
Total expenditures	<u>\$ 10,827,766</u>	<u>\$ 345,316</u>	<u>\$ 11,173,082</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (156,973)</u>	<u>\$ 28,782</u>	<u>\$ (128,191)</u>
Net change in fund balances	\$ (156,973)	\$ 28,782	\$ (128,191)
Fund balances - beginning	218,076	105,893	323,969
Fund balances - ending	<u>\$ 61,103</u>	<u>\$ 134,675</u>	<u>\$ 195,778</u>

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

Net change in fund balances - total governmental funds - per above \$ (128,191)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 89,259	
Depreciation expense	(178,608)	
Allocation of debt financed school assets based on current year repayer	<u>56,355</u>	
		(32,994)

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.

Change in compensated absences	\$ (26,643)	
Pension expense	253,680	
OPEB expense	<u>6,447</u>	
		233,484

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

Change in net position of governmental activities \$ (96,293)

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
Year Ended June 30, 2018

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 111	\$ 111
Charges for services	39,000	39,000	38,690	(310)
Recovered costs	150,000	150,000	115,728	(34,272)
Intergovernmental:				
Local government	2,583,803	2,583,803	2,612,574	28,771
Commonwealth	7,375,595	7,375,595	7,062,591	(313,004)
Federal	789,501	789,501	841,099	51,598
Total revenues	<u>\$ 10,937,899</u>	<u>\$ 10,937,899</u>	<u>\$ 10,670,793</u>	<u>\$ (267,106)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 10,937,899</u>	<u>\$ 10,937,899</u>	<u>\$ 10,827,766</u>	<u>\$ 110,133</u>
Total expenditures	<u>\$ 10,937,899</u>	<u>\$ 10,937,899</u>	<u>\$ 10,827,766</u>	<u>\$ 110,133</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (156,973)</u>	<u>\$ (156,973)</u>
Net change in fund balances	\$ -	\$ -	\$ (156,973)	\$ (156,973)
Fund balances - beginning	-	-	218,076	218,076
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,103</u>	<u>\$ 61,103</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Fund - Discretely Presented Component Unit - School Board
Year Ended June 30, 2018

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ 40,000	\$ 40,000	\$ 93,226	\$ 53,226
Intergovernmental:				
Commonwealth	40,000	40,000	13,669	(26,331)
Federal	317,991	317,991	267,203	(50,788)
Total revenues	<u>\$ 397,991</u>	<u>\$ 397,991</u>	<u>\$ 374,098</u>	<u>\$ (23,893)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 397,991</u>	<u>\$ 397,991</u>	<u>\$ 345,316</u>	<u>\$ 52,675</u>
Total expenditures	<u>\$ 397,991</u>	<u>\$ 397,991</u>	<u>\$ 345,316</u>	<u>\$ 52,675</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,782</u>	<u>\$ 28,782</u>
Net change in fund balances	\$ -	\$ -	\$ 28,782	\$ 28,782
Fund balances - beginning	-	-	105,893	105,893
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,675</u>	<u>\$ 134,675</u>

Statement of Net Position
Internal Service Fund
Discretely Presented Component Unit - School Board
June 30, 2018

	<u>Health Insurance Fund</u>
ASSETS	
Cash and cash equivalents	\$ 98,052
Total assets	<u>\$ 98,052</u>
LIABILITIES	
Claims payable	\$ 266,644
Total liabilities	<u>\$ 266,644</u>
NET POSITION	
Unrestricted	\$ (168,592)
Total net position	<u>\$ (168,592)</u>
Total liabilities and net position	<u>\$ 98,052</u>

Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Fund
Discretely Presented Component Unit - School Board
Year Ended June 30, 2018

	Health Insurance Fund
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 1,276,827
Total operating revenues	<u>\$ 1,276,827</u>
OPERATING EXPENSES	
Insurance claims paid and expenses	\$ 1,571,237
Total operating expenses	<u>\$ 1,571,237</u>
Operating income (loss)	<u>\$ (294,410)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 43
Total nonoperating revenues (expenses)	<u>\$ 43</u>
Change in net position	\$ (294,367)
Total net position - beginning	<u>125,775</u>
Total net position - ending	<u><u>\$ (168,592)</u></u>

Statement of Cash Flows
Internal Service Fund
Discretely Presented Component Unit - School Board
Year Ended June 30, 2018

	Health Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 1,276,827
Payments for premiums	(1,369,753)
Net cash provided by (used for) operating activities	\$ (92,926)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 43
Net cash provided by (used for) investing activities	\$ 43
Net increase (decrease) in cash and cash equivalents	\$ (92,883)
Cash and cash equivalents - beginning	190,935
Cash and cash equivalents - ending	\$ 98,052
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (294,410)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Increase (decrease) in accounts payable	\$ 201,484
Total adjustments	\$ 201,484
Net cash provided by (used for) operating activities	\$ (92,926)

SUPPORTING SCHEDULES

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 4,021,810	\$ 4,021,810	\$ 4,039,571	\$ 17,761
Real and personal public service corporation taxes	165,000	165,000	281,961	116,961
Personal property taxes	1,108,000	1,108,000	1,227,704	119,704
Machinery and tools taxes	280,000	280,000	352,044	72,044
Penalties	48,000	48,000	60,706	12,706
Interest	21,000	21,000	43,875	22,875
Total general property taxes	\$ 5,643,810	\$ 5,643,810	\$ 6,005,861	\$ 362,051
Other local taxes:				
Local sales and use taxes	\$ 385,000	\$ 385,000	\$ 388,643	\$ 3,643
Consumers' utility taxes	275,000	275,000	267,128	(7,872)
Meals taxes	312,764	312,764	314,150	1,386
Lodging taxes	17,300	17,300	17,658	358
Business and professional license taxes	170,000	170,000	176,301	6,301
Motor vehicle licenses	159,000	159,000	161,220	2,220
Water utility taxes	85,000	85,000	105,612	20,612
Bank stock taxes	44,084	44,084	56,012	11,928
Recordation taxes	25,867	25,867	32,543	6,676
Total other local taxes	\$ 1,474,015	\$ 1,474,015	\$ 1,519,267	\$ 45,252
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,900	\$ 1,900	\$ 1,575	\$ (325)
Right of way fees	22,000	22,000	18,160	(3,840)
Transfer fees	150	150	211	61
Permits and other licenses	13,000	13,000	17,859	4,859
Total permits, privilege fees, and regulatory licenses	\$ 37,050	\$ 37,050	\$ 37,805	\$ 755
Fines and forfeitures:				
Court fines and forfeitures	\$ 60,000	\$ 60,000	\$ 66,539	\$ 6,539
Parking fines	700	700	50	(650)
Total fines and forfeitures	\$ 60,700	\$ 60,700	\$ 66,589	\$ 5,889
Revenue from use of money and property:				
Revenue from use of money	\$ 2,000	\$ 2,000	\$ 2,337	\$ 337
Sale of cemetery lots	32,000	32,000	11,150	(20,850)
Carilion lease revenue	1,000	1,000	29,454	28,454
Total revenue from use of money and property	\$ 35,000	\$ 35,000	\$ 42,941	\$ 7,941
Charges for services:				
Sheriff fees	\$ 500	\$ 500	\$ 48	\$ (452)
Commonwealth attorney fees	500	500	881	381
Charges for waste collection and disposal	570,000	570,000	578,199	8,199
Landfill tipping fees	85,000	85,000	54,007	(30,993)
Grave openings	63,091	63,091	43,900	(19,191)
Courthouse maintenance fees	4,000	4,000	7,855	3,855
Courthouse security fees	12,739	12,739	13,196	457
Jail administration fees	1,150	1,150	1,427	277
Other charges for services	4,200	4,200	3,507	(693)
Total charges for services	\$ 741,180	\$ 741,180	\$ 703,020	\$ (38,160)

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 66,000	\$ 66,000	\$ 72,804	\$ 6,804
Regional Industrial Park	-	-	578	578
Dabney lease revenue	139,536	139,536	139,536	-
Total miscellaneous	\$ 205,536	\$ 205,536	\$ 212,918	\$ 7,382
Recovered costs:				
Social service refunds	\$ -	\$ -	\$ 10,711	\$ 10,711
Other recovered costs	-	-	14,268	14,268
Budget reappropriation	-	712,872	-	(712,872)
Total recovered costs	\$ -	\$ 712,872	\$ 24,979	\$ (687,893)
Total revenue from local sources	\$ 8,197,291	\$ 8,910,163	\$ 8,613,380	\$ (296,783)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 500	\$ 500	\$ 75	\$ (425)
Communication tax	326,000	326,000	288,195	(37,805)
Rolling stock	4,000	4,000	25	(3,975)
Auto rental tax	10	10	771	761
State recordation tax	12,000	12,000	7,931	(4,069)
Personal property tax relief funds	662,919	662,919	662,919	-
Total noncategorical aid	\$ 1,005,429	\$ 1,005,429	\$ 959,916	\$ (45,513)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 161,454	\$ 161,454	\$ 161,180	\$ (274)
Sheriff	163,407	163,407	163,905	498
Commissioner of revenue	79,325	79,325	75,867	(3,458)
Treasurer	63,545	63,545	63,439	(106)
Registrar/electoral board	36,000	36,000	35,656	(344)
Police	176,732	176,732	182,424	5,692
Juror Expense	3,000	3,000	-	(3,000)
Clerk of the Circuit Court	132,818	132,818	138,250	5,432
Total shared expenses	\$ 816,281	\$ 816,281	\$ 820,721	\$ 4,440
Other categorical aid:				
Welfare administration and assistance	\$ 82,000	\$ 82,000	\$ 130,479	\$ 48,479
Comprehensive services act	718,946	1,362,154	1,489,221	127,067
Street and Highway Maintenance	1,218,569	1,218,569	1,220,864	2,295
School resource officer grant	-	-	24,000	24,000
Victim-witness grant	69,317	69,317	12,254	(57,063)
Safe route to school grant	-	-	31,786	31,786
Fire programs	22,000	22,000	22,232	232
Four for life	-	-	5,043	5,043
Other state grants	24,909	170,200	205,577	35,377
Seized funds	-	-	9,023	9,023
Total other categorical aid	\$ 2,135,741	\$ 2,924,240	\$ 3,150,479	\$ 226,239
Total categorical aid	\$ 2,952,022	\$ 3,740,521	\$ 3,971,200	\$ 230,679
Total revenue from the Commonwealth	\$ 3,957,451	\$ 4,745,950	\$ 4,931,116	\$ 185,166

