

CITY OF BUENA VISTA, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012



CITY OF BUENA VISTA, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
JUNE 30, 2012**

Prepared by

Timothy Dudley, Director of Finance

Buena Vista, Virginia

**CITY OF BUENA VISTA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012**

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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 4, 2012

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, 2012.

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 unqualified ("clean") opinion on the City of Buena Vista's financial statements for the year ended June 30, 2012. 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. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

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

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

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

Local Economy

Buena Vista City Council is committed to creating jobs for its citizens and generating new revenue sources by encouraging business and industry to locate in the City. The current labor force is 3,370 with 3,183 employed for an unemployment rate of 5.5 percent.

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

The City has purchased approximately 213 acres of land adjacent to Glen Maury Park for part of an economic development project. The first phase, the construction of an \$8.5 million championship golf course with areas available for residential development, is complete.

The grand opening was in August of 2004. The second phase is complete with the construction of the Dabney S. Lancaster Community College Regional Center. The building is approximately 14,500 sq. feet and has the best culinary school on this side of the state. A road system was built to connect this project to highway route 60, Glen Maury Park and the City's downtown area. Ten acres of land near the clubhouse site was sold by the City for single family housing. The City has for sale approximately 50 acres of additional land around the golf course.

Southern Virginia University (SVU) is a tremendous asset to the City. The college expects approximately 729 students this fall. SVU is investing approximately \$5 million building new dormitories and acquiring additional properties to accommodate the expected increase in students. A new church has also been constructed on the SVU grounds. SVU is responsible for approximately \$9 million dollars in the City's economy every year.

The City's economic condition is stabilizing and the long-term economic prospects appear quite positive. The City anticipates significant growth in capital expenditures that will fuel local expenditures. As a result, a substantial increase in the City's tax base and corresponding local revenues should be attained benefiting its citizens and the surrounding geographic area.

Long-term Financial Planning

The City of Buena Vista's unassigned fund balance in the general fund is 11.5 percent of budgeted general fund revenues. For planning purposes, the City would prefer a 20-25 percent fund balance that could reduce the amount of funds borrowed on future projects.

Major Initiatives and Accomplishments

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

The City has implemented a new financial management system and is in the process of customizing the software for the City and providing the training support.

The engineering/public works department oversaw an active program of projects related to water distribution, roads, sidewalks, drainage and sewers. Dickinson well was shut down by the Virginia Health Department. If the city wants to use this asset we must implement a boil water notice. Through voluntary water conservation and the hard work of the Public Works Department, auxiliary wells were refurbished and brought on line. The cost of the new project to bring the well back on line will be approximately \$4,765,000 million dollars funded primarily from selling bonds that was completed and closed in July 2011.

The City's sewer collection system is being repaired to help eliminate the inflow and infiltration (I&I) at our wastewater treatment facility.

The Commonwealth has implemented new regulations for water quality. The wastewater treatment plant was 26 years old in the year 2012. Our engineering consultant will prepare a preliminary engineering report that is needed to evaluate current trends and future requirements of the facility. The choice between refurbishing the current facility or upgrading to a different process will be determined after the engineering study. The overall cost of the project could approach \$15 million dollars that will be funded by Commonwealth funds and Rural Development funds.

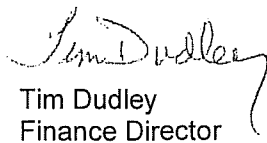
Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Buena Vista for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. 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,



Tim Dudley
Finance Director

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



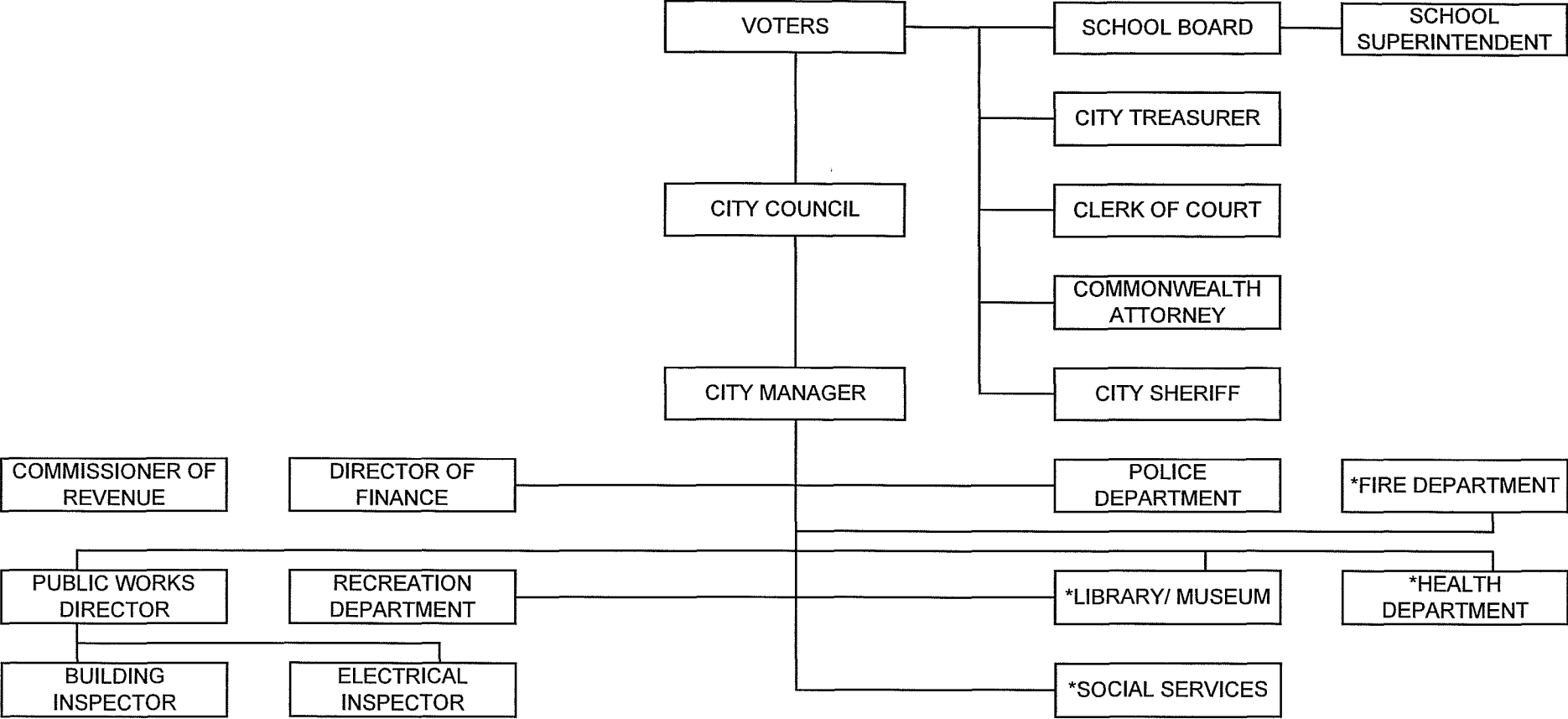
Linda C. Davidson

President

Jeffrey R. Enos

Executive Director

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, 2012

CITY COUNCIL

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

CITY OFFICIALS

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

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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

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 the City of Buena Vista, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Buena Vista, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012 on our consideration of the City of Buena Vista, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Buena Vista, Virginia's financial statements as a whole. The introductory section, other supplementary information and supporting schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The other supplementary information and supporting schedules 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The 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.

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2012

Management's Discussion and Analysis

As management of the City of Buena Vista, 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, 2012. 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 assets of the City of Buena Vista's, Primary Government at the close of the current fiscal year were \$11,145,199 (net assets). Of this amount, \$2,890,765 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net assets decreased \$416,966 from the prior fiscal year due to our Business-type Activities long-term liabilities increasing \$3,992,966. The restricted assets increased \$3,027,482 as a result of cash and cash equivalents set aside to pay debt.

As of the close of the current fiscal year, the City of Buena Vista's governmental funds reported combined ending fund balances of \$1,815,438, a decrease of \$167,199 in comparison with the prior year. Of this amount, \$971,322 is unassigned and available for spending at the government's discretion (unassigned fund balance). The difference is mainly a decrease in the taxes receivable in the General Fund.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,028,297, or 10.1 percent of total General Fund expenditures.

The City of Buena Vista's long term debt increased by \$3,403,936, or 14.8 percent due to the \$4,765,000 financing the project for an upgrade to our Dickinson Well. The Long term debt retirements included \$313,818 for the floodwall, \$144,070 for the education revenue bond for the athletic complex at Parry McCluer High School. \$16,800 of debt retirement went towards the Senior Citizen's Center which was provided by a lease revenue bond payable. The Literary Loan for the building of Parry McCluer High, was reduced by \$375,000. Also the 2.5 million dollar loans to finance the Dabney Lancaster Community College educational satellite was reduced by \$29,930. The city also paid \$20,127 on a lease purchase for the garbage truck and \$57,180 for a lease purchase on 6 public safety vehicles. The total long term debt for the City stands at \$26,376,834. Of this amount, there is a charge of \$303,001 for Other Post Employment Benefits. This charge is an actuarial estimate of the costs of future retiree benefits. Also included in long term indebtedness is a decrease of \$62,459 for employee compensated absences. The amount of debt service due within one year has decreased \$14,159.

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 Assets presents information on all of the City of Buena Vista's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 eleven 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 the Flood Protection 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 2012 Social Services budget increased \$50,000 from the FY 2011 budget to cover the increase in Welfare costs for the city. The down turn in the economy has caused a dramatic increase in the cost of welfare not only for the city but also for the region. This cost is expected to remain or even increase during the next year.

The City Finance department also made improvements to its Information Technology Infrastructure to improve security guarding against identity theft. Improvements were also made by implementing a new finance and accounting system. The Finance department is the first department to implement new applications. A general ledger application was implemented along with payroll and accounts payable. The Treasurer's office and the Commissioner of Revenue's office are beginning to use new software applications.

The City is purchasing a water filtration system for its Dickinson Well. Dickinson Well is the primary water source for the entire City. Dickinson Well has been closed for over a year and Public Works has incurred costs in repairing existing wells in order to maintain water sources and keep up with demand.

The Wastewater Treatment Plant is spending \$60,000 to purchase nutrient credits. The plant is due for a renovation in the near future to implement new technology at the plant. In the mean time, nutrient credits will be purchased.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Buena Vista, assets exceeded liabilities by \$11,145,199 at the close of fiscal year 2012 for the primary government and \$2,352,761 for the Component Unit School Board.

The City of Buena Vista's governmental activities net assets of \$9,535,734 reflects its investment in capital assets of 82 percent (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Buena Vista uses these capital assets to provide services to citizens. These assets are not available for future spending. Although the City of Buena Vista's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The net assets of the governmental activities increased \$13,302 during FY 2012. Key components of this change are discussed on page 15 in the MD&A.

The following is a condensed summary of the City's statement of net assets for the fiscal years ending June 30, 2012 and June 30, 2011:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and						
other assets	\$ 3,798,190	\$ 3,956,805	\$ 5,943,232	\$ 1,928,110	\$ 9,741,422	\$ 5,884,915
Capital Assets	16,514,850	16,750,280	13,256,086	13,606,475	29,770,936	30,356,755
Total Assets	<u>\$ 20,313,040</u>	<u>\$ 20,707,085</u>	<u>\$ 19,199,318</u>	<u>\$ 15,534,585</u>	<u>\$ 39,512,358</u>	<u>\$ 36,241,670</u>
Long-term						
Liabilities	\$ 9,144,893	\$ 9,733,923	\$ 17,231,941	\$ 13,238,975	\$ 26,376,834	\$ 22,972,898
Other liabilities	1,632,413	1,450,730	357,912	255,877	1,990,325	1,706,607
Total Liabilities	<u>\$ 10,777,306</u>	<u>\$ 11,184,653</u>	<u>\$ 17,589,853</u>	<u>\$ 13,494,852</u>	<u>\$ 28,367,159</u>	<u>\$ 24,679,505</u>
Net Assets:						
Invested in capital						
assets, net or						
related debt	\$ 7,825,868	\$ 7,461,749	\$ (2,890,305)	\$ 1,309,884	\$ 4,935,563	\$ 8,771,633
Reserved for						
debt service	107,314	104,685	3,211,557	186,704	3,318,871	291,389
Unrestricted						
(deficit)	1,602,552	1,955,998	1,288,213	543,145	2,890,765	2,499,143
Total Net Assets	<u>\$ 9,535,734</u>	<u>\$ 9,522,432</u>	<u>\$ 1,609,465</u>	<u>\$ 2,039,733</u>	<u>\$ 11,145,199</u>	<u>\$ 11,562,165</u>

Governmental Activities. Net assets of governmental activities increased for the City of Buena Vista by \$13,302 for FY 2012, while net assets of business-type activities decreased by \$430,268 or 21% for the fiscal year. Key components of the change are discussed on page 15 of the MD&A.

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**CITY OF BUENA VISTA'S CHANGE IN NET ASSETS
YEARS ENDING JUNE 30, 2012 AND JUNE 30, 2011**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for services	\$ 752,118	\$ 622,737	\$ 2,463,186	\$ 2,005,614	\$ 3,215,304	\$ 2,628,351
Operating grants	3,042,330	2,913,191	-	-	3,042,330	2,913,191
General Revenues:						
Property taxes	4,948,762	5,009,886	-	-	4,948,762	5,009,886
Other taxes	1,630,454	1,615,996	-	-	1,630,454	1,615,996
Grants and contributions not restricted to specific programs	675,434	736,104	-	-	675,434	736,104
Use of money and property	160,234	139,688	-	-	160,234	139,688
Miscellaneous	189,394	146,107	61	4,272	189,455	150,379
Total Revenue	<u>\$ 11,398,726</u>	<u>\$ 11,183,709</u>	<u>\$ 2,463,247</u>	<u>\$ 2,009,886</u>	<u>\$ 13,861,973</u>	<u>\$ 13,193,595</u>
Expenses:						
General Government						
admin	\$ 1,555,693	\$ 1,488,136	\$ -	\$ -	\$ 1,555,693	\$ 1,488,136
Judicial Admin	834,369	698,976	-	-	834,369	698,976
Public Safety	1,974,531	1,853,412	-	-	1,974,531	1,853,412
Public works	1,532,334	1,645,418	-	-	1,532,334	1,645,418
Health and Welfare	1,387,794	1,373,423	-	-	1,387,794	1,373,423
Education	2,388,442	2,429,651	-	-	2,388,442	2,429,651
Parks, Recreation, Culture	493,121	470,587	-	-	493,121	470,587
Community Development	524,202	440,144	-	-	524,202	440,144
Interest on long- term debt	329,680	340,654	-	-	329,680	340,654
Water and Sewer	-	-	2,057,106	1,734,258	2,057,106	1,734,258
Golf Course	-	-	1,201,667	1,191,768	1,201,667	1,191,768
Total Expenses	<u>\$ 11,020,166</u>	<u>\$ 10,740,401</u>	<u>\$ 3,258,773</u>	<u>\$ 2,926,026</u>	<u>\$ 14,278,939</u>	<u>\$ 13,666,427</u>
Increase (decrease) in net assets before transfers	\$ 378,560	\$ 443,308	\$ (795,526)	\$ (916,140)	\$ (416,966)	\$ (472,832)
Transfers	<u>(365,258)</u>	<u>(521,962)</u>	<u>365,258</u>	<u>521,962</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	\$ 13,302	\$ (78,654)	\$ (430,268)	\$ (394,178)	\$ (416,966)	\$ (472,832)
Net assets, beginning as restated	<u>9,522,432</u>	<u>9,601,086</u>	<u>2,039,733</u>	<u>2,433,911</u>	<u>11,562,165</u>	<u>12,034,997</u>
Net assets, ending	<u><u>\$ 9,535,734</u></u>	<u><u>\$ 9,522,432</u></u>	<u><u>\$ 1,609,465</u></u>	<u><u>\$ 2,039,733</u></u>	<u><u>\$ 11,145,199</u></u>	<u><u>\$ 11,562,165</u></u>

Governmental Activities

Key factors contributing to the increase of \$13,302 in net assets for governmental activities were:

- The City had a net change in fund balances- total governmental funds of \$(167,199). This is reflected by the net transfer out of \$365,258 to other funds. The transfer to the golf course is discussed later in this review.
- Government funds report proceeds from debt issuance as current resources and records payment of long term debt as use of current resources. Government funds also report debt issuance costs when the debt is first issued. These amounts are deferred and amortized in the Statement of Activities.
- Some expenses reported in the statement of activities do not require current financial resources and are not reported as expenditures in the fund statements. See note 2 page 46 for a list of compensated leave, OPEB liability and accrued interest payable of \$560,547.

Business-type Activities

The Golf Course Fund received a transfer from the General Fund (Governmental Activities) in the amount of \$381,426. This is lower than the \$521,962 that was transferred in FY2011. Prior to this transfer, net assets of business-type activities decreased by \$795,526 to an amount of \$1,244,207. The enterprise funds received \$365,258 in net transfers. The golf course required a transfer of \$381,426. Both funds that make up the business-type activities of the City (Water/Sewer Fund and Golf Course Fund) combined, experienced a loss of \$430,268. 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 \$1,858,435. 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 overall income before transfers is (\$6,020,235). The General Fund has subsidized the golf course with transfers totaling \$4,161,800 leaving the golf course with a (\$1,858,435) ending balance of assets. For the fiscal budget 2012, the city council did appropriate funds for the debt service. The council met with ACA Financial Guaranty Corp. and reached an acceptable compromise to restructuring the debt. The city funded \$329,611 in the FY2012 budget to accommodate this restructuring.
- The Water/Sewer Fund posted a decrease in net assets of (\$97,939) for the fiscal year. Most of this decrease is due to a depreciation charge of \$378,453. City Council is aware of this depreciation charge.

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 2012, the City of Buena Vista's governmental funds reported combined ending fund balances of \$1,815,438, a decrease of \$167,199 in comparison with the prior year. Approximately 54 percent or \$971,322 constitutes 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 committed toward such items as 1) for subsequent expenditure in the Flood Protection Revenue Fund of \$278,559; 2) for subsequent expenditure in capital project and special revenue funds totaling \$286,987; 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 2012, unassigned fund balance of the general fund was \$1,028,297. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to the general fund total expenditures. Unassigned fund balance represents 10 percent of total general fund expenditures.

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

- The Water and Sewer fund had a loss of (\$97,939). As discussed earlier the \$378,453 charge for depreciation attributes to this loss. The cash position of the Water and Sewer fund had an increase of \$531,717. The fund began the year with \$708,567 unreserved cash. The fund ended the year with \$1,240,284 in unrestricted cash. The City increased water rates \$2.55 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 assets of (\$1,858,435), at June 30, 2012.

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

- The Floodwall Fund is funded 75 percent by food and lodging taxes and 5 percent of the real estate tax. This amounted to \$356,354 for the year. The fund balance decreased by \$36,101 in FY 12 due to capital projects on the flood wall.

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, 2012, amounts to \$29,770,936 (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 2012, was 1.9 percent. Buildings and improvements decreased approximately \$261,689 for the fiscal year. Depreciation in the business – type activities increased \$454,767 for the fiscal year ending 2012.

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 14-Capital Assets) to the financial statements.

**CITY OF BUENA VISTA'S CAPITAL ASSETS
NET OF DEPRECIATION
JUNE 30, 2012**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,108,097	\$ 2,108,097	\$ 1,364,900	\$ 1,360,000	\$ 3,472,997	\$ 3,468,097
Construction in Progress	-	-	77,475	-	77,475	-
Buildings & Improvements	10,682,928	10,902,683	488,990	530,924	11,171,918	11,433,607
Infrastructure	3,027,259	3,299,343	11,234,996	11,579,800	14,262,255	14,879,143
Machinery & Equipment	696,566	440,157	89,725	135,751	786,291	575,908
Total	\$ 16,514,850	\$ 16,750,280	\$ 13,256,086	\$ 13,606,475	\$ 29,770,936	\$ 30,356,755

Long – term debt. At the end of FY 2012, the City of Buena Vista primary government had total long-term debt outstanding of \$26,376,834. This represents a 14.8 percent increase or \$3,403,937 over the last fiscal year. Further information on the City's long term debt can be found at (Note 8-Long Term Liabilities) to the financial statements.

**CITY OF BUENA VISTA'S LONG-TERM DEBT
JUNE 30, 2012**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 627,636	\$ 941,454	\$	\$	\$ 627,636	\$ 941,454
Lease-Revenue Bonds			11,928,834	12,870,096	11,928,834	12,870,096
Revenue Bonds	765,422	926,292	4,763,500	257,355	5,528,922	1,183,647
Literary Loans	3,750,000	4,125,000			3,750,000	4,125,000
Capital Leases	382,170	101,859			382,170	101,859
Loan Payable	3,163,754	3,193,926	424,019		3,587,773	3,193,926
OPEB	238,811	177,211	64,190	48,748	303,001	225,959
Compensated absences	217,100	268,181	51,398	62,776	268,498	330,957
Total	\$ 9,144,893	\$ 9,733,923	\$ 17,231,941	\$ 13,238,975	\$ 26,376,834	\$ 22,972,898

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 limitation for the City of Buena Vista is approximately \$39,000,000.

Next Year's Budgets and Rates

The following factors were considered in preparing the City of Buena Vista's budget for FY 2013.