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 50,000	\$ 50,000	\$ 114,769	\$ 64,769
Ground transportation safety grant	-	-	6,950	6,950
Emergency management performance grant	-	-	7,500	7,500
Seized funds	-	-	39,669	39,669
Homeland security grant program	-	-	34,939	34,939
Victim-witness grant	-	-	36,761	36,761
Byrne justice assistance grant	-	-	140,521	140,521
Total categorical aid	\$ 50,000	\$ 50,000	\$ 381,109	\$ 331,109
Total revenue from the federal government	\$ 50,000	\$ 50,000	\$ 381,109	\$ 331,109
Total General Fund	\$ 12,204,742	\$ 13,706,113	\$ 13,925,605	\$ 219,492
Special Revenue Funds:				
Park and Recreation Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 106,000	\$ 106,000	\$ 122,124	\$ 16,124
Total revenue from use of money and property	\$ 106,000	\$ 106,000	\$ 122,124	\$ 16,124
Charges for services:				
Recreation fees	\$ 35,300	\$ 35,300	\$ 45,038	\$ 9,738
Total charges for services	\$ 35,300	\$ 35,300	\$ 45,038	\$ 9,738
Miscellaneous:				
Miscellaneous	\$ 2,200	\$ 2,200	\$ 16,074	\$ 13,874
Total miscellaneous	\$ 2,200	\$ 2,200	\$ 16,074	\$ 13,874
Total revenue from local sources	\$ 143,500	\$ 143,500	\$ 183,236	\$ 39,736
Total Park and Recreation Fund	\$ 143,500	\$ 143,500	\$ 183,236	\$ 39,736
Senior Center Fund:				
Revenue from local sources:				
Recovered costs:				
Payments from other localities	\$ 8,500	\$ 8,500	\$ 8,523	\$ 23
Total recovered costs	\$ 8,500	\$ 8,500	\$ 8,523	\$ 23
Total revenue from local sources	\$ 8,500	\$ 8,500	\$ 8,523	\$ 23
Total Senior Center Fund	\$ 8,500	\$ 8,500	\$ 8,523	\$ 23
Green Hill Cemetery Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 221	\$ 221
Total revenue from use of money and property	\$ -	\$ -	\$ 221	\$ 221
Charges for services:				
Cemetery perpetual care receipts	\$ -	\$ -	\$ 2,250	\$ 2,250
Total charges for services	\$ -	\$ -	\$ 2,250	\$ 2,250
Total revenue from local sources	\$ -	\$ -	\$ 2,471	\$ 2,471
Total Green Hill Cemetery Fund	\$ -	\$ -	\$ 2,471	\$ 2,471

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Funds:				
School Construction Fund:				
Intergovernmental:				
Revenue from local governments:				
Contribution from City of Buena Vista School Board	\$ 185,431	\$ 185,431	\$ 193,474	\$ 8,043
Total revenues from local governments	<u>\$ 185,431</u>	<u>\$ 185,431</u>	<u>\$ 193,474</u>	<u>\$ 8,043</u>
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 18,173	\$ 18,173	\$ 9,145	\$ (9,028)
Total revenue from use of money and property	<u>\$ 18,173</u>	<u>\$ 18,173</u>	<u>\$ 9,145</u>	<u>\$ (9,028)</u>
Total School Construction Fund	<u>\$ 203,604</u>	<u>\$ 203,604</u>	<u>\$ 202,619</u>	<u>\$ (985)</u>
Community Development Block Grant:				
Revenue from local sources:				
Revenue from the use of money	\$ -	\$ -	\$ 376	\$ 376
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 376</u>	<u>\$ 376</u>
Total Community Development Block Grant Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 376</u>	<u>\$ 376</u>
Total Primary Government	<u>\$ 12,560,346</u>	<u>\$ 14,061,717</u>	<u>\$ 14,322,830</u>	<u>\$ 261,113</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 111	\$ 111
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111</u>	<u>\$ 111</u>
Charges for services:				
Charges for education	\$ 39,000	\$ 39,000	\$ 38,690	\$ (310)
Total charges for services	<u>\$ 39,000</u>	<u>\$ 39,000</u>	<u>\$ 38,690</u>	<u>\$ (310)</u>
Recovered costs:				
Other recovered costs	\$ 150,000	\$ 150,000	\$ 115,728	\$ (34,272)
Total recovered costs	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 115,728</u>	<u>\$ (34,272)</u>
Total revenue from local sources	<u>\$ 189,000</u>	<u>\$ 189,000</u>	<u>\$ 154,529</u>	<u>\$ (34,471)</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (continued)				
School Operating Fund: (continued)				
Intergovernmental:				
Revenue from local governments:				
Contribution from City of Buena Vista, Virginia	\$ 2,583,803	\$ 2,583,803	\$ 2,612,574	\$ 28,771
Total revenue from local governments	\$ 2,583,803	\$ 2,583,803	\$ 2,612,574	\$ 28,771
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,053,057	\$ 1,053,057	\$ 967,301	\$ (85,756)
Basic school aid	3,504,943	3,504,943	3,232,356	(272,587)
At-risk	129,558	129,558	122,965	(6,593)
Project graduation	6,611	6,611	3,961	(2,650)
Alternative education	87,621	87,621	53,181	(34,440)
Gifted and talented	38,297	38,297	35,248	(3,049)
Special Education	595,100	595,100	529,455	(65,645)
Remedial summer school	32,974	32,974	39,569	6,595
Remedial education	186,012	186,012	178,925	(7,087)
Vocational education	120,361	120,361	113,087	(7,274)
Technology funds	180,000	180,000	179,970	(30)
Lottery	41,079	41,079	207,341	166,262
School security grant	-	-	51,179	51,179
Fringe benefits	765,934	765,934	773,253	7,319
Adult education	-	-	2,192	2,192
Reduced class size (K-3)	190,631	190,631	197,147	6,516
Enrollment loss	99,574	99,574	-	(99,574)
Free textbooks	85,800	85,800	80,615	(5,185)
Early reading intervention	21,490	21,490	26,130	4,640
Early reading specialist	38,897	38,897	26,479	(12,418)
Math reading specialist	103,800	103,800	105,914	2,114
Special education - homebound	5,285	5,285	10,580	5,295
Salary supplement	-	-	29,773	29,773
English as a second language	1,064	1,064	1,078	14
Vocational occupational preparedness	14,680	14,680	6,957	(7,723)
Standards of Learning algebra readiness	16,556	16,556	16,301	(255)
Other state funds	56,271	56,271	71,634	15,363
Total categorical aid	\$ 7,375,595	\$ 7,375,595	\$ 7,062,591	\$ (313,004)
Total revenue from the Commonwealth	\$ 7,375,595	\$ 7,375,595	\$ 7,062,591	\$ (313,004)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 266,586	\$ 266,586	\$ 269,644	\$ 3,058
Title VI-B, special education	235,522	235,522	270,390	34,868
Title VI-B, pre-school	10,210	10,210	11,931	1,721
Title IV-B, 21st Century	177,645	177,645	189,012	11,367
Vocational Education	16,500	16,500	19,790	3,290
Title II, Improving teacher quality	56,188	56,188	42,049	(14,139)
Schools and roads - grants to states	26,850	26,850	38,283	11,433
Total categorical aid	\$ 789,501	\$ 789,501	\$ 841,099	\$ 51,598
Total revenue from the federal government	\$ 789,501	\$ 789,501	\$ 841,099	\$ 51,598
Total School Operating Fund	\$ 10,937,899	\$ 10,937,899	\$ 10,670,793	\$ (267,106)

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (continued)				
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria Sales	\$ 40,000	\$ 40,000	\$ 93,226	\$ 53,226
Total charges for services	\$ 40,000	\$ 40,000	\$ 93,226	\$ 53,226
Total revenue from local sources	\$ 40,000	\$ 40,000	\$ 93,226	\$ 53,226
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 40,000	\$ 40,000	\$ 13,669	\$ (26,331)
Total revenue from the commonwealth	\$ 40,000	\$ 40,000	\$ 13,669	\$ (26,331)
Revenue from the federal government:				
Categorical aid:				
USDA Commodities	\$ -	\$ -	\$ 33,037	\$ 33,037
School food program grant	\$ 317,991	\$ 317,991	\$ 234,166	\$ (83,825)
Total categorical aid	\$ 317,991	\$ 317,991	\$ 267,203	\$ (50,788)
Total revenue from the federal government	\$ 317,991	\$ 317,991	\$ 267,203	\$ (50,788)
Total School Cafeteria Fund	\$ 397,991	\$ 397,991	\$ 374,098	\$ (23,893)
Total Discretely Presented Component Unit - School Board	\$ 11,335,890	\$ 11,335,890	\$ 11,044,891	\$ (290,999)