- Fund balances should be maintained in normal budget operations such that emergency needs may be met and sufficient funds are available to operate before tax proceeds are received.
- The City shall not sacrifice the maintenance of buildings, equipment or infrastructure for new projects or programs.
- The City shall continue to provide adequate employee compensation and training recognizing our workforce is a very important resource. An attractive compensation package helps attract and retain a quality group of employees.
- The City will actively evaluate the adequacy of current user charges for enterprise activities and will adjust rates as necessary to ensure these activities are self-sustaining.
- The City's real estate tax rate increased to \$1.07 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 and sewer rate. This will result in a water rate of \$7.43 per 1000 gallons used and a sewer rate of \$5.39 per 1000 gallons used.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Assets
June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Cash and cash equivalents	\$ 1,674,920	\$ 1,354,528	\$ 3,029,448	\$ 99,926
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,014,593	-	1,014,593	-
Accounts receivable	256,701	407,185	663,886	3,106
Due from primary government	-	-	-	441,851
Due from other governmental units	721,015	-	721,015	373,935
Inventories	-	-	-	16,749
Advances to other funds	23,647	-	23,647	-
Prepaid expenses	-	-	-	20,427
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	107,314	3,112,168	3,219,482	-
Cash and cash equivalents (in custody of others)	-	99,389	99,389	-
Other assets:				
Unamortized bond issue costs	-	969,962	969,962	-
Capital assets (net of accumulated depreciation):				
Land	2,108,097	1,364,900	3,472,997	4,634
Buildings and improvements	10,682,928	488,990	11,171,918	2,775,440
Machinery and equipment	696,566	89,725	786,291	16,819
Infrastructure	3,027,259	11,234,996	14,262,255	-
Construction in progress	-	77,475	77,475	-
Total assets	\$ 20,313,040	\$ 19,199,318	\$ 39,512,358	\$ 3,752,887
LIABILITIES				
Accounts payable	\$ 227,669	\$ 27,686	\$ 255,355	\$ 55,665
Accrued liabilities	159,032	39,932	198,964	770,303
Accrued interest payable	104,636	197,035	301,671	-
Due to component unit	441,851	-	441,851	-
Unearned revenue	699,225	26,288	725,513	-
Deposits held in escrow	-	66,971	66,971	-
Long-term liabilities:				
Due within one year	1,930,943	377,187	2,308,130	212,369
Due in more than one year	7,213,950	16,854,755	24,068,705	361,790
Total liabilities	\$ 10,777,306	\$ 17,589,853	\$ 28,367,159	\$ 1,400,126
NET ASSETS				
Invested in capital assets, net of related debt	\$ 7,825,868	\$ (2,890,305)	\$ 4,935,563	\$ 2,796,893
Restricted for:				
Debt service and bond covenants	107,314	3,211,557	3,318,871	-
Unrestricted (deficit)	1,602,552	1,288,213	2,890,765	(444,132)
Total net assets	\$ 9,535,734	\$ 1,609,465	\$ 11,145,199	\$ 2,352,761

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

City of Buena Vista, Virginia

Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,555,693	\$ 19,321	\$ 144,766	\$ -
Judicial administration	834,369	1,488	288,626	-
Public safety	1,974,531	107,031	396,152	-
Public works	1,532,334	526,476	1,061,867	-
Health and welfare	1,387,794	-	708,251	-
Education	2,388,442	-	431,117	-
Parks, recreation, and cultural	493,121	97,802	-	-
Community development	524,202	-	11,551	-
Interest on long-term debt	329,680	-	-	-
Total governmental activities	<u>\$ 11,020,166</u>	<u>\$ 752,118</u>	<u>\$ 3,042,330</u>	<u>\$ -</u>
Business-type activities:				
Water and Sewer	\$ 2,057,106	\$ 1,975,335	\$ -	\$ -
Golf Course	1,201,667	487,851	-	-
Total business-type activities	<u>\$ 3,258,773</u>	<u>\$ 2,463,186</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 14,278,939</u>	<u>\$ 3,215,304</u>	<u>\$ 3,042,330</u>	<u>\$ -</u>
COMPONENT UNIT:				
School Board	\$ 11,189,449	\$ 226,251	\$ 10,660,208	\$ -
Total component unit	<u>\$ 11,189,449</u>	<u>\$ 226,251</u>	<u>\$ 10,660,208</u>	<u>\$ -</u>

General revenues:

- General property taxes
- Other local taxes:
 - Local sales and use taxes
 - Consumers' utility taxes
 - Meals taxes
 - Communication 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 assets
- Net assets - beginning, as restated
- Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	School Board	
\$ (1,391,606)	\$ -	\$ (1,391,606)	\$ -	-
(544,255)	-	(544,255)	-	-
(1,471,348)	-	(1,471,348)	-	-
56,009	-	56,009	-	-
(679,543)	-	(679,543)	-	-
(1,957,325)	-	(1,957,325)	-	-
(395,319)	-	(395,319)	-	-
(512,651)	-	(512,651)	-	-
(329,680)	-	(329,680)	-	-
<u>\$ (7,225,718)</u>	<u>\$ -</u>	<u>\$ (7,225,718)</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ (81,771)	\$ (81,771)	\$ -	-
-	(713,816)	(713,816)	-	-
<u>\$ -</u>	<u>\$ (795,587)</u>	<u>\$ (795,587)</u>	<u>\$ -</u>	<u>-</u>
<u>\$ (7,225,718)</u>	<u>\$ (795,587)</u>	<u>\$ (8,021,305)</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ (302,990)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (302,990)</u>	<u>-</u>
\$ 4,948,762	\$ -	\$ 4,948,762	\$ -	-
378,736	-	378,736	-	-
256,535	-	256,535	-	-
192,920	-	192,920	-	-
321,702	-	321,702	-	-
177,887	-	177,887	-	-
125,579	-	125,579	-	-
177,095	-	177,095	-	-
160,234	-	160,234	35,331	-
189,394	61	189,455	61,045	-
675,434	-	675,434	-	-
(365,258)	365,258	-	-	-
<u>\$ 7,239,020</u>	<u>\$ 365,319</u>	<u>\$ 7,604,339</u>	<u>\$ 96,376</u>	<u>-</u>
\$ 13,302	\$ (430,268)	\$ (416,966)	\$ (206,614)	-
9,522,432	2,039,733	11,562,165	2,559,375	-
<u>\$ 9,535,734</u>	<u>\$ 1,609,465</u>	<u>\$ 11,145,199</u>	<u>\$ 2,352,761</u>	<u>-</u>

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FUND FINANCIAL STATEMENTS

Balance Sheet
Governmental Funds
June 30, 2012

	General	Flood Protection Revenue Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 980,434	\$ 286,311	\$ 408,175	\$ 1,674,920
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,014,593	-	-	1,014,593
Accounts receivable	217,706	-	38,995	256,701
Due from other funds	51,601	-	-	51,601
Due from other governmental units	721,015	-	-	721,015
Prepaid items	23,647	-	-	23,647
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	107,314	-	-	107,314
Total assets	<u>\$ 3,116,310</u>	<u>\$ 286,311</u>	<u>\$ 447,170</u>	<u>\$ 3,849,791</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 212,232	\$ 7,752	\$ 7,685	\$ 227,669
Accrued liabilities	148,769	-	10,263	159,032
Due to other funds	-	-	51,601	51,601
Due to component unit	441,851	-	-	441,851
Deferred revenue	1,154,200	-	-	1,154,200
Total liabilities	<u>\$ 1,957,052</u>	<u>\$ 7,752</u>	<u>\$ 69,549</u>	<u>\$ 2,034,353</u>
Fund balances:				
Nonspendable:				
Prepaid expense	\$ 23,647	\$ -	\$ -	\$ 23,647
Restricted:				
Debt Service	107,314	-	-	107,314
Community development block grant	-	-	87,128	87,128
Assigned:				
Parks and recreation			(64,781)	(64,781)
Senior Center	-	-	7,806	7,806
Debt service	-	278,559	286,987	565,546
Green Hill Cemetary	-	-	60,481	60,481
Unassigned, reported in:				
General fund	1,028,297	-	-	1,028,297
Total fund balances	<u>\$ 1,159,258</u>	<u>\$ 278,559</u>	<u>\$ 377,621</u>	<u>\$ 1,815,438</u>
Total liabilities and fund balances	<u>\$ 3,116,310</u>	<u>\$ 286,311</u>	<u>\$ 447,170</u>	<u>\$ 3,849,791</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 Assets
June 30, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	1,815,438
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		16,514,850
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		454,975
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(9,249,529)</u>
Net assets of governmental activities	\$	<u>9,535,734</u>

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

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

	General	Flood Protection Revenue Fund	Other Governmental Funds	Total
REVENUES				
General property taxes	\$ 5,128,101	\$ -	\$ -	\$ 5,128,101
Other local taxes	1,630,454	-	-	1,630,454
Permits, privilege fees, and regulatory licenses	43,497	-	-	43,497
Fines and forfeitures	88,951	-	-	88,951
Revenue from the use of money and property	69,300	18	90,916	160,234
Charges for services	550,268	-	69,402	619,670
Miscellaneous	210,544	134	540	211,218
Recovered costs	23,693	-	20,185	43,878
Intergovernmental revenues:				
Local government	-	-	372,953	372,953
Commonwealth	3,226,557	-	-	3,226,557
Federal	106,703	-	11,551	118,254
Total revenues	\$ 11,078,068	\$ 152	\$ 565,547	\$ 11,643,767
EXPENDITURES				
Current:				
General government administration	\$ 1,182,731	\$ -	\$ -	\$ 1,182,731
Judicial administration	813,087	-	-	813,087
Public safety	2,104,240	-	-	2,104,240
Public works	1,500,611	-	-	1,500,611
Health and welfare	1,400,676	-	7,451	1,408,127
Education	2,160,872	-	-	2,160,872
Parks, recreation, and cultural	94,023	-	427,568	521,591
Community development	542,077	-	-	542,077
Capital projects	-	51,483	-	51,483
Debt service:				
Principal retirement	107,479	313,818	579,672	1,000,969
Interest and other fiscal charges	179,282	27,306	129,332	335,920
Total expenditures	\$ 10,085,078	\$ 392,607	\$ 1,144,023	\$ 11,621,708
Excess (deficiency) of revenues over (under) expenditures	\$ 992,990	\$ (392,455)	\$ (578,476)	\$ 22,059
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 10,000	\$ 356,354	\$ 584,294	\$ 950,648
Transfers out	(1,302,420)	-	(13,486)	(1,315,906)
Issuance of capital leases	176,000	-	-	176,000
Total other financing sources (uses)	\$ (1,116,420)	\$ 356,354	\$ 570,808	\$ (189,258)
Net change in fund balances	\$ (123,430)	\$ (36,101)	\$ (7,668)	\$ (167,199)
Fund balances - beginning	1,282,688	314,660	385,289	1,982,637
Fund balances - ending	\$ 1,159,258	\$ 278,559	\$ 377,621	\$ 1,815,438

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

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

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

Net change in fund balances - total governmental funds	\$ (167,199)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	(439,027)
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(21,824)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(179,339)
--	-----------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	824,970
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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.	<u>(4,279)</u>
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Change in net assets of governmental activities	\$ <u><u>13,302</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Fund Net Assets
 Proprietary Funds
 June 30, 2012