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2018

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
City Council	\$ 39,598	\$ 39,598	\$ 42,052	\$ (2,454)
General and financial administration:				
City Manager	\$ 74,033	\$ 74,033	\$ 67,794	\$ 6,239
City Attorney/Legal Services	70,000	81,000	88,797	(7,797)
Finance	291,375	291,375	263,505	27,870
Independent Auditor	38,000	38,000	62,446	(24,446)
Commissioner of Revenue	217,398	217,398	202,853	14,545
City Treasurer	272,802	272,802	267,131	5,671
Reassessment	36,000	36,000	5,221	30,779
Other general and financial administration	83,000	83,000	38,019	44,981
Total general and financial administration	\$ 1,082,608	\$ 1,093,608	\$ 995,766	\$ 97,842
Board of elections:				
Electoral board and officials	\$ 95,913	\$ 95,913	\$ 88,305	\$ 7,608
Total board of elections	\$ 95,913	\$ 95,913	\$ 88,305	\$ 7,608
Total general government administration	\$ 1,218,119	\$ 1,229,119	\$ 1,126,123	\$ 102,996
Judicial administration:				
Courts:				
Circuit court	\$ 6,250	\$ 6,250	\$ 2,038	\$ 4,212
General district court	6,150	6,150	4,143	2,007
Juvenile/Domestic relations court	47,840	47,840	46,569	1,271
Clerk of the circuit court	249,497	249,497	221,994	27,503
Sheriff	413,718	413,718	323,644	90,074
Total courts	\$ 723,455	\$ 723,455	\$ 598,388	\$ 125,067
Commonwealth's attorney:				
Commonwealth's attorney	\$ 264,547	\$ 264,547	\$ 256,412	\$ 8,135
Total commonwealth's attorney	\$ 264,547	\$ 264,547	\$ 256,412	\$ 8,135
Total judicial administration	\$ 988,002	\$ 988,002	\$ 854,800	\$ 133,202
Public safety:				
Law enforcement and traffic control:				
Criminal Justice Service Department	\$ 69,317	\$ 69,317	\$ 68,893	\$ 424
Police Department	1,459,197	1,530,730	1,742,602	(211,872)
Total law enforcement and traffic control	\$ 1,528,514	\$ 1,600,047	\$ 1,811,495	\$ (211,448)
Fire and rescue services:				
Fire department	\$ 158,000	\$ 158,000	\$ 175,003	\$ (17,003)
Rescue squad	110,903	110,903	108,077	2,826
Central dispatch	318,916	318,916	326,121	(7,205)
Total fire and rescue services	\$ 587,819	\$ 587,819	\$ 609,201	\$ (21,382)
Correction and detention:				
Probation Office	\$ 3,000	\$ 3,000	\$ 991	\$ 2,009
Magistrate	410	410	90	320
Regional Jail	328,964	388,964	436,928	(47,964)
Total correction and detention	\$ 332,374	\$ 392,374	\$ 438,009	\$ (45,635)

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2018 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Public safety: (Continued)				
Other protection:				
Medical Examiner	\$ 150	\$ 150	\$ 60	\$ 90
Total other protection	\$ 150	\$ 150	\$ 60	\$ 90
Total public safety	\$ 2,448,857	\$ 2,580,390	\$ 2,858,765	\$ (278,375)
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Administrative and Engineering	\$ 187,899	\$ 187,899	\$ 120,189	\$ 67,710
Street Maintenance Department	619,628	1,014,127	1,006,683	7,444
Storm Drainage Department	26,839	26,839	33,732	(6,893)
Street Lights	67,000	67,000	62,719	4,281
Railroad Maintenance	-	-	15	(15)
Total maintenance of highways, streets, bridges and sidewalks	\$ 901,366	\$ 1,295,865	\$ 1,223,338	\$ 72,527
Sanitation and waste removal:				
Refuse Department	\$ 460,209	\$ 460,209	\$ 322,402	\$ 137,807
Refuse Disposal	204,000	204,000	248,490	(44,490)
Total sanitation and waste removal	\$ 664,209	\$ 664,209	\$ 570,892	\$ 93,317
Maintenance of general buildings and grounds:				
Maintenance Buildings and Grounds	\$ 248,324	\$ 452,449	\$ 479,324	\$ (26,875)
Green Hill Cemetary Maintenance	137,362	137,362	153,875	(16,513)
Total maintenance of general buildings and grounds	\$ 385,686	\$ 589,811	\$ 633,199	\$ (43,388)
Total public works	\$ 1,951,261	\$ 2,549,885	\$ 2,427,429	\$ 122,456
Health and welfare:				
Mental health and mental retardation:				
Mental Health	\$ 88,547	\$ 88,547	\$ 87,006	\$ 1,541
Total mental health and mental retardation	\$ 88,547	\$ 88,547	\$ 87,006	\$ 1,541
Welfare:				
Property Tax Relief	\$ 81,000	\$ 81,000	\$ 75,676	\$ 5,324
Social Services	1,250,000	1,893,208	2,370,439	(477,231)
VA Municipal League	4,606	4,606	-	4,606
Valley Program for Aging	43,912	43,912	43,912	-
Total Action Against Poverty	2,700	2,700	-	2,700
Rockbridge Area Hospice	1,000	1,000	-	1,000
Rockbridge Area Rental Assistance	11,086	11,086	11,086	-
Rockbridge Free Clinic	15,500	15,500	13,500	2,000
Total welfare	\$ 1,409,804	\$ 2,053,012	\$ 2,514,613	\$ (461,601)
Total health and welfare	\$ 1,498,351	\$ 2,141,559	\$ 2,601,619	\$ (460,060)

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2018 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contribution to City School Board	\$ 2,583,803	\$ 2,583,803	\$ 2,612,574	\$ (28,771)
Contribution to Community Colleges	30,408	30,408	36,408	(6,000)
Contribution to Buena Vista Colored School	5,000	5,000	-	5,000
Total education	<u>\$ 2,619,211</u>	<u>\$ 2,619,211</u>	<u>\$ 2,648,982</u>	<u>\$ (29,771)</u>
Parks, recreation, and cultural:				
Library:				
Rockbridge/ Buena Vista Regional Library	\$ 152,535	\$ 152,535	\$ 158,893	\$ (6,358)
Total library	<u>\$ 152,535</u>	<u>\$ 152,535</u>	<u>\$ 158,893</u>	<u>\$ (6,358)</u>
Total parks, recreation, and cultural	<u>\$ 152,535</u>	<u>\$ 152,535</u>	<u>\$ 158,893</u>	<u>\$ (6,358)</u>
Community development:				
Planning and community development:				
Community development administration	\$ 368,976	\$ 368,976	\$ 321,133	\$ 47,843
Central Shenandoah Planning District Commission	20,325	20,325	20,325	-
Rockbridge Area Occupation Center	12,543	12,543	12,543	-
Blue Ridge Legal Services	1,293	1,293	1,293	-
Beautification Committee	2,000	2,000	1,954	46
Arts Council	5,000	5,000	10,000	(5,000)
Visitor's Center	47,703	47,703	47,703	-
Project Horizon	2,140	2,140	2,140	-
Paxton House	10,000	10,000	10,000	-
Rockbridge Area transportation system	25,000	25,000	18,479	6,521
American Legion	3,600	3,600	3,600	-
VEPGA	500	500	318	182
Rockbridge Area Relief Association	1,500	1,500	-	1,500
Food Bank	500	500	500	-
Talking book center	1,417	1,417	1,417	-
Employee programs	40,000	40,000	27,010	12,990
Total planning and community development	<u>\$ 542,497</u>	<u>\$ 542,497</u>	<u>\$ 478,415</u>	<u>\$ 64,082</u>
Environmental management:				
Soil and Water Conservation	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Total environmental management	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ -</u>
Total community development	<u>\$ 544,497</u>	<u>\$ 544,497</u>	<u>\$ 480,415</u>	<u>\$ 64,082</u>
Debt service:				
Principal retirement	\$ 130,075	\$ 130,075	\$ 129,889	\$ 186
Interest and other fiscal charges	134,021	134,021	92,445	41,576
Total debt service	<u>\$ 264,096</u>	<u>\$ 264,096</u>	<u>\$ 222,334</u>	<u>\$ 41,762</u>
Total General Fund	<u>\$ 11,684,929</u>	<u>\$ 13,069,294</u>	<u>\$ 13,379,360</u>	<u>\$ (310,066)</u>
Special Revenue Fund:				
Park & Recreation Fund:				
Parks, recreation, and cultural:				
Parks and recreation:				
Insurance	\$ -	\$ -	\$ 2,572	\$ (2,572)
Administration	96,276	96,276	80,216	16,060
Recreation	106,992	106,992	103,607	3,385
Parks and Ground Maintenance	87,772	204,778	164,390	40,388
Activities	19,300	19,300	52,297	(32,997)
Swimming Pool	57,839	57,839	81,482	(23,643)
Total Parks and Recreation	<u>\$ 368,179</u>	<u>\$ 485,185</u>	<u>\$ 484,564</u>	<u>\$ 621</u>
Total Park and Recreation Fund	<u>\$ 368,179</u>	<u>\$ 485,185</u>	<u>\$ 484,564</u>	<u>\$ 621</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2018 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (continued)				
Senior Center Fund:				
Health and Welfare:				
Senior center	\$ 8,500	\$ 8,500	\$ 7,420	\$ 1,080
Total health and welfare	<u>8,500</u>	<u>8,500</u>	<u>7,420</u>	<u>1,080</u>
Total Senior Center Fund	<u>\$ 8,500</u>	<u>\$ 8,500</u>	<u>\$ 7,420</u>	<u>\$ 1,080</u>
Capital Projects Funds:				
School Construction Fund:				
Capital Outlay:				
School construction	\$ -	\$ -	\$ 65	\$ (65)
Total capital outlay	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65</u>	<u>\$ (65)</u>
Debt service:				
Principal retirement	\$ 445,692	\$ 445,692	\$ 444,308	\$ 1,384
Interest and other fiscal charges	63,046	63,046	64,430	(1,384)
Total debt service	<u>\$ 508,738</u>	<u>\$ 508,738</u>	<u>\$ 508,738</u>	<u>\$ -</u>
Total School Construction Fund	<u>\$ 508,738</u>	<u>\$ 508,738</u>	<u>\$ 508,803</u>	<u>\$ (65)</u>
Community Development Block Grant Fund:				
Capital projects expenditures:				
Community development	\$ -	\$ -	\$ 56	\$ (56)
Total Community Development Block Grant Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56</u>	<u>\$ (56)</u>
Total Primary Government	<u>\$ 12,570,346</u>	<u>\$ 14,071,717</u>	<u>\$ 14,380,203</u>	<u>\$ (308,430)</u>
Discretely Presented Component Unit - School Board				
Special revenue funds:				
School Operating Fund:				
Education:				
Instruction	\$ 8,283,541	\$ 8,283,541	\$ 8,033,525	\$ 250,016
Administration and Health Services	532,841	532,841	527,622	5,219
Transportation	303,203	303,203	391,855	(88,652)
Operation and Maintenance	910,046	910,046	1,135,457	(225,411)
Technology	577,863	577,863	545,833	32,030
Contribution to City of Buena Vista, Virginia	330,405	330,405	193,474	136,931
Total Education of Schools	<u>\$ 10,937,899</u>	<u>\$ 10,937,899</u>	<u>\$ 10,827,766</u>	<u>\$ 110,133</u>
Total education	<u>10,937,899</u>	<u>10,937,899</u>	<u>10,827,766</u>	<u>110,133</u>
Total School Operating Fund	<u>\$ 10,937,899</u>	<u>\$ 10,937,899</u>	<u>\$ 10,827,766</u>	<u>\$ 110,133</u>
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
School Nutrition	\$ 397,991	\$ 397,991	\$ 345,316	\$ 52,675
Total education	<u>\$ 397,991</u>	<u>\$ 397,991</u>	<u>\$ 345,316</u>	<u>\$ 52,675</u>
Total School Cafeteria Fund	<u>\$ 397,991</u>	<u>\$ 397,991</u>	<u>\$ 345,316</u>	<u>\$ 52,675</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 11,335,890</u>	<u>\$ 11,335,890</u>	<u>\$ 11,173,082</u>	<u>\$ 162,808</u>

STATISTICAL SECTION

STATISTICAL SECTION

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Demographic and Economic Information

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Sources:

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

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City of Buena Vista, Virginia

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	\$ 7,547,301	\$ 7,199,549	\$ 7,461,749	\$ 7,825,868
Restricted	-	-	104,685	107,314
Unrestricted	2,615,596	2,401,537	1,955,998	1,602,552
Total governmental activities net position	<u>\$ 10,162,897</u>	<u>\$ 9,601,086</u>	<u>\$ 9,522,432</u>	<u>\$ 9,535,734</u>
Business-type activities				
Net investment in capital assets	\$ 2,911,128	\$ 2,574,999	\$ 1,304,944	\$ (2,890,305)
Restricted	848,559	848,452	186,704	3,211,557
Unrestricted	(1,231,929)	(989,540)	548,085	1,288,213
Total business-type activities net position	<u>\$ 2,527,758</u>	<u>\$ 2,433,911</u>	<u>\$ 2,039,733</u>	<u>\$ 1,609,465</u>
Primary government				
Net investment in capital assets	\$ 10,458,429	\$ 9,774,548	\$ 8,766,693	\$ 4,935,563
Restricted	848,559	848,452	291,389	3,318,871
Unrestricted	1,383,667	1,411,997	2,504,083	2,890,765
Total primary government net position	<u>\$ 12,690,655</u>	<u>\$ 12,034,997</u>	<u>\$ 11,562,165</u>	<u>\$ 11,145,199</u>

Table 1

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 8,383,865	\$ 8,787,455	\$ 7,963,203	\$ 8,551,947	\$ 9,164,709	\$ 9,418,051
191,002	203,321	204,585	205,881	207,337	208,672
1,991,915	2,535,594	482,642	1,191,643	941,248	(143,522)
<u>\$ 10,566,782</u>	<u>\$ 11,526,370</u>	<u>\$ 8,650,430</u>	<u>\$ 9,949,471</u>	<u>\$ 10,313,294</u>	<u>\$ 9,483,201</u>
\$ (1,603,483)	\$ (805,396)	\$ 49,145	\$ (125,963)	\$ (271,422)	\$ (421,031)
814,994	849,815	839,260	815,382	782,330	589,348
1,225,491	994,498	(702,747)	(1,226,666)	(1,760,050)	(2,240,550)
<u>\$ 437,002</u>	<u>\$ 1,038,917</u>	<u>\$ 185,658</u>	<u>\$ (537,247)</u>	<u>\$ (1,249,142)</u>	<u>\$ (2,072,233)</u>
\$ 6,780,382	\$ 7,982,059	\$ 8,012,348	\$ 8,425,984	\$ 8,893,287	\$ 8,997,020
1,005,996	1,053,136	1,043,845	1,021,263	989,667	798,020
3,217,406	3,530,092	(220,105)	(35,023)	(818,802)	(2,384,072)
<u>\$ 11,003,784</u>	<u>\$ 12,565,287</u>	<u>\$ 8,836,088</u>	<u>\$ 9,412,224</u>	<u>\$ 9,064,152</u>	<u>\$ 7,410,968</u>

City of Buena Vista, Virginia

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
Expenses				
Governmental activities:				
General government administration	\$ 2,013,515	\$ 2,000,877	\$ 1,488,136	\$ 1,555,693
Judicial administration	666,736	718,851	698,976	834,369
Public safety	1,774,179	1,896,548	1,853,412	1,974,531
Public works	2,032,597	1,785,838	1,645,418	1,532,334
Health and welfare	1,471,928	1,423,633	1,373,423	1,387,794
Education	2,225,190	2,540,852	2,429,651	2,388,442
Parks, recreation and cultural	543,381	455,459	470,587	493,121
Community development	477,741	532,525	440,144	524,202
Interest on long-term debt	374,344	370,086	340,654	329,680
Total governmental activities expenses	\$ 11,579,611	\$ 11,724,669	\$ 10,740,401	\$ 11,020,166
Business-type activities:				
Water and sewer	\$ 1,840,673	\$ 1,826,382	\$ 1,734,258	\$ 2,057,106
Golf course	1,454,701	1,188,907	1,191,768	1,201,667
Total business-type activities expenses	\$ 3,295,374	\$ 3,015,289	\$ 2,926,026	\$ 3,258,773
Total primary government expenses	\$ 14,874,985	\$ 14,739,958	\$ 13,666,427	\$ 14,278,939
Program Revenues				
Governmental activities:				
Charges for services:				
General government administration	\$ 30,253	\$ 65,834	\$ 8,441	\$ 19,321
Judicial administration	667	341	2,041	1,488
Public safety	81,937	91,828	71,311	107,031
Public works	634,775	605,353	471,529	526,476
Parks, recreation and cultural	90,478	60,268	69,415	97,802
Operating grants and contributions	3,107,371	3,274,247	2,913,191	3,042,330
Capital grants and contributions	-	34,923	-	-
Total governmental activities program revenues	\$ 3,945,481	\$ 4,132,794	\$ 3,535,928	\$ 3,794,448
Business-type activities:				
Charges for services:				
Water and sewer	\$ 1,541,154	\$ 1,647,493	\$ 1,587,034	\$ 1,975,335
Golf course	655,199	591,335	418,580	487,851
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	\$ 2,196,353	\$ 2,238,828	\$ 2,005,614	\$ 2,463,186
Total primary government program revenues	\$ 6,141,834	\$ 6,371,622	\$ 5,541,542	\$ 6,257,634
Net (expense) / revenue				
Governmental activities	\$ (7,634,130)	\$ (7,591,875)	\$ (7,204,473)	\$ (7,225,718)
Business-type activities	(1,099,021)	(776,461)	(920,412)	(795,587)
Total primary government net expense	\$ (8,733,151)	\$ (8,368,336)	\$ (8,124,885)	\$ (8,021,305)