	Enterprise Funds		
	Water & Sewer Fund	Golf Course	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,240,284	\$ 114,244	\$ 1,354,528
Accounts receivable, net of allowance for uncollectibles	401,682	5,503	407,185
Total current assets	\$ 1,641,966	\$ 119,747	\$ 1,761,713
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 3,112,168	\$ -	\$ 3,112,168
Cash and cash equivalents (in custody of others)	-	99,389	99,389
Total restricted assets	\$ 3,112,168	\$ 99,389	\$ 3,211,557
Other assets:			
Unamortized bond issue costs	\$ 363,473	\$ 606,489	\$ 969,962
Capital assets:			
Land	\$ -	\$ 1,364,900	\$ 1,364,900
Buildings	-	637,336	637,336
Equipment	247,792	435,810	683,602
Infrastructure	13,491,832	5,854,801	19,346,633
Construction in progress	77,475	-	77,475
Accumulated Depreciation	(8,192,773)	(661,087)	(8,853,860)
Total capital assets	\$ 5,624,326	\$ 7,631,760	\$ 13,256,086
Total noncurrent assets	\$ 9,099,967	\$ 8,337,638	\$ 17,437,605
Total assets	\$ 10,741,933	\$ 8,457,385	\$ 19,199,318
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 13,842	\$ 13,844	\$ 27,686
Accrued liabilities	32,497	7,435	39,932
Accrued interest payable	69,279	127,756	197,035
Unearned revenue	26,288	-	26,288
Deposits held in escrow	66,971	-	66,971
Bonds payable - current portion	125,258	213,380	338,638
Compensated absences - current portion	28,200	10,349	38,549
Total current liabilities	\$ 362,335	\$ 372,764	\$ 735,099
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 6,851,608	\$ 9,502,088	\$ 16,353,696
Leases and other obligations - net of current portion	-	424,019	424,019
Accrued OPEB liability	50,690	13,500	64,190
Compensated absences - net of current portion	9,400	3,450	12,850
Total noncurrent liabilities	\$ 6,911,698	\$ 9,943,057	\$ 16,854,755
Total liabilities	\$ 7,274,033	\$ 10,315,820	\$ 17,589,853
NET ASSETS			
Invested in capital assets, net of related debt	\$ (989,067)	\$ (1,901,238)	\$ (2,890,305)
Restricted for debt service and bond covenants	3,112,168	99,389	3,211,557
Unrestricted	1,344,799	(56,586)	1,288,213
Total net assets	\$ 3,467,900	\$ (1,858,435)	\$ 1,609,465

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

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

	Enterprise Funds		
	Water & Sewer Fund	Golf Course	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 1,134,896	\$ -	\$ 1,134,896
Sewer revenues	745,446	-	745,446
Penalties	38,454	-	38,454
Course fees	-	227,996	227,996
Golf cart rentals	-	209,409	209,409
Golf clubs and balls	-	17,750	17,750
Meter service charges	44,959	-	44,959
Reconnection fees and other charges	11,580	-	11,580
Food and beverage sales	-	32,696	32,696
Miscellaneous	-	61	61
Total operating revenues	\$ 1,975,335	\$ 487,912	\$ 2,463,247
OPERATING EXPENSES			
Personal services	\$ 622,976	\$ 259,037	\$ 882,013
Fringe benefits	241,861	71,070	312,931
Contractual services	44,409	124	44,533
Other charges	375,729	210,284	586,013
Depreciation	378,453	76,314	454,767
Rentals and leases	752	195	947
Total operating expenses	\$ 1,664,180	\$ 617,024	\$ 2,281,204
Operating income (loss)	\$ 311,155	\$ (129,112)	\$ 182,043
NONOPERATING REVENUES (EXPENSES)			
Interest and fiscal charges	\$ (333,964)	\$ (584,643)	\$ (918,607)
Nutrient credit purchase	(58,962)	-	(58,962)
Total nonoperating revenues (expenses)	\$ (392,926)	\$ (584,643)	\$ (977,569)
Income before transfers	\$ (81,771)	\$ (713,755)	\$ (795,526)
Transfers in	\$ -	\$ 381,426	\$ 381,426
Transfers out	(16,168)	-	(16,168)
Change in net assets	\$ (97,939)	\$ (332,329)	\$ (430,268)
Total net assets - beginning	\$ 3,565,839	\$ (1,526,106)	\$ 2,039,733
Total net assets - ending	\$ 3,467,900	\$ (1,858,435)	\$ 1,609,465

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

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

	Enterprise Funds		
	Water & Sewer Fund	Golf Course	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,945,006	\$ 484,313	\$ 2,429,319
Payments to suppliers	(413,698)	(197,658)	(611,356)
Payments to employees	(838,262)	(322,138)	(1,160,400)
Net cash provided by (used for) operating activities	\$ 693,046	\$ (35,483)	\$ 657,563
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ (16,168)	\$ -	\$ (16,168)
Transfers from other funds	-	381,426	381,426
Net cash provided by (used for) noncapital financing activities	\$ (16,168)	\$ 381,426	\$ 365,258
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	\$ (104,379)	\$ -	\$ (104,379)
Purchase of nutrient credits	(58,962)	-	(58,962)
Bond issuance costs paid	(363,473)	(114,780)	(478,253)
Principal payments on bonds	(299,091)	(899,525)	(1,198,616)
Proceeds from indebtedness	3,888,031	1,299,487	5,187,518
Interest payments	(276,883)	(583,325)	(860,208)
Net cash provided by (used for) capital and related financing activities	\$ 2,785,243	\$ (298,143)	\$ 2,487,100
Net increase (decrease) in cash and cash equivalents	\$ 3,462,121	\$ 47,800	\$ 3,509,921
Cash and cash equivalents - beginning, including restricted cash of \$181,764 and \$4,940, respectively	\$ 890,331	\$ 165,833	\$ 1,056,164
Cash and cash equivalents - ending, including restricted cash of \$3,112,168 and \$99,389, respectively	\$ 4,352,452	\$ 213,633	\$ 4,566,085
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 311,155	\$ (129,112)	\$ 182,043
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	\$ 378,453	\$ 76,314	\$ 454,767
Amortization expense			
(Increase) decrease in accounts receivable	(43,836)	(3,599)	(47,435)
Increase (decrease) in compensated absences	(12,537)	1,159	(11,378)
Increase (decrease) in net OPEB liability	13,132	2,310	15,442
Increase (decrease) in accounts payable	7,192	12,945	20,137
Increase (decrease) in deferred revenue	9,433	-	9,433
Increase (decrease) in customer deposits	4,074	-	4,074
Increase (decrease) in accrued liabilities	25,980	4,500	30,480
Total adjustments	\$ 381,891	\$ 93,629	\$ 475,520
Net cash provided by (used for) operating activities	\$ 693,046	\$ (35,483)	\$ 657,563

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

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Agency Funds
	<hr/>
ASSETS	
Cash and cash equivalents	\$ <u>11,662</u>
Total assets	\$ <u><u>11,662</u></u>
LIABILITIES	
Amounts held for social services clients	\$ <u>11,662</u>
Total liabilities	\$ <u><u>11,662</u></u>

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 units, 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, 2012.

Discretely Presented Component Units – The component unit columns in the financial statements include the financial data of the City's discretely presented component units. They are 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.

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. 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. Complete financial statements of the Maury Service Authority are available at the Authority's office in Lexington, Virginia.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government 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 assets is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Assets and will report depreciation expenses – the cost of “using up” capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

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.

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

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

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

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

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

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.

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

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

Additionally, the government reports the following fund types:

Special revenue funds account for and report the proceeds of the specific revenue sources (other than major capital projects) that are legally restricted to expenditures. Senior Center, Park Activities, E-911, Park and Recreation, and Green Hill Cemetery funds are nonmajor special revenue funds of the City.

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. Community Development Block Grant, City Capital Improvements, and the School Construction funds are nonmajor capital projects funds of the City.

Fiduciary funds 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 Special Welfare fund is the sole fiduciary fund of the City and maintains funds belonging to individuals, primarily children, in the care of the local social services agency. 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.

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

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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

2. 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) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

2. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable 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.

3. 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 \$316,785 at June 30, 2012 and is comprised of property taxes.

4. Use of Estimates

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

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

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

5. Capital assets

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

The 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 of the primary government's governmental activities, as well as the component unit, are depreciated using the straight line method over the following estimated useful lives:

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

Property, plant and equipment purchased by the Enterprise Funds are stated at cost or estimated historical cost. Donated property is recorded at market value prevailing at 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, and net assets or equity (continued)

6. *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 Assets. 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.

7. *Long-term obligations*

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

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

8. *Fund equity*

Beginning with fiscal year 2011, the City implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

8. Fund equity (continued)

- 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.

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).

9. Net Assets

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

10. 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.

11. Restricted Assets

The enterprise funds maintain restricted cash for debt service that are limited by applicable bond covenants. At June 30, 2012 the general, golf, and water and sewer funds had restricted cash of \$107,314, \$99,389, and \$3,112,168, respectively.

As of June 30, 2012 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 \$99,389.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 CONTINUED**NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:****A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between *fund balances—total governmental funds* and *net assets—governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of these \$(9,249,529) and \$(574,158) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
Bonds payable	\$ (1,393,058)	\$ -
Accrued interest payable	(104,636)	-
Net OPEB liability	(238,811)	(291,000)
Capital leases payable	(382,170)	-
Loan payable	(6,913,754)	-
Compensated absences	(217,100)	(283,158)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ <u>(9,249,529)</u>	\$ <u>(574,158)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances—total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of these \$(439,027) and \$(81,800) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
Capital outlay	\$ 312,528	\$ 47,128
Depreciation expense	(751,555)	(128,928)
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>(439,027)</u>	\$ <u>(81,800)</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 CONTINUED

NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:
(CONTINUED)

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

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$824,970 difference in the primary government are as follows:

	<u>Primary Government</u>
Principal repayments:	
General obligation debt	\$ 313,818
Revenue bonds	160,870
Loans	405,172
Capital lease	<u>121,110</u>
Debt issued or incurred:	
Issuance of capital leases	<u>(176,000)</u>
Net adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u><u>824,970</u></u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of these \$(4,279) and \$(149,379) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Compensated absences	\$ 51,081	\$ (106,379)
Net OPEB liability	(61,600)	(43,000)
Accrued interest	<u>6,240</u>	<u>-</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u><u>(4,279)</u></u>	\$ <u><u>(149,379)</u></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, 2012. 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 reserve that portion of the applicable appropriations, is not part of the City's accounting system.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 CONTINUED

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2012, the following funds incurred expenditures exceeding appropriations:

Fund	Excess Expenditures over Appropriations
Park and Recreation	\$ 6,614
Flood Protection	45,838
School Construction	48,859
Total All Funds	<u>\$ 101,311</u>

C. Deficit fund equity

At June 30, 2012, the parks and recreation and golf course funds had deficit fund equity of \$64,781 and \$1,858,435 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.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 CONTINUED

NOTE 4—DEPOSITS AND INVESTMENTS (CONTINUED):**City's Rated Debt Investments' Values**

Rated Debt Investments	Fair Quality Ratings				
	AAA	AA	A	A1	Unrated
Local Government Investment Pool	\$ 14,631	\$ -	\$ -	\$ -	\$ -
Total	\$ 14,631	\$ -	\$ -	\$ -	\$ -

External Investment Pool

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

Interest Rate Risk

At year end, the City did not hold any investments that were subject to interest rate risk.

NOTE 5—DUE FROM OTHER GOVERNMENTS:

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

	Primary Government	Discretely Presented Component Unit School Board	Total Reporting Entity
<u>Federal Government:</u>			
Categorical aid - Welfare	\$ 2,736	\$ -	\$ 2,736
Categorical aid - IDEA Part B Section 611 special education	-	18,115	18,115
Categorical aid - Title I	-	23,348	23,348
Categorical aid - Title II Part A	-	173	173
Categorical aid - School nutrition	-	13,351	13,351
<u>Commonwealth of Virginia:</u>			
Local sales tax	-	138,948	138,948
State sales tax	69,164	-	69,164
Personal property tax relief funds	374,445	-	374,445
Categorical aid - welfare	7,155	-	7,155
Categorical aid - criminal victim witness program	6,176	-	6,176
Comprehensive Service Act funds - Rockbridge County	150,554	-	150,554
Other state funds	110,785	180,000	290,785
Totals	\$ 721,015	\$ 373,935	\$ 1,094,950

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 CONTINUED

NOTE 6—INTERFUND OBLIGATIONS:

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ 441,851	\$ 51,601
Park and Recreation Fund	51,601	-
Total Primary Government	<u>\$ 493,452</u>	<u>\$ 51,601</u>
Component Unit-School Board:		
School Fund	\$ -	\$ 441,851
Total Component Unit	<u>\$ -</u>	<u>\$ 441,851</u>
Total reporting entity	<u>\$ 493,452</u>	<u>\$ 493,452</u>

The purpose of interfund obligations is to report the balance of local appropriations unspent at year-end due back to the respective funds.

NOTE 7—INTERFUND TRANSFERS:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental activities:		
General Fund	\$ 10,000	\$ 1,302,420
Park and Recreation Fund	266,049	-
Flood Protection Fund	356,354	-
Debt Service Fund	-	-
Capital Improvements Fund	-	-
E-911 Fund	-	-
Senior Center Fund	13,110	-
Park Activities Fund	-	3,486
Community Development Block Grant Fund	-	-
School Construction Fund	305,135	-
Green Hill Cemetery Fund	-	10,000
Total governmental activities	<u>\$ 950,648</u>	<u>\$ 1,315,906</u>
Business-type activities:		
Golf Course Fund	\$ 381,426	\$ -
Water & Sewer Fund	-	16,168
Total business-type activities	<u>\$ 381,426</u>	<u>\$ 16,168</u>
Total primary government	<u>\$ 1,332,074</u>	<u>\$ 1,332,074</u>

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 CONTINUED

NOTE 8—LONG-TERM LIABILITIES:Primary Government-Governmental Activity Indebtedness

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

Year Ending June 30,	General Obligation Bonds		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2013	\$ 313,818	\$ 16,521	\$ 167,839	\$ 34,197
2014	313,818	5,535	158,345	26,262
2015	-	-	166,004	18,603
2016	-	-	174,034	10,573
2017	-	-	99,200	9,051
Totals	\$ <u>627,636</u>	\$ <u>22,056</u>	\$ <u>765,422</u>	\$ <u>98,686</u>

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 CONTINUED

NOTE 8—LONG-TERM LIABILITIES: (CONTINUED)Primary Government-Governmental Activity Indebtedness (continued)

Year Ending June 30,	Literary Fund Loan		Capital Leases Payable		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 375,000	\$ 75,000	\$ 122,436	\$ 18,629	\$ 789,025	\$ 130,980
2014	375,000	67,500	103,125	12,931	33,524	118,114
2015	375,000	60,000	109,171	7,368	35,232	116,406
2016	375,000	52,500	47,438	1,432	37,027	114,612
2017	375,000	45,000	-	-	38,913	112,725
2018	375,000	37,500	-	-	40,895	110,743
2019	375,000	30,000	-	-	42,979	108,659
2020	375,000	22,500	-	-	45,168	106,470
2021	375,000	15,000	-	-	47,470	104,169
2022	375,000	7,500	-	-	49,888	101,750
2023	-	-	-	-	52,429	99,209
2024	-	-	-	-	55,100	96,538
2025	-	-	-	-	57,908	93,731
2026	-	-	-	-	60,858	90,780
2027	-	-	-	-	63,958	87,680
2028	-	-	-	-	67,217	84,422
2029	-	-	-	-	70,641	80,997
2030	-	-	-	-	74,240	77,398
2031	-	-	-	-	78,022	73,616
2032	-	-	-	-	81,997	69,641
2033	-	-	-	-	86,174	65,464
2034	-	-	-	-	90,564	61,074
2035	-	-	-	-	95,178	56,460
2036	-	-	-	-	100,027	51,611
2037	-	-	-	-	105,123	46,515
2038	-	-	-	-	110,478	41,160
2039	-	-	-	-	116,107	35,531
2040	-	-	-	-	122,022	29,616
2041	-	-	-	-	128,238	23,400
2042	-	-	-	-	134,771	16,867
2043	-	-	-	-	141,637	10,001
2044	-	-	-	-	110,944	2,786
Totals	\$ <u>3,750,000</u>	\$ <u>412,500</u>	\$ <u>382,170</u>	\$ <u>40,360</u>	\$ <u>3,163,754</u>	\$ <u>2,419,125</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 CONTINUED**NOTE 8—LONG-TERM LIABILITIES: (CONTINUED)**

The following is a summary of long-term liabilities transactions for the City's governmental activities for the year ended June 30, 2012.

	Restated Balance June 30, 2011	Issuances	Retirements	Balance June 30, 2012
<u>General long-term debt:</u>				
General obligation bonds	\$ 941,454	\$ -	\$ 313,818	\$ 627,636
Revenue bonds	926,292	-	160,870	765,422
Literary loan	4,125,000	-	375,000	3,750,000
Capital leases	327,280	176,000	121,110	382,170
Loans payable	3,193,926	-	30,172	3,163,754
Accrued OPEB liability	177,211	111,200	49,600	238,811
Compensated absences	268,181	15,964	67,045	217,100
Total general long-term debt	<u>\$ 9,733,923</u>	<u>\$ 303,164</u>	<u>\$ 1,117,615</u>	<u>\$ 9,144,893</u>

For governmental activities, compensated absences and the accrued OPEB liability are generally liquidated in the General Fund.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 CONTINUED

NOTE 8—LONG-TERM LIABILITIES: (CONTINUED)Primary Government-Governmental Activity Indebtedness (continued)

Details of Long-term Indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>General Obligation Indebtedness:</u>		
<u>General Obligation Refunding Bond:</u>		
\$3,452,000 Bonds, Series 2003, dated May 15, 2003 maturing annually with principal payments of \$313,818. Interest is payable semi-annually accruing at 3.50%, maturing September 1, 2008 through 2013.	\$ 627,636	\$ 313,818
<u>Education Revenue Bond Payable:</u>		
\$2,000,000 Education Revenue Bond issued December 1, 2000 through the Buena Vista Industrial Development Authority due in semi-annual installments of \$92,303 including interest at 4.78% through July 29, 2016.	\$ 748,622	\$ 151,039
<u>Lease Revenue Bond Payable:</u>		
\$168,000 Lease Revenue Bond issued November 15, 2002 through Buena Vista Industrial Development Authority due in annual installments of \$16,800 plus interest at 3.67% through December 3, 2012.	\$ 16,800	\$ 16,800
<u>Loans Payable:</u>		
\$7,500,000 issued February 2, 2000, due in annual installments of \$375,000 plus interest at 2%, through 2022.	\$ 3,750,000	\$ 375,000
\$750,000 refinancing of loan payable for land purchased, dated August 26, 2009, due in full on August 26, 2012. Payments are due quarterly in the amount of \$13,514 including principal and interest at 6%.	749,348	749,348
\$1,800,000 loan payable dated March 5, 2009, used to refinance existing debt. Due in annual installments of \$109,179 including interest at 5% through 2044.	1,738,373	28,567
\$700,000 loan payable dated March 5, 2009, used to refinance existing debt. Due in annual installments of \$42,459 including interest at 5% through 2044.	676,033	11,110
Total loans payable	\$ 6,913,754	\$ 1,164,025

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 CONTINUED**NOTE 8—LONG-TERM LIABILITIES: (CONTINUED)**Primary Government-Governmental Activity Indebtedness (continued)

Details of Long-term Indebtedness (continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>General Obligation Indebtedness: (continued)</u>		
<u>Capital Leases Payable:</u>		
\$100,750 capital lease for equipment, dated March 19, 2008, due in annual payment of \$21,984, including interest at 3.38% through March 19, 2013.	\$ 22,218	\$ 22,218
\$225,421 capital lease for school buses, dated November 8, 2010, due in annual payment of \$48,860, including interest at 3% through August 1, 2015.	181,619	43,412
\$176,000 capital lease for public safety vehicles, dated February 7, 2012, due in annual payment of \$67,196, including interest at 7%, through February 7, 2015.	176,000	54,473
\$171,632 capital lease for public safety vehicles, dated September 30, 2008, due in annual payment of \$61,941, including interest at 4.08%, through September 30, 2013.	2,333	2,333
Sub-total capital leases payable	\$ 382,170	\$ 122,436
Accrued OPEB Liability	\$ 238,811	\$ -
Compensated absences (payable from the General and Park and Recreation Funds)	\$ 217,100	\$ 162,825
Total general obligations	<u>\$ 9,144,893</u>	<u>\$ 1,930,943</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 CONTINUED

NOTE 8—LONG-TERM LIABILITIES: (CONTINUED)Primary Government-Enterprise Activity Indebtedness

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

Year Ending June 30,	Revenue Bonds/Notes Payable	
	Principal	Interest
2013	\$ 338,638	\$ 875,292
2014	400,643	860,390
2015	417,739	841,912
2016	444,933	822,500
2017	462,226	800,269
2018	419,626	777,045
2019	407,135	755,829
2020	529,760	734,998
2021	557,505	707,427
2022	585,377	678,431
2023	613,380	648,003
2024	641,522	616,136
2025	679,807	580,638
2026	718,244	543,039
2027	756,838	503,826
2028	795,598	463,141
2029	839,530	417,496
2030	888,644	368,432
2031	937,945	316,319
2032	1,225,945	261,194
2033	642,151	187,775
2034	677,074	152,603
2035	1,041,834	115,554
2036	847,016	76,481
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	40,303	290
Total	\$ <u>17,116,353</u>	\$ <u>13,352,190</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 CONTINUED**NOTE 8—LONG-TERM LIABILITIES: (CONTINUED)**Primary Government-Enterprise Activity Indebtedness (continued)