Table 2

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 1,434,120	\$ 1,352,667	\$ 1,331,648	\$ 1,433,595	\$ 1,451,815	\$ 1,436,939
781,762	744,136	739,630	784,356	860,720	880,505
2,094,716	2,421,580	2,078,802	2,265,851	2,631,032	2,864,208
1,528,167	1,543,028	1,710,983	1,960,690	2,064,999	2,316,348
1,262,700	1,430,280	1,515,132	1,487,186	2,094,471	2,534,961
2,678,335	2,507,520	3,987,920	2,461,405	3,053,399	2,917,688
502,721	512,800	467,036	541,016	616,884	606,652
380,195	476,304	443,371	437,882	483,507	464,611
328,515	244,753	237,479	195,175	180,959	183,087
<u>\$ 10,991,231</u>	<u>\$ 11,233,068</u>	<u>\$ 12,512,001</u>	<u>\$ 11,567,156</u>	<u>\$ 13,437,786</u>	<u>\$ 14,204,999</u>
\$ 2,147,225	\$ 2,164,971	\$ 2,111,346	\$ 2,309,955	\$ 2,298,746	\$ 2,269,976
1,060,556	1,041,770	1,171,247	1,072,226	1,061,779	1,035,255
<u>\$ 3,207,781</u>	<u>\$ 3,206,741</u>	<u>\$ 3,282,593</u>	<u>\$ 3,382,181</u>	<u>\$ 3,360,525</u>	<u>\$ 3,305,231</u>
<u>\$ 14,199,012</u>	<u>\$ 14,439,809</u>	<u>\$ 15,794,594</u>	<u>\$ 14,949,337</u>	<u>\$ 16,798,311</u>	<u>\$ 17,510,230</u>
\$ 12,854	\$ 3,129	\$ 2,418	\$ 6,111	\$ 2,583	\$ 3,507
894	1,413	1,082	1,657	1,669	881
92,936	101,687	65,546	72,387	73,081	81,260
594,270	732,987	716,207	714,462	744,410	677,866
103,445	92,251	85,177	86,880	94,478	91,188
2,952,688	3,287,030	2,869,831	3,330,959	4,526,619	4,545,783
-	-	-	-	-	-
<u>\$ 3,757,087</u>	<u>\$ 4,218,497</u>	<u>\$ 3,740,261</u>	<u>\$ 4,212,456</u>	<u>\$ 5,442,840</u>	<u>\$ 5,400,485</u>
\$ 2,006,397	\$ 2,064,255	\$ 2,113,865	\$ 2,065,614	\$ 2,044,753	\$ 2,042,514
471,885	439,807	385,436	352,310	331,401	301,263
190,455	813,106	38,901	100	-	-
<u>\$ 2,668,737</u>	<u>\$ 3,317,168</u>	<u>\$ 2,538,202</u>	<u>\$ 2,418,024</u>	<u>\$ 2,376,154</u>	<u>\$ 2,343,777</u>
<u>\$ 6,425,824</u>	<u>\$ 7,535,665</u>	<u>\$ 6,278,463</u>	<u>\$ 6,630,480</u>	<u>\$ 7,818,994</u>	<u>\$ 7,744,262</u>
\$ (7,234,144)	\$ (7,014,571)	\$ (8,771,740)	\$ (7,354,700)	\$ (7,994,946)	\$ (8,804,514)
(539,044)	110,427	(744,391)	(964,157)	(984,371)	(961,454)
<u>\$ (7,773,188)</u>	<u>\$ (6,904,144)</u>	<u>\$ (9,516,131)</u>	<u>\$ (8,318,857)</u>	<u>\$ (8,979,317)</u>	<u>\$ (9,765,968)</u>

City of Buena Vista, Virginia

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting) (continued)

	Fiscal Year			
	2009	2010	2011	2012
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 4,868,906	\$ 5,223,823	\$ 5,009,886	\$ 4,948,762
Local sales and use taxes	363,627	345,773	397,404	378,736
Consumer utility taxes	274,681	294,001	248,874	256,535
Meals taxes	182,056	196,708	167,780	192,920
Cellular phone taxes and right of ways	328,652	330,009	328,377	321,702
Business and professional licenses taxes	179,437	175,694	174,242	177,887
Motor vehicle licenses taxes	128,123	126,257	127,561	125,579
Other local taxes	185,098	208,553	171,758	177,095
Unrestricted grants and contributions	684,393	675,957	736,104	675,434
Unrestricted revenues from use of money and property	356,190	151,987	139,688	160,234
Miscellaneous	130,751	170,308	146,107	189,394
Loss on disposition of assets	(7,272)	-	-	-
Transfers	(809,667)	(679,006)	(521,962)	(365,258)
Total governmental activities	\$ 6,864,975	\$ 7,220,064	\$ 7,125,819	\$ 7,239,020
Business-type activities:				
Unrestricted revenues from use of money and property	\$ 3,146	\$ -	\$ -	\$ -
Miscellaneous	-	3,608	4,272	61
Transfers	809,667	679,006	521,962	365,258
Total business-type activities	\$ 812,813	\$ 682,614	\$ 526,234	\$ 365,319
Total primary government	\$ 7,677,788	\$ 7,902,678	\$ 7,652,053	\$ 7,604,339
Change in Net Position				
Governmental activities	\$ (769,155)	\$ (371,811)	\$ (78,654)	\$ 13,302
Business-type activities	(286,208)	(93,847)	(394,178)	(430,268)
Total primary government	\$ (1,055,363)	\$ (465,658)	\$ (472,832)	\$ (416,966)

Table 2

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 5,777,309	\$ 5,655,373	\$ 5,600,403	\$ 5,974,703	\$ 5,905,508	\$ 6,027,804
407,119	366,318	396,151	378,543	377,061	388,643
269,962	264,219	264,454	263,677	263,392	267,128
290,324	297,771	326,384	340,008	319,870	314,150
-	-	-	-	-	-
175,858	172,418	174,344	174,412	184,093	176,301
170,345	170,032	166,550	166,467	168,992	161,220
171,903	195,495	203,309	196,196	201,057	211,825
1,007,441	994,313	1,039,468	982,759	973,816	959,916
136,639	168,566	190,386	182,946	183,630	174,807
186,182	180,254	214,621	235,226	160,503	228,992
-	-	-	-	-	-
(327,890)	(490,600)	(441,351)	(241,196)	(270,794)	(253,937)
\$ 8,265,192	\$ 7,974,159	\$ 8,134,719	\$ 8,653,741	\$ 8,467,128	\$ 8,656,849
\$ -	\$ -	\$ -	\$ 40	\$ 902	\$ 7,335
8,653	888	447	16	780	8,663
327,890	490,600	441,351	241,196	270,794	253,937
\$ 336,543	\$ 491,488	\$ 441,798	\$ 241,252	\$ 272,476	\$ 269,935
\$ 8,601,735	\$ 8,465,647	\$ 8,576,517	\$ 8,894,993	\$ 8,739,604	\$ 8,926,784
\$ 1,031,048	\$ 959,588	\$ (637,021)	\$ 1,299,041	\$ 472,182	\$ (147,665)
(202,501)	601,915	(302,593)	(722,905)	(711,895)	(691,519)
\$ 828,547	\$ 1,561,503	\$ (939,614)	\$ 576,136	\$ (239,713)	\$ (839,184)

City of Buena Vista, Virginia

Governmental Activities Tax Revenues by Source

Last Ten Fiscal Years

(accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Meals Tax	Cell Phone Tax	Business License Tax
2018	\$ 6,027,804	\$ 388,643	\$ 267,128	\$ 314,150	\$ -	\$ 176,301
2017	5,905,508	377,061	263,392	319,870	-	184,093
2016	5,974,703	378,543	263,677	340,008	-	174,412
2015	5,600,403	396,151	264,454	326,384	-	174,344
2014	5,655,373	366,318	264,219	297,771	-	172,418
2013	5,777,309	407,119	269,962	290,324	-	175,858
2012	4,948,762	378,736	256,535	192,920	321,702	177,887
2011	5,009,886	397,404	248,874	167,780	328,377	174,242
2010	5,223,823	345,773	294,001	196,708	330,009	175,694
2009	5,223,823	345,773	294,001	196,708	330,009	175,694

Table 3

	Motor Vehicle License Tax	Other Local Tax	Total
\$	161,220	\$ 211,825	\$ 7,547,071
	168,992	201,057	7,419,973
	166,467	196,196	7,494,006
	166,550	203,309	7,131,595
	170,032	195,495	7,121,626
	170,345	171,903	7,262,820
	125,579	177,095	6,579,216
	127,561	171,758	6,625,882
	126,257	208,553	6,900,818
	126,257	208,553	6,900,818

City of Buena Vista, Virginia

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

	Fiscal Year			
	2009	2010	2011	2012
General fund				
Nonspendable	\$ -	\$ -	\$ -	\$ 23,647
Restricted	-	-	104,685	107,314
Unassigned	<u>1,353,762</u>	<u>1,497,759</u>	<u>1,178,003</u>	<u>1,028,297</u>
Total general fund	<u>\$ 1,353,762</u>	<u>\$ 1,497,759</u>	<u>\$ 1,282,688</u>	<u>\$ 1,159,258</u>
All other governmental funds				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Restricted:				
Community development block grant	-	-	74,784	87,128
School capital projects	-	-	-	-
Assigned:				
Debt service	-	-	614,525	565,546
Senior Center	-	-	-	7,806
Green Hill Cemetery	-	-	61,627	60,481
Unassigned, reported in:				
Special revenue funds	128,822	73,167	(50,987)	(64,781)
Capital projects funds	<u>1,073,011</u>	<u>664,549</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 1,201,833</u>	<u>\$ 737,716</u>	<u>\$ 699,949</u>	<u>\$ 656,180</u>

Note: GASB 54 was implemented during fiscal year 2011

Table 4

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 24,741	\$ 26,568	\$ 27,924	\$ 132,433	\$ 98,341	\$ 93,516
108,540	109,520	110,509	111,408	112,412	113,427
1,392,969	2,297,349	2,698,796	3,044,256	2,790,572	2,434,483
<u>\$ 1,526,250</u>	<u>\$ 2,433,437</u>	<u>\$ 2,837,229</u>	<u>\$ 3,288,097</u>	<u>\$ 3,001,325</u>	<u>\$ 2,641,426</u>
\$ -	\$ 1,075	\$ -	\$ 818	\$ 818	\$ 818
82,462	93,801	94,076	94,473	94,925	95,245
222,846	223,184	214,496	-	-	-
486,693	255,195	-	-	-	-
9,529	5,761	4,512	7,382	5,715	6,818
51,536	46,188	38,305	33,002	26,564	19,035
(66,009)	(80,744)	(66,610)	(62,692)	(71,600)	(16,358)
-	-	(228,900)	(14,375)	(13,827)	(14,374)
<u>\$ 787,057</u>	<u>\$ 544,460</u>	<u>\$ 55,879</u>	<u>\$ 58,608</u>	<u>\$ 42,595</u>	<u>\$ 91,184</u>

City of Buena Vista, Virginia

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

	Fiscal Year			
	2009	2010	2011	2012
Revenues				
General property taxes	\$ 4,982,364	\$ 5,036,684	\$ 5,000,774	\$ 5,128,101
Other local taxes	1,641,674	1,676,995	1,615,996	1,630,454
Permits, privilege fees and regulatory licenses	42,008	42,597	32,548	43,497
Fines and forfeitures	68,608	73,899	56,870	88,951
Revenue from use of money and property	356,190	151,987	139,688	160,234
Charges for services	727,494	707,128	532,071	619,670
Miscellaneous	130,751	170,308	146,107	211,218
Recovered costs	74,215	74,733	30,537	43,878
Intergovernmental:				
Local government	-	324,093	324,093	372,953
Commonwealth	3,677,754	3,443,597	3,201,924	3,226,557
Federal	114,010	217,437	123,278	118,254
Total revenues	\$ 11,815,068	\$ 11,919,458	\$ 11,203,886	\$ 11,643,767
Expenditures				
General government administration	\$ 1,073,527	\$ 985,770	\$ 1,111,062	\$ 1,182,731
Judicial administration	656,622	703,827	683,819	813,087
Public safety	1,914,522	1,804,153	1,775,565	2,104,240
Public works	1,867,050	1,672,395	1,494,922	1,500,611
Health and welfare	1,491,952	1,491,844	1,386,566	1,408,127
Education	2,225,190	2,350,852	2,239,651	2,160,872
Parks, recreation and cultural	537,994	455,423	478,682	521,591
Community development	491,300	519,316	450,938	542,077
Capital outlay	520,898	125,654	48,384	51,483
Debt service				
Principal	1,017,383	1,037,806	942,103	1,000,969
Interest and other fiscal charges	374,344	413,531	323,070	335,920
Total expenditures	\$ 12,170,782	\$ 11,560,571	\$ 10,934,762	\$ 11,621,708
Excess (deficiency) of revenues over (under) expenditures	\$ (355,714)	\$ 358,887	\$ 269,124	\$ 22,059
Other financing sources (uses)				
Transfers in	\$ 911,238	\$ 593,959	\$ 951,086	\$ 950,648
Transfers out	(1,720,905)	(1,272,965)	(1,473,048)	(1,315,906)
Refunding bonds issued	836,849	-	-	-
Issuance of long-term debt	171,632	-	-	176,000
Issuance of general obligation bonds	-	-	-	-
Issuance of refunding loan payable	-	750,000	750,000	-
Redemption of refunded loan	-	(750,000)	(750,000)	-
Total other financing sources (uses)	\$ 198,814	\$ (679,006)	\$ (521,962)	\$ (189,258)
Net change in fund balances	\$ (156,900)	\$ (320,119)	\$ (252,838)	\$ (167,199)
Debt service as a percentage of noncapital expenditures	11.95%	12.69%	11.62%	11.82%

Table 5

Fiscal Year						
2013	2014	2015	2016	2017	2018	
\$ 5,566,575	\$ 5,816,792	\$ 5,687,818	\$ 5,741,167	\$ 5,803,302	\$ 6,005,861	
1,485,511	1,466,253	1,531,192	1,519,303	1,514,465	1,519,267	
35,195	56,039	44,163	40,924	66,319	37,805	
78,145	85,102	52,441	57,242	57,544	66,589	
136,639	168,566	190,386	182,946	183,630	174,807	
691,059	790,326	773,826	783,331	792,358	750,308	
186,182	180,254	214,621	235,226	160,503	228,992	
26,142	38,313	6,062	10,776	30,787	33,502	
372,953	372,953	48,860	193,474	193,474	193,474	
3,481,495	3,865,603	3,805,864	4,053,919	5,102,195	4,931,116	
105,681	42,787	54,575	66,325	204,766	381,109	
<u>\$ 12,165,577</u>	<u>\$ 12,882,988</u>	<u>\$ 12,409,808</u>	<u>\$ 12,884,633</u>	<u>\$ 14,109,343</u>	<u>\$ 14,322,830</u>	
\$ 1,069,263	\$ 1,040,690	\$ 1,087,930	\$ 1,171,159	\$ 1,198,390	\$ 1,126,123	
768,349	730,301	750,287	789,640	844,801	854,800	
2,012,328	2,344,890	2,108,910	2,205,651	2,647,082	2,858,765	
1,452,948	1,466,101	1,933,435	2,193,090	2,843,347	2,427,429	
1,268,530	1,468,281	1,512,651	1,487,742	2,115,142	2,609,039	
2,469,550	2,283,301	2,286,258	2,220,877	2,812,881	2,648,982	
490,914	510,236	457,666	531,499	615,116	643,457	
399,905	480,235	759,790	444,948	491,121	480,471	
328,280	15,583	223,186	294,357	55	65	
1,246,281	1,104,081	1,003,427	928,069	511,865	574,197	
343,443	284,099	229,706	217,100	185,917	156,875	
<u>\$ 11,849,791</u>	<u>\$ 11,727,798</u>	<u>\$ 12,353,246</u>	<u>\$ 12,484,132</u>	<u>\$ 14,265,717</u>	<u>\$ 14,380,203</u>	
<u>\$ 315,786</u>	<u>\$ 1,155,190</u>	<u>\$ 56,562</u>	<u>\$ 400,501</u>	<u>\$ (156,374)</u>	<u>\$ (57,373)</u>	
\$ 879,436	\$ 698,134	\$ 880,904	\$ 587,788	\$ 609,992	\$ 672,207	
(1,207,326)	(1,188,734)	(1,322,255)	(828,984)	(880,786)	(926,144)	
-	-	300,000	-	-	-	
-	-	-	294,292	232,742	-	
509,973	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
<u>\$ 182,083</u>	<u>\$ (490,600)</u>	<u>\$ (141,351)</u>	<u>\$ 53,096</u>	<u>\$ (38,052)</u>	<u>\$ (253,937)</u>	
<u>\$ 497,869</u>	<u>\$ 664,590</u>	<u>\$ (84,789)</u>	<u>\$ 453,597</u>	<u>\$ (194,426)</u>	<u>\$ (311,310)</u>	
13.79%	11.84%	10.65%	9.39%	9.39%	5.22%	

City of Buena Vista, Virginia

General Governmental Tax Revenues by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year		Property Tax	Local sales and use Tax	Consumer Utility Tax	Business License Tax	Motor Vehicle License Tax	Bank Stock Tax	Recordation and Wills Tax
2018	\$	6,005,861	\$ 388,643	\$ 267,128	\$ 176,301	\$ 161,220	\$ 56,012	\$ 32,543
2017		5,803,302	377,061	263,392	184,093	168,992	48,715	26,039
2016		5,741,167	378,543	263,677	174,412	166,467	44,278	25,412
2015		5,687,818	396,151	264,454	174,344	166,550	48,115	24,724
2014		5,816,792	366,318	264,219	172,418	170,032	38,430	25,949
2013		5,566,575	407,119	269,962	175,858	170,345	26,755	27,607
2012		5,128,101	378,736	256,535	177,887	125,579	47,100	25,867
2011		5,000,774	397,404	248,874	174,242	127,561	54,919	23,283
2010		5,036,684	345,773	294,001	175,694	126,257	51,602	41,553
2009		4,982,364	363,627	274,681	179,437	128,123	40,194	36,102

Table 6

	Meals		Other		
	Tax		Local		Total
	Tax		Tax		Tax
\$	314,150	\$	123,270	\$	7,525,128
	319,870		126,303		7,317,767
	340,008		126,506		7,260,470
	326,384		130,470		7,219,010
	297,771		131,116		7,283,045
	290,324		117,541		7,052,086
	192,920		425,830		6,758,555
	167,780		421,933		6,616,770
	196,708		445,407		6,713,679
	182,056		437,454		6,624,038

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

Fiscal Year	Real Estate (1)	Personal Property (3)	Public Service (2)	Total Taxable Assessed Value	Estimated Actual Taxable Value	State Sales Assessment Ratio (4)	Total Direct Rate
2018	\$ 327,498,090	\$ 42,979,676	\$ 23,322,541	\$ 393,800,307	\$ 334,040,467	117.89%	\$ 12.52
2017	327,313,460	40,865,214	23,005,034	391,183,708	341,704,846	114.48%	12.52
2016	364,742,820	41,387,341	21,978,142	428,108,303	372,203,359	115.02%	12.30
2015	370,299,700	38,823,781	16,226,569	425,350,050	340,388,964	124.96%	12.30
2014	369,965,100	37,597,333	14,908,769	460,953,526	379,448,079	121.48%	12.24
2013	369,766,300	38,482,324	14,824,925	460,318,115	395,836,370	116.29%	12.24
2012	398,252,780	37,244,566	13,617,540	484,629,216	422,040,596	114.83%	11.96
2011	396,922,080	35,514,330	13,884,688	446,321,098	432,314,120	103.24%	11.90
2010	395,269,480	35,506,375	11,824,822	442,600,677	476,159,281	92.90%	11.90
2009	393,844,500	35,257,670	11,349,391	440,451,561	543,767,359	81.00%	11.79