The following is a summary of changes in long-term obligation transactions for the City's enterprise activities for the year ended June 30, 2012:

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
<u>Enterprise debt:</u>				
Revenue bonds payable	\$ 257,355	\$ 4,763,500	\$ 257,355	\$ 4,763,500
Lease-revenue bonds payable	12,870,096	-	941,262	11,928,834
Other obligations	-	424,019	-	424,019
Accrued OPEB liability	48,748	27,800	12,358	64,190
Compensated absences	62,776	35,704	47,082	51,398
Total enterprise obligation	<u>\$ 13,238,975</u>	<u>\$ 5,251,023</u>	<u>\$ 1,258,057</u>	<u>\$ 17,231,941</u>

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

Details of Long-term Indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Enterprise Fund Indebtedness:</u>		
<u>Revenue Bonds Payable:</u>		
\$4,765,000, Series 2011A Revenue Bond, dated July 14, 2011, maturing semi-annually through 2032 with interest payable at rates varying from 3.625% to 6.500%. Principal payments vary from \$90,000 to \$615,000.	\$ 4,763,500	\$ 100,000
\$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.	3,088,834	43,638
\$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.	8,840,000	195,000
Sub-total revenue bonds payable	<u>\$ 16,692,334</u>	<u>\$ 338,638</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 CONTINUED

NOTE 8—LONG-TERM LIABILITIES: (CONTINUED)Primary Government-Enterprise Activity Indebtedness (continued)

Details of Long-term Indebtedness: (continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Enterprise Fund Indebtedness: (continued)</u>		
<u>Other Obligations:</u>		
Forbearance agreement dated July 18, 2011 for the deferral of 50% of the annual debt service on the Series 2005A lease revenue bond for fiscal years 2012 through 2016. The Deferred payments are payable to the bond insurer, ACA, in semi-annual installments comencing July 1, 2035 through January 1, 2040.	\$ 424,019	\$ -
Accrued OPEB liability	\$ 64,190	\$ -
Compensated absences (payable from the Water and Sewer and Golf Course Funds)	\$ 51,398	\$ 38,549
Total Enterprise Fund indebtedness	<u>\$ 17,231,941</u>	<u>\$ 377,187</u>

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, 2012.

	<u>Balance July 1, 2011</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>
<u>General Long-Term Debt</u>				
Accrued OPEB obligation	\$ 248,000	\$ 337,000	\$ 294,000	\$ 291,000
Compensated absences	176,779	212,369	105,990	283,158
Total Long-Term Debt	<u>\$ 424,779</u>	<u>\$ 549,369</u>	<u>\$ 399,990</u>	<u>\$ 574,158</u>

Details of Long-term Indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Accrued OPEB obligation	\$ 291,000	\$ -
Compensated absences (payable from the School Fund)	\$ 283,158	\$ 212,369
Total Long-term obligations, Discretely Presented Component Unit - School Board	<u>\$ 574,158</u>	<u>\$ 212,369</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 CONTINUED

NOTE 9—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 their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and Equipment	\$ 701,959
Less: Accumulated depreciation	(209,686)
Total	<u>\$ 492,273</u>

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

Year Ended June 30,	Governmental Activities
2012	\$ 141,065
2013	116,056
2014	116,539
2015	48,870
Total minimum lease payments	\$ 422,530
Less: Amount representing interest	(40,360)
Present value of minimum lease payments	<u>\$ 382,170</u>

NOTE 10—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

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

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

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

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

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

NOTE 10—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

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

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

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the City of Buena Vista, Virginia is required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City of Buena Vista, Virginia's contribution rate for the fiscal year ended 2012 was 10.23% of annual covered payroll.

Discretely Presented Component Unit – School Board:

The School Board's contributions for professional employees were \$324,200, \$211,283, and \$372,292, to the teacher cost-sharing pool for the fiscal years ended June 30, 2012, 2011 and 2010, respectively and these contributions represented 6.33, 6.33%, and 8.81 % for July 2009 through March 2010 and zero (0.00%) for April 2010 through June 2010, 8.81%, of current covered payroll.

NOTE 10—DEFINED BENEFIT PENSION PLAN: (CONTINUED)**C. Annual Pension Cost**

For fiscal year 2012, the City of Buena Vista, Virginia's annual pension costs of \$293,068 and \$0 were equal to the City of Buena Vista, Virginia's required and actual contributions for the City and the School Board Non-Professionals employees, respectively.

Trend Information					
	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
Primary Government:					
City	6/30/10	\$ 242,981	100%	\$	-
	6/30/11	293,201	100%		-
	6/30/12	293,068	100%		-
Discretely Presented					
Component Unit:					
School Board Non Professional	6/30/10	\$ -	100%	\$	-
	6/30/11	-	100%		-
	6/30/12	-	100%		-

The FY 2012 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and projected salary increases include an inflation component of 2.50%. The actuarial value of the City of Buena Vista, Virginia's and the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress**Primary Government:**

As of June 30, 2011, the most recent actuarial valuation date, the plan was 76.23% funded. The actuarial accrued liability for benefits was \$15,449,913, and the actuarial value of assets was \$11,777,419, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,672,494. The covered payroll (annual payroll of active employees covered by the plan) was \$2,895,929, and ratio of the UAAL to the covered payroll was 126.82%.

NOTE 10—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

D. Funded Status and Funding Progress (Continued):

As of June 30, 2011, the most recent actuarial valuation date, the School Board's non-professional plan was 108.68% funded. The actuarial accrued liability for benefits was \$1,415,167, and the actuarial value of assets was \$1,537,944, resulting in an unfunded actuarial accrued liability (UAAL) of \$(122,777). The covered payroll (annual payroll of active employees covered by the plan) was \$281,102, and ratio of the UAAL to the covered payroll was (43.68)%.

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

NOTE 11—OTHER POST-EMPLOYMENT BENEFITS PROGRAM:

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

City:

A. Plan Description:

The City offers its employees the option to participate in the group health insurance program offered to other employee's upon retirement, through a single-employer defined benefit plan. Employees who retire after June 30, 1997, are 55 years of age, and were employed for at least 10 years of continuous service immediately prior to retirement are eligible to remain enrolled in the health insurance group plan and continue to have the premiums paid for health insurance coverage subject to specific terms. The City will pay a portion of the medical insurance for eligible retirees equal to that received by regular working full time employees (\$378.40 for fiscal year 2012). Retirees shall have participated in the group insurance program for the five years preceding retirement. Spouses and dependents listed for coverage by the employee prior to retirement may remain in the group program. Once the employee has retired, only the deletion or termination of coverage will be permitted. Full cost of dependent coverage will be the responsibility of the retired employee. Eligibility for this benefit terminates at the time the retiree obtains other health coverage or reaches the age of 65. Should an employee be granted full retirement by VRS and/or Social Security because of disability, he/she will be eligible to receive the payments made by the City for retirees regardless of age if he/she has been employed by the City for at least 10 years immediately prior to the disability. The City reserves the right to change the terms of the retirees' health insurance coverage at any time, including the right to terminate any or all coverage provided to retirees.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 CONTINUED

NOTE 11—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

B. Funding Policy:

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

C. Annual OPEB Cost and Net OPEB Obligation:

The City's general fund has been used in prior years to liquidate the net other post employment benefit obligation of the governmental funds. The annual cost of other post-employment benefits (OPEB) under GASB 45 is based on the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$139,000 for fiscal year 2012. The City has paid \$62,000 towards this obligation during fiscal year 2012. The ARC is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the City's net OPEB obligation:

Annual Required Contribution	\$	139,000
Interest on net OPEB obligation		9,000
Adjustment to annual required contributions		(9,000)
Annual OPEB cost (expense)	\$	139,000
Contributions made		(61,958)
Increase in net OPEB obligation	\$	77,042
Net OPEB obligation-beginning of year		225,959
Net OPEB obligation-end of year	\$	<u>303,001</u>

Annual OPEB Cost

For 2012, the City's expected cash payment of \$62,000 was \$77,000 short of the OPEB cost. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and preceding two years are as follows:

Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
6/30/12	\$ 139,000	44.60%	\$ 303,001
6/30/11	133,000	39.10%	225,959
6/30/10	154,000	47.40%	145,000

D. Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2010 is as follows:

Actuarial accrued liability (AAL)	\$	1,557,000
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability	\$	1,557,000
Funded ratio (actuarial value of plan assets/ AAL)		0.00%
Covered payroll (active plan members)	\$	2,731,000
UAAL as a percentage of covered payroll		57.01%

NOTE 11—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**D. Funded Status and Funding Progress: (Continued)**

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

E. Actuarial Methods and Assumptions:

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Presumptions used in determining the health care cost trends include that Medical Per Capita costs, Average Costs and premiums are assumed to increase 10% for Pre-Medicare coverage in 2010. This rate decreases at a rate of .5% per year until an ultimate rate of 5.00% is reached. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Cost Method

The Entry Age Normal cost method is used to determine the Plan's funding liabilities and costs. Under this cost method, the actuarial present value of projected benefits of every active participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year). Under this method, inactive participants have no normal cost, and the actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The Plan's total annual normal cost and actuarial liability are the sum of the individual participant amounts. An experienced gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method. The actuarial assumptions included a 4.0% rate of return and a medical trend rate of 5.0%. The UAAL is being amortized on an increasing basis. The remaining amortization at July 1, 2010 was 30 years. Data is net of any retiree contributions.

Interest Assumptions

Funding interest rate	4.00%
Annual amortization increase rate	2.50%

NOTE 11—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**School Board:****A. Plan Description:**

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

B. Funding Policy:

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

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other post-employment benefits (OPEB) under GASB 45 is based on the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$337,000 for fiscal year 2012. The School Board has paid \$294,000 towards this obligation during FY12. The ARC is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows components of the School Board's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the School Board's net OPEB obligation:

Annual Required Contribution	\$ 337,000
Interest on net OPEB obligation	10,000
Adjustment to annual required contributions	<u>(10,000)</u>
Annual OPEB cost (expense)	\$ 337,000
Contributions made	<u>(294,000)</u>
Increase in net OPEB obligation	\$ 43,000
Net OPEB obligation-beginning of year	<u>248,000</u>
Net OPEB obligation-end of year	<u><u>\$ 291,000</u></u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 CONTINUED

NOTE 11—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**School Board:****C. Annual OPEB Cost and Net OPEB Obligation:****Annual OPEB Cost**

For 2012, the School Board's expected cash payment of \$294,000 was \$43,000 short of the OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and preceding two years are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/12	\$ 337,000	87.24%	\$ 291,000
6/30/11	329,000	80.85%	248,000
6/30/10	339,000	79.94%	185,000

D. Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2012 is as follows:

Actuarial accrued liability (AAL)	\$	3,648,000
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability	\$	3,648,000
Funded ratio (actuarial value of plan assets/ AAL)		0.00%
Covered payroll (active plan members)		5,126,000
UAAL as a percentage of covered payroll		71.2%

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

E. Actuarial Methods and Assumptions:

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Presumptions used in determining the health care cost trends include that Medical Per Capita costs, Average Costs and premiums are assumed to increase 10% for Pre-Medicare coverage in 2010. This rate decreases at a rate of .5% per year until an ultimate rate of 5.00% is reached. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

NOTE 11—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**School Board: (Continued)****E. Actuarial Methods and Assumptions: (Continued)****Cost Method**

The Entry Age Normal cost method is used to determine the Plan's funding liabilities and costs. Under this cost method, the actuarial present value of projected benefits of every active participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year). Under this method, inactive participants have no normal cost, and the actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The Plan's total annual normal cost and actuarial liability are the sum of the individual participant amounts. An experienced gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method. The actuarial assumptions included a 4.0% rate of return and a medical trend rate of 5.0%. The UAAL is being amortized on an increasing basis. The remaining amortization at July 1, 2010 was 30 years. Data is net of any retiree contributions.