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

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

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

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

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

Fiscal Years	Direct Rates				Total Direct Rate
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	
2018	\$ 1.21	\$ 5.85	\$ 1.21	\$ 4.25	\$ 12.52
2017	1.21	5.85	1.21	4.25	12.52
2016	1.10	5.85	1.10	4.25	12.30
2015	1.10	5.85	1.10	4.25	12.30
2014	1.07	5.85	1.07	4.25	12.24
2013	1.07	5.85	1.07	4.25	12.24
2012	0.93	5.85	0.93	4.25	11.96
2011	0.90	5.85	0.90	4.25	11.90
2010	0.90	5.85	0.90	4.25	11.90
2009	0.85	5.85	0.85	4.25	11.79

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

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

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2018		Fiscal Year 2009	
		2018 Assessed Valuation	% of Total Assessed Valuation	2009 Assessed Valuation	% of Total Assessed Valuation
Virginia Electric and Power	Utility	13,810,679	3.51%	5,998,833	1.45%
Modine	Manufacturing	5,848,700	1.49%	6,297,490	1.52%
Stag Buena Vista LLC (1)	Manufacturing	5,156,000	1.31%	-	0.00%
Columbia Gas	Utility	4,584,029	1.16%	2,286,486	0.55%
GPH Buena Vista LLC	Nursing Home	3,625,000	0.92%	5,879,830	1.42%
Eforay	Research & Develop-Air Cond	3,128,400	0.79%	3,603,460	0.87%
Rebkee Partners Hilltop LLC	Retail Merchants	3,115,500	0.79%	3,146,300	0.76%
Treemont Village Preservation (1)	Apartments	3,026,200	0.77%	-	0.00%
Everbrite	Manufacturing	2,972,700	0.75%	3,248,820	0.79%
Knopp Company	Apartments	2,818,300	0.72%	2,372,300	0.57%
Daryl Limited Co (1)	Manufacturing	2,215,200	0.56%	-	0.00%
Beans Bottom LLC (1)	Real Estate	2,160,800	0.55%	-	0.00%
Roy & June Southers Trust (1)	Real Estate	2,103,200	0.53%	-	0.00%
Hillcrest Manor LLC	Apartments	2,088,400	0.53%	-	0.00%
Fitzgerald Lumber & Log Inc (1)	Manufacturing	1,994,400	0.51%	-	0.00%
Shenandoah Valley Investors	Manufacturing	-	0.00%	5,896,800	1.43%
Buena Vista Place	Apartments	-	0.00%	2,628,800	0.64%
		<u>\$ 58,647,508</u>	<u>14.89%</u>	<u>\$ 41,359,119</u>	<u>10.00%</u>

Source: Commissioner of Revenue

(1) Business not in operation in fiscal year 2009

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year (1)		Collected within the Fiscal Year of the Levy (1)		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2018	\$	6,582,676	\$ 6,159,283	93.57%	\$ -	\$ 6,159,283	93.57%
2017		6,500,078	6,044,153	92.99%	217,699	6,261,852	96.34%
2016		6,521,393	6,102,140	93.57%	221,727	6,323,867	96.97%
2015		6,374,749	6,032,482	94.63%	234,169	6,266,651	98.30%
2014		6,229,683	5,829,158	93.57%	323,411	6,152,569	98.76%
2013		6,195,432	5,838,533	94.24%	297,994	6,136,527	99.05%
2012		5,849,241	5,475,831	93.62%	342,905	5,818,736	99.48%
2011		5,661,547	5,377,064	94.98%	280,582	5,657,646	99.93%
2010		5,611,405	5,244,565	93.46%	364,295	5,608,860	99.95%
2009		5,511,443	5,356,497	97.19%	152,653	5,509,150	99.96%

Source: Commissioner of Revenue, County Treasurer's office

(1) Includes PPTRA reimbursement from Commonwealth of Virginia

City of Buena Vista, Virginia

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities					Business-type Activities		
	General Obligation Bonds	Literary Fund Loans	Revenue Bonds	Notes Payable	Capital Leases	Revenue Bonds	Capital Leases	Other Obligations
2018	\$ 394,068	\$ 1,500,000	\$ -	\$ 2,406,810	\$ 357,192	\$ 14,918,406	\$ -	\$ 1,201,840
2017	417,249	1,875,000	-	2,462,382	477,636	15,088,052	-	1,201,840
2016	440,430	2,250,000	-	2,531,282	289,678	15,315,298	-	1,201,840
2015	463,611	2,625,000	-	3,009,116	47,437	15,535,249	-	1,201,840
2014	486,792	3,000,000	444,864	2,760,658	156,279	15,953,006	-	983,874
2013	823,774	3,375,000	602,188	2,892,176	259,536	16,323,696	-	655,318
2012	627,636	3,750,000	765,422	3,163,754	382,170	16,692,334	-	424,019
2011	941,454	4,125,000	926,292	3,193,926	101,859	13,127,451	-	-
2010	1,255,272	4,500,000	1,080,515	3,215,680	179,167	13,512,737	-	-
2009	1,569,090	4,875,000	1,228,397	3,250,000	345,952	13,708,989	11,500	-

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

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

Table 11

	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$	20,778,316	20.02%	\$ 3,284
	21,522,159	21.07%	3,310
	22,028,528	18.06%	3,332
	22,882,253	18.30%	3,479
	23,785,473	20.33%	3,713
	24,931,688	16.37%	3,889
	25,805,335	16.37%	3,889
	22,415,982	13.01%	3,464
	23,743,371	13.78%	3,740
	24,988,928	14.50%	3,936

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

Fiscal Year		Gross Bonded Debt	Less: Amounts Reserved for Debt Service		Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2018	\$	1,894,068	\$	-	\$ 1,894,068	0.48%	\$ 299
2017		2,292,249		-	2,292,249	0.59%	353
2016		2,690,430		-	2,690,430	0.63%	395
2015		3,088,611		-	3,088,611	0.73%	450
2014		3,486,792		-	3,486,792	0.76%	510
2013		4,198,774		-	4,198,774	0.91%	625
2012		4,377,636		-	4,377,636	0.90%	660
2011		5,066,454		-	5,066,454	1.14%	783
2010		5,755,272		-	5,755,272	1.30%	906
2009		6,444,090		-	6,444,090	1.45%	1,015

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

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

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

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City of Buena Vista, VirginiaLegal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Debt limit (1)	\$ 39,526,948	\$ 39,526,948	\$ 39,692,208	\$ 39,825,278
Total net debt applicable to limit (2)	<u>24,988,928</u>	<u>23,743,371</u>	<u>22,415,982</u>	<u>25,805,335</u>
Legal debt margin	<u>\$ 14,538,020</u>	<u>\$ 15,783,577</u>	<u>\$ 17,276,226</u>	<u>\$ 14,019,943</u>
Total net debt applicable to the limit as a percentage of debt limit	63.22%	60.07%	56.47%	64.80%

(1) The debt limit is calculated on Table 7

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

Table 13

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 36,976,630	\$ 36,996,510	\$ 37,029,970	\$ 36,474,282	\$ 32,731,346	\$ 32,749,809
24,931,688	23,785,473	22,882,353	22,028,528	21,522,159	20,778,316
\$ <u>12,044,942</u>	\$ <u>13,211,037</u>	\$ <u>14,147,617</u>	\$ <u>14,445,754</u>	\$ <u>11,209,187</u>	\$ <u>11,971,493</u>
67.43%	64.29%	61.79%	60.39%	65.75%	63.45%

City of Buena Vista, Virginia

Pledged-Revenue Coverage
Last Ten Fiscal Years

Water and Sewer Revenue Bonds (1)											
Fiscal Year	Water/Sewer		Less:		Net		Coverage				
	Charges and Other		Operating Expenses		Available Revenue	Debt Service					
						Principal	Interest				
2018 (2)	\$	2,050,364	\$	1,886,186	\$	164,178	\$	148,509	\$	322,088	34.89%
2017		2,045,288		1,919,514		125,774		195,081		329,004	24.00%
2016		2,065,614		1,926,450		139,164		188,768		337,798	26.43%
2015		2,113,865		1,767,302		346,563		178,349		345,431	66.17%
2014		2,064,255		1,777,994		286,261		172,201		333,967	56.55%
2013		2,014,987		1,689,750		325,237		125,258		403,401	61.52%
2012		1,975,335		1,664,180		311,155		299,091		333,964	49.15%
2011		1,591,284		1,575,252		16,032		78,266		159,006	6.76%
2010		1,651,101		1,661,771		(10,670)		74,269		164,611	-4.47%
2009		1,541,154		1,682,258		(141,104)		70,338		158,415	-59.31%

(1) Increase in principal and interest paid is due to the refinancing of several issues with the 2011A issue.

(2) The amount reported as 2018 principal and interest for the Golf Course Revenue Bonds reflects the amount of debt service owed in 2018 rather than the amount actually paid. Reference note 22 to the financial statements for additional information regarding the reason for this difference.

Table 14

Golf Course Revenue Bonds (1)						
Golf Course Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
			Principal	Interest		
\$ 302,076	\$ 538,666	\$ (236,590)	\$ 271,137	\$ 454,197	-32.62%	
331,646	523,001	(191,355)	267,165	538,778	-23.74%	
352,326	554,531	(202,205)	256,246	517,695	-26.13%	
385,443	523,442	(137,999)	239,408	610,843	-16.23%	
440,695	506,793	(66,098)	228,489	534,977	-8.66%	
471,948	508,621	(36,673)	213,380	551,935	-4.79%	
487,912	617,024	(129,112)	899,525	584,643	-8.70%	
418,602	662,568	(243,966)	307,020	529,200	-29.17%	
591,335	666,547	(75,212)	121,983	521,956	-11.68%	
655,199	903,238	(248,039)	117,393	548,856	-38.39%	

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemploy- ment Rate
2018	6,327	\$ 103,794,435	\$ 16,405	35.1	939	4.10%
2017	6,502	102,126,914	15,707	38.1	997	5.20%
2016	6,817	119,024,820	17,460	38.1	966	5.20%
2015	6,867	126,716,751	18,453	36.8	1,046	6.40%
2014	6,836	129,979,704	19,014	36.8	1,046	6.30%
2013	6,714	122,651,352	18,268	36.8	1,198	7.70%
2012	6,636	157,624,908	23,753	37.6	1,198	7.40%
2011	6,471	172,309,592	26,628	39.3	1,104	8.60%
2010	6,349	172,309,592	27,140	39.3	1,120	8.70%
2009	6,349	172,309,592	27,140	39.3	1,211	5.60%

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

Principal Employers

Current Year and Nine Years Ago

Employer	Fiscal Year 2018			Fiscal Year 2009		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Southern Virginia University	250	1	7.88%	250	1	7.92%
Peoplelink Staffing Solut	200	2	6.31%	-		0.00%
Buena Vista City Public Schools	200	3	6.31%	239	2	7.58%
Munters Corp	175	4	5.52%	-		0.00%
Modine	162	5	5.11%	203	3	6.43%
Pro Careers	112	6	3.53%	-		0.00%
Everbrite LLC	112	7	3.53%	76	6	2.41%
City of Buena Vista, VA	85	8	2.68%	85	4	2.69%
Northwest Hardwoods	75	9	2.37%	-		0.00%
ADS	50	10	1.58%	18	10	0.57%
GGNSC - Shenandoah Valley Health	-	-	0.00%	80	5	2.54%
Bontex	-	-	0.00%	23	9	0.73%
Fitzgerald Lumber	-	-	0.00%	50	7	1.58%
Shenandoah Hardwood	-	-	0.00%	49	8	1.55%
Totals	1,421		44.81%	1,073		34.01%

Source: Individual City departments

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

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	13	12	12	12	11	11	12	12	12	12
Judicial administration	8	8	8	8	8	8	8	8	9	9
Public safety										
Police department	13	12	16	15	15	15	15	17	18	18
Building inspections	1	1	1	1	1	1	1	1	1	1
Animal control	1	1	1	1	1	1	1	1	0	0
Public works										
General maintenance	42	38	33	33	33	34	34	32	33	33
Culture and recreation										
Parks and recreation	5	3	5	5	3	4	4	4	4	5
Community development										
Planning	2	3	2	2	2	2	2	2	2	2
Totals	91	92	78	77	74	76	77	77	79	80

Source: Individual City departments

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety										
Sheriffs department:										
Civil papers	3,569	4,171	3,888	4,021	4004	4004	4004	4004	4004	4004
Building inspections:										
Permits issued	84	73	62	61	66	61	71	71	61	55
Public works										
Landfill:										
Recycling (tons/year)	248	327	367	377	343	343	343	343	343	343
Community development										
Planning:										
Zoning permits issued	35	48	63	64	46	48	36	36	50	61
Component Unit - School Board										
Education:										
School age population	1,211	1,101	1,135	1,175	1,035	1,046	1,046	965	930	948
Number of teachers	111	108	98	88	86	80	80	79	75	77
Local expenditures per pupil	\$ 2,219	\$ 2,051	\$ 2,276	\$ 2,114	\$ 1,944	\$ 9,238	\$ 9,709	\$ 9,709	\$ 9,709	\$ 3,343

Source: Individual City departments

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government										
Administration buildings	18	18	18	18	18	18	18	18	18	18
Vehicles	1	1	1	1	1	1	1	1	1	1
Public safety										
Police department:										
Patrol units	19	19	19	19	16	16	16	21	21	21
Building inspections:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	29	28	28	29	30	27	27	28	28	28
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	2	2	2	2	5	6	6	6	6	6
Parks acreage	615	615	615	615	615	615	615	615	615	615
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	1	1	1	1	1	1	1	1	1	1
Community development										
Planning:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Component Unit - School Board										
Education:										
Schools	4	4	4	4	4	4	4	4	4	4
School buses	13	13	13	12	12	12	12	12	12	12

Source: Individual City departments

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Buena Vista, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Buena Vista, Virginia's basic financial statements, and have issued our report thereon dated December 19, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses. [2018-001]

Compliance and Other Matters

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

City of Buena Vista, Virginia's Response to Findings

City of Buena Vista, Virginia's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Buena Vista, 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, Fanner, Cox Associates

Staunton, Virginia
December 19, 2018

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Report on Compliance for Each Major Federal Program

We have audited City of Buena Vista, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Buena Vista, Virginia's major federal programs for the year ended June 30, 2018. City of Buena Vista, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, City of Buena Vista, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
December 19, 2018

City of Buena Vista, Virginia

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	Not available	\$ 2,949
Temporary Assistance for Needy Families	93.558	Not available	362
Foster Care - Title IV-E	93.658	Not available	50,448
Adoption Assistance	93.659	Not available	57,725
Social Services Block Grant	93.667	86667	<u>3,284</u>
Total Department of Health and Human Services			<u>\$ 114,768</u>
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution	10.555	40623	\$ 33,037
Department of Education:			
National School Lunch Program	10.555	40623	<u>174,642</u>
			\$ 207,679
School Breakfast Program	10.553	40591	<u>59,524</u>
Total Child Nutrition Cluster			<u>267,203</u>
Total Department of Agriculture			<u>\$ 267,203</u>
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Service:			
Crime Victim Assistance	16.575	Not available	\$ 36,761
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not available	140,521
Equitable Sharing Program	16.922	Not available	<u>39,670</u>
Total Department of Justice			<u>\$ 216,952</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Services:			
Emergency Management Performance Grants	97.042	Not available	\$ 7,500
Homeland Security Grant Program	97.067	Not available	<u>34,939</u>
Total Department of Homeland Security			<u>\$ 42,439</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	Not available	\$ <u>6,950</u>
Total Department of Transportation			<u>\$ 6,950</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010	42901	\$ 269,645
Career and Technical Education: Basic Grants to States	84.048	61095	19,790
Special Education Cluster:			
Title VI-B: Special Education - Grants to States	84.027	43071	270,390
Title VI-B: Special Education - Preschool Grants	84.173	Not available	<u>11,931</u>
Total Special Education Cluster			<u>\$ 282,321</u>
Twenty-first Century Community Learning Centers	84.287	Not available	189,012
Rural Education	84.358	Not available	38,282
Supporting Effective Instruction State Grants	84.367	61480	<u>42,049</u>
Total Department of Education			<u>\$ 841,099</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,489,411</u></u>

City of Buena Vista, Virginia

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2018

Notes to Schedule of Expenditures of Federal Awards:

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Buena Vista, Virginia under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Buena Vista, Virginia, it is not intended to and does not present the financial position, change in net position, or cash flows of the City of Buena Vista, Virginia.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

City of Buena Vista, Virginia has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Pass-through identifying numbers are presented where available.

NOTE C - FOOD DISTRIBUTION

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

NOTE D - SUBRECIPIENTS

No awards were passed through to subrecipients.

NOTE E - LOANS

The City did not have any loans or loan guarantees which are subject to reporting requirements in the current year.

NOTE F - RELATIONSHIP TO FINANCIAL STATEMENTS

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

Governmental funds	\$ 381,109
Total primary government	\$ 381,109

Discretely presented component unit - School Board:

School operating fund	\$ 841,099
School cafeteria fund	267,203
Total discretely presented component unit - School Board	\$ 1,108,302

Total federal expenditures per the Schedule of Expenditures of
Federal awards

\$ 1,489,411

CITY OF BUENA VISTA, VIRGINIA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes x no

Federal Awards:

Internal control over major programs:

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

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

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

Identification of major programs:

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

Child Nutrition Cluster

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

Special Education Cluster

84.027		Title VI-B: Special Education - Grants to states
84.173		Title VI-B: Special Education - Preschool Grants

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

Auditee qualified as low-risk auditee? x yes no

Section II-Financial Statement Findings

2018-001

Criteria: Per the Clarified Statements on Auditing Standards AU-C 265, an auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards. Furthermore, reliance on the auditor to propose adjustments necessary to comply with reporting standards is not a component of such controls.

Condition: The City's financial statements as presented for audit did not contain recorded transactions related to the discretely presented component unit School Board's internal service fund for it's self-insured health insurance plan.

CITY OF BUENA VISTA, VIRGINIA
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2018

Section II-Financial Statement Findings (Continued)

2018-001 (continued)

Cause	The self-insured health insurance plan was only recently established by the School Board. Therefore, an effective framework of internal control had yet to be established over financial reporting of the internal service fund.
Effect:	During our audit of the City's component unit school board, it was determined that the internal service fund had not been properly established, and no related transactions for the fiscal year had been posted to the City's accounting records.
Recommendation:	It is recommended that a detailed review of the City's financial statements be completed after all year end adjustments have been posted in order to affirm the completeness and accuracy of the financial statements presented for audit.
Management's Response:	The City will set up a separate internal service fund for the School Board self-insured health insurance plan. All transactions related to the activity of the school health insurance plan will be posted to this fund. The City will reconcile the fund monthly with the bank records to affirm the completeness and accuracy of the account.

Section III-Federal Award Findings and Questioned Costs

None

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

There were no prior year audit findings.