Interest Assumptions

Funding interest rate	4.00%
Annual amortization increase rate	2.50%

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

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

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

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

NOTE 11—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

School Board: (Continued)

VRS Health Insurance Credit Program (Continued)

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 0.60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2012, 2011, and 2010 were \$30,730, \$32,257, and \$44,323, respectively and equaled the required contributions for each year.

NOTE 12—DEFERRED/UNEARNED REVENUE:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue totaling \$1,154,200 is comprised of the following:

- A. Prepaid Property Taxes—Property taxes due subsequent to June 30, 2012 but paid in advance by the taxpayers totaled \$176,704 at June 30, 2012.
- B. Unbilled Property Taxes—Property taxes for the second half of 2012 that had not been billed as of June 30, 2012 amounted to \$522,521.
- C. Deferred Property Tax Revenue—Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$454,975 at June 30, 2012.

NOTE 13—CONTINGENT LIABILITIES:

Federal programs in which the City and its component unit participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations 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.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 CONTINUED**NOTE 14—CAPITAL ASSETS:**

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

Primary Government

	Restated Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 2,108,097	\$ -	\$ -	\$ 2,108,097
Total capital assets not being depreciated	\$ 2,108,097	\$ -	\$ -	\$ 2,108,097
Capital assets being depreciated:				
Buildings and improvements	\$ 13,984,577	\$ 77,971	\$ -	\$ 14,062,548
Infrastructure	28,076,576	-	-	28,076,576
Machinery and Equipment	2,117,718	234,557	(73,400)	2,278,875
Total capital assets being depreciated	\$ 44,178,871	\$ 312,528	\$ (73,400)	\$ 44,417,999
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (3,081,894)	\$ (297,726)	\$ -	\$ (3,379,620)
Infrastructure	(24,777,233)	(272,084)	-	(25,049,317)
Machinery and Equipment	(1,452,140)	(181,745)	51,576	(1,582,309)
Total accumulated depreciation	\$ (29,311,267)	\$ (751,555)	\$ 51,576	\$ (30,011,246)
Capital assets being depreciated, net	\$ 14,867,604	\$ (439,027)	\$ (21,824)	\$ 14,406,753
Governmental activities capital assets, net	\$ 16,975,701	\$ (439,027)	\$ (21,824)	\$ 16,514,850

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 CONTINUED

NOTE 14—CAPITAL ASSETS: (CONTINUED)

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 1,360,000	\$ 4,900	\$ -	\$ 1,364,900
Construction in progress	-	77,475	-	77,475
Total capital assets not being depreciated	\$ 1,360,000	\$ 82,375	\$ -	\$ 1,442,375
Capital assets being depreciated:				
Infrastructure	\$ 19,324,629	\$ 22,003	\$ -	\$ 19,346,632
Buildings	637,336	-	-	637,336
Equipment	683,602	-	-	683,602
Total capital assets being depreciated	\$ 20,645,567	\$ 22,003	\$ -	\$ 20,667,570
Less: Accumulated depreciation for:				
Infrastructure	\$ (7,744,829)	\$ (366,807)	\$ -	\$ (8,111,636)
Buildings	(106,412)	(41,934)	-	(148,346)
Equipment	(547,851)	(46,026)	-	(593,877)
Total accumulated depreciation	\$ (8,399,092)	\$ (454,767)	\$ -	\$ (8,853,859)
Capital assets being depreciated, net	\$ 12,246,475	\$ (432,764)	\$ -	\$ 11,813,711
Business-type activities capital assets, net	\$ 13,606,475	\$ (350,389)	\$ -	\$ 13,256,086

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

General government administration	\$ 357,824
Judicial Administration	9,051
Public safety	80,002
Public works	60,842
Health and welfare	3,360
Education	227,570
Parks, recreation and cultural	12,906
Total depreciation expense - governmental activities	\$ 751,555
Business-type activities:	
Water and Sewer	\$ 378,453
Golf course	76,314
Total depreciation expenses-business-type activities	\$ 454,767

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 CONTINUED

NOTE 14—CAPITAL ASSETS: (CONTINUED)

Discretely Presented Component Unit

	Restated Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
School Board				
Capital assets not being depreciated:				
Land and land improvements	\$ 4,634	\$ -	\$ -	\$ 4,634
Total capital assets not being depreciated	\$ 4,634	\$ -	\$ -	\$ 4,634
Capital assets being depreciated:				
Buildings and improvements	\$ 5,673,586	\$ 29,649	\$ -	\$ 5,703,235
Vehicles	499,348	17,479	-	516,827
Total capital assets being depreciated	\$ 6,172,934	\$ 47,128	\$ -	\$ 6,220,062
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (2,804,061)	\$ (123,735)	\$ -	\$ (2,927,796)
Vehicles	(494,815)	(5,193)	-	(500,008)
Total accumulated depreciation	\$ (3,298,876)	\$ (128,928)	\$ -	\$ (3,427,804)
Capital assets being depreciated, net	\$ 2,874,058	\$ (81,800)	\$ -	\$ 2,792,258
Governmental activities capital assets, net	\$ 2,878,692	\$ (81,800)	\$ -	\$ 2,796,892

Depreciation expense for the Component Unit School Board was \$128,928 for the year ended June 30, 2012 and was charged to the education function.

During the year ending June 30, 2008, the City changed their method of accounting for School Board assets financed with general City debt. Prior to June 30, 2008, the City apportioned the value of these assets to the School Board based on the percentage of debt outstanding as compared to the total debt issued for each asset. Beginning, July 1, 2007 the City retained 100% of the value of these assets on their books until the related debt associated with each asset is fully defeased. During the fiscal year, no debt obligations were fully defeased and no assets were transferred to the Component-unit School Board.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 CONTINUED

NOTE 15—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 16—ARBITRAGE REBATE COMPLIANCE:

As of June 30, 2012 and for the year then ended, the City was not liable for any amounts due under current rules governing arbitrage earnings.

NOTE 17—RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS:

Beginning net assets have been restated in the government-wide financial statements as detailed below:

	Primary Government: Governmental Activities	Component Unit: School Board
Net assets as previously reported, July 1, 2011	\$ 9,522,432	\$ 2,784,796
To record 2011 capital lease used to purchase buses	(225,421)	-
To record 2011 allocation of school board asset financed with debt	225,421	(225,421)
Net assets as restated, July 1, 2011	<u>\$ 9,522,432</u>	<u>\$ 2,559,375</u>

NOTE 18—LITIGATION:

At June 30, 2012, there were no matters of litigation involving the City or which would materially affect the City's financial position should any court decisions on pending matters not be favorable to such entities.

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

General Fund

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 4,978,081	\$ 5,084,081	\$ 5,128,101	\$ 44,020
Other local taxes	1,600,186	1,600,186	1,630,454	30,268
Permits, privilege fees, and regulatory licenses	40,950	40,950	43,497	2,547
Fines and forfeitures	61,800	61,800	88,951	27,151
Revenue from the use of money and property	48,000	48,000	69,300	21,300
Charges for services	601,881	601,881	550,268	(51,613)
Miscellaneous	146,940	146,940	210,544	63,604
Recovered costs	-	-	23,693	23,693
Intergovernmental revenues:				
Commonwealth	3,265,064	3,265,064	3,226,557	(38,507)
Federal	104,000	104,000	106,703	2,703
Total revenues	<u>\$ 10,846,902</u>	<u>\$ 10,952,902</u>	<u>\$ 11,078,068</u>	<u>\$ 125,166</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,104,580	\$ 1,104,580	\$ 1,182,731	\$ (78,151)
Judicial administration	757,616	781,791	813,087	(31,296)
Public safety	1,783,670	1,955,095	2,104,240	(149,145)
Public works	1,553,416	1,553,416	1,500,611	52,805
Health and welfare	1,435,504	1,435,504	1,400,676	34,828
Education	2,315,211	2,315,211	2,160,872	154,339
Parks, recreation, and cultural	89,587	89,587	94,023	(4,436)
Community development	491,326	491,326	542,077	(50,751)
Debt service:				
Principal retirement	110,595	216,595	107,479	109,116
Interest and other fiscal charges	169,952	169,952	179,282	(9,330)
Total expenditures	<u>\$ 9,811,457</u>	<u>\$ 10,113,057</u>	<u>\$ 10,085,078</u>	<u>\$ 27,979</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,035,445</u>	<u>\$ 839,845</u>	<u>\$ 992,990</u>	<u>\$ 153,145</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ (1,035,445)	\$ (839,845)	\$ 10,000	\$ 849,845
Transfers out	-	-	(1,302,420)	(1,302,420)
Issuance of capital leases	-	-	176,000	176,000
Total other financing sources and uses	<u>\$ (1,035,445)</u>	<u>\$ (839,845)</u>	<u>\$ (1,116,420)</u>	<u>\$ (276,575)</u>
Net change in fund balances	\$ -	\$ -	\$ (123,430)	\$ (123,430)
Fund balances - beginning	-	-	1,282,688	1,282,688
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,159,258</u>	<u>\$ 1,159,258</u>

Schedule of Pension Funding Progress
As of June 30, 2012

PRIMARY GOVERNMENT:

City Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/11 \$	11,777,419 \$	15,449,913 \$	3,672,494	76.23%	\$ 2,895,929	126.82%
06/30/10	11,683,528	15,119,873	3,436,345	77.27%	3,017,810	113.87%
06/30/09	11,803,893	13,685,074	1,881,181	86.25%	3,218,132	58.46%
06/30/08	11,749,435	12,914,273	1,164,838	90.98%	3,181,191	36.62%
06/30/07	10,833,474	11,804,213	970,739	91.78%	3,163,886	30.68%

DISCRETELY PRESENTED COMPONENT UNIT:

School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/11 \$	1,537,944 \$	1,415,167 \$	(122,777)	108.68%	\$ 281,102	-43.68%
06/30/10	1,546,165	1,288,089	(258,076)	120.04%	361,826	-71.33%
06/30/09	1,587,329	1,229,318	(358,011)	129.12%	387,112	-92.48%
06/30/08	1,625,061	1,193,054	(432,007)	136.21%	423,988	-101.89%
06/30/07	1,530,313	1,087,169	(443,144)	140.76%	433,113	-102.32%

Other Post-Employment Benefit Program
Schedule of Funding Progress
As of June 30, 2012

PRIMARY GOVERNMENT:**City Other Post-Employment Benefit Program**

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/12	\$ -	\$ 1,557,000	\$ 1,557,000	0.00%	\$ 2,731,000	57.01%
06/30/11	-	1,478,000	1,478,000	0.00%	2,731,000	54.12%
06/30/10	-	1,674,000	1,674,000	0.00%	3,294,000	50.82%
06/30/09	-	1,610,000	1,610,000	0.00%	3,214,000	50.09%

DISCRETELY PRESENTED COMPONENT UNIT:**School Board Other Post-Employment Benefit Program**

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/12	\$ -	\$ 3,648,000	\$ 3,648,000	0.00%	\$ 5,126,000	71.17%
06/30/11	-	3,592,000	3,592,000	0.00%	5,126,000	70.10%
06/30/10	-	2,988,000	2,988,000	0.00%	4,323,000	69.30%
06/30/09	-	2,880,000	2,880,000	0.00%	4,218,000	68.30%

OTHER SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

MAJOR CAPITAL PROJECT FUNDS

Flood Protection Revenue Fund – The Flood Protection Revenue Fund is a capital projects fund used to account for the financing and construction of capital projects aimed at reducing the effects of floods on the City's residents

Flood Protection Revenue Fund-Capital Projects Fund

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 18	\$ 18
Miscellaneous	-	-	134	134
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152</u>	<u>\$ 152</u>
EXPENDITURES				
Capital projects	\$ -	\$ -	\$ 51,483	\$ (51,483)
Debt service:				
Principal retirement	346,769	346,769	313,818	32,951
Interest and other fiscal charges	-	-	27,306	(27,306)
Total expenditures	<u>\$ 346,769</u>	<u>\$ 346,769</u>	<u>\$ 392,607</u>	<u>\$ (45,838)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (346,769)</u>	<u>\$ (346,769)</u>	<u>\$ (392,455)</u>	<u>\$ (45,686)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 346,769</u>	<u>\$ 346,769</u>	<u>\$ 356,354</u>	<u>\$ 9,585</u>
Total other financing sources and uses	<u>\$ 346,769</u>	<u>\$ 346,769</u>	<u>\$ 356,354</u>	<u>\$ 9,585</u>
Net change in fund balances	\$ -	\$ -	\$ (36,101)	\$ (36,101)
Fund balances - beginning	-	-	314,660	314,660
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,559</u>	<u>\$ 278,559</u>

Statement of Changes in Assets and Liabilities
 Agency Fund
 For the Year Ended June 30, 2012

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
ASSETS				
Cash and cash equivalents	\$ 2,766	\$ 10,918	\$ 2,022	\$ 11,662
Total assets	<u>\$ 2,766</u>	<u>\$ 10,918</u>	<u>\$ 2,022</u>	<u>\$ 11,662</u>
LIABILITIES				
Amounts held for social services clients	\$ 2,766	\$ 10,918	\$ 2,022	\$ 11,662
Total liabilities	<u>\$ 2,766</u>	<u>\$ 10,918</u>	<u>\$ 2,022</u>	<u>\$ 11,662</u>

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

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

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

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

Park Activities Fund – This fund was created to account for fee based community activities in the Park. Charges generated by these activities are restricted and may be used only for future community activities.

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 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.

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

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 60,731	\$ 347,444	\$ 408,175
Receivables (net of allowance for uncollectibles):			
Accounts receivable	12,324	26,671	38,995
Total assets	<u>\$ 73,055</u>	<u>\$ 374,115</u>	<u>\$ 447,170</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 7,685	\$ -	\$ 7,685
Accrued liabilities	10,263	-	10,263
Due to other funds	51,601	-	51,601
Total liabilities	<u>\$ 69,549</u>	<u>\$ -</u>	<u>\$ 69,549</u>
Fund balances:			
Restricted:			
Community development block grant	\$ -	\$ 87,128	\$ 87,128
Assigned:			
Debt service	-	286,987	286,987
Parks and recreation	(64,781)	-	(64,781)
Green Hill Cemetery	60,481	-	60,481
Designated for other	7,806	-	7,806
Total fund balances	<u>\$ 3,506</u>	<u>\$ 374,115</u>	<u>\$ 377,621</u>
Total liabilities and fund balances	<u>\$ 73,055</u>	<u>\$ 374,115</u>	<u>\$ 447,170</u>

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

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 90,123	\$ 793	\$ 90,916
Charges for services	69,402	-	69,402
Miscellaneous	540	-	540
Recovered costs	20,185	-	20,185
Intergovernmental revenues:			
Local government	-	372,953	372,953
Total revenues	<u>\$ 180,250</u>	<u>\$ 385,297</u>	<u>\$ 565,547</u>
EXPENDITURES			
Current:			
Health and welfare	\$ 7,451	\$ -	\$ 7,451
Parks, recreation, and cultural	427,568	-	427,568
Debt service:			
Principal retirement	16,800	562,872	579,672
Interest and other fiscal charges	1,238	128,094	129,332
Total expenditures	<u>\$ 453,057</u>	<u>\$ 690,966</u>	<u>\$ 1,144,023</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (272,807)</u>	<u>\$ (305,669)</u>	<u>\$ (578,476)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 279,159	\$ 305,135	\$ 584,294
Transfers out	(13,486)	-	(13,486)
Total other financing sources and uses	<u>\$ 265,673</u>	<u>\$ 305,135</u>	<u>\$ 570,808</u>
Net change in fund balances	\$ (7,134)	\$ (534)	\$ (7,668)
Fund balances - beginning	10,640	374,649	385,289
Fund balances - ending	<u>\$ 3,506</u>	<u>\$ 374,115</u>	<u>\$ 377,621</u>

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012

	<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	\$ 250	\$ -	\$ 60,481	\$ 60,731
Receivables (net of allowance for uncollectibles):				
Accounts receivable	4,518	7,806	-	12,324
Total assets	<u>\$ 4,768</u>	<u>\$ 7,806</u>	<u>\$ 60,481</u>	<u>\$ 73,055</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,685	\$ -	\$ -	\$ 7,685
Accrued liabilities	10,263	-	-	10,263
Due to other funds	51,601	-	-	51,601
Total liabilities	<u>\$ 69,549</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,549</u>
Fund balances:				
Assigned:				
Parks and recreation	\$ (64,781)	\$ -	\$ -	\$ (64,781)
Green Hill Cemetery	-	-	60,481	60,481
Senior citizens program		7,806		7,806
Total fund balances	<u>\$ (64,781)</u>	<u>\$ 7,806</u>	<u>\$ 60,481</u>	<u>\$ 3,506</u>
Total liabilities and fund balances	<u>\$ 4,768</u>	<u>\$ 7,806</u>	<u>\$ 60,481</u>	<u>\$ 73,055</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2012

	Park and Recreation Fund	Senior Center Fund	Park Activities Fund	Green Hill Cemetery Fund	Total
REVENUES					
Revenue from the use of money and property	\$ 90,118	\$ -	\$ -	\$ 5	\$ 90,123
Charges for services	60,553	-	-	8,849	69,402
Miscellaneous	540	-	-	-	540
Recovered costs	-	20,185	-	-	20,185
Total revenues	<u>\$ 151,211</u>	<u>\$ 20,185</u>	<u>\$ -</u>	<u>\$ 8,854</u>	<u>\$ 180,250</u>
EXPENDITURES					
Current:					
Health and welfare	\$ -	\$ 7,451	\$ -	\$ -	\$ 7,451
Parks, recreation, and cultural	427,568	-	-	-	427,568
Debt service:					
Principal retirement	-	16,800	-	-	16,800
Interest and other fiscal charges	-	1,238	-	-	1,238
Total expenditures	<u>\$ 427,568</u>	<u>\$ 25,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 453,057</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (276,357)</u>	<u>\$ (5,304)</u>	<u>\$ -</u>	<u>\$ 8,854</u>	<u>\$ (272,807)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 266,049	\$ 13,110	\$ -	\$ -	\$ 279,159
Transfers out	-	-	(3,486)	(10,000)	(13,486)
Total other financing sources and (uses)	<u>\$ 266,049</u>	<u>\$ 13,110</u>	<u>\$ (3,486)</u>	<u>\$ (10,000)</u>	<u>\$ 265,673</u>
Net change in fund balances	\$ (10,308)	\$ 7,806	\$ (3,486)	\$ (1,146)	\$ (7,134)
Fund balances - beginning	(54,473)	-	3,486	61,627	10,640
Fund balances - ending	<u><u>\$ (64,781)</u></u>	<u><u>\$ 7,806</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 60,481</u></u>	<u><u>\$ 3,506</u></u>

City of Buena Vista, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2012

	Park & Recreation Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 108,000	\$ 108,000	\$ 90,118	\$ (17,882)
Charges for services	83,190	89,090	60,553	(28,537)
Miscellaneous	1,100	1,100	540	(560)
Recovered costs	-	-	-	-
Total revenues	<u>\$ 192,290</u>	<u>\$ 198,190</u>	<u>\$ 151,211</u>	<u>\$ (46,979)</u>
EXPENDITURES				
Current:				
Health and welfare	\$ -	\$ -	\$ -	\$ -
Parks, recreation, and cultural	292,290	420,954	427,568	(6,614)
Principal retirement	-	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	<u>\$ 292,290</u>	<u>\$ 420,954</u>	<u>\$ 427,568</u>	<u>\$ (6,614)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (100,000)</u>	<u>\$ (222,764)</u>	<u>\$ (276,357)</u>	<u>\$ (53,593)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 100,000	\$ 222,764	\$ 266,049	\$ 43,285
Transfers out	-	-	-	-
Total other financing sources and (uses)	<u>\$ 100,000</u>	<u>\$ 222,764</u>	<u>\$ 266,049</u>	<u>\$ 43,285</u>
Net change in fund balances	\$ -	\$ -	\$ (10,308)	\$ (10,308)
Fund balances - beginning	-	-	(54,473)	(54,473)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (64,781)</u>	<u>\$ (64,781)</u>

Senior Center Fund				Park Activities Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
31,000	31,000	20,185	(10,815)	-	-	-	-
<u>\$ 31,000</u>	<u>\$ 31,000</u>	<u>\$ 20,185</u>	<u>\$ (10,815)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 7,451	\$ (7,451)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
31,000	31,000	16,800	14,200	-	-	-	-
-	-	1,238	(1,238)	-	-	-	-
<u>\$ 31,000</u>	<u>\$ 31,000</u>	<u>\$ 25,489</u>	<u>\$ 5,511</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ (5,304)	\$ (5,304)	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ 13,110	\$ 13,110	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	(3,486)	(3,486)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,110</u>	<u>\$ 13,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,486)</u>	<u>\$ (3,486)</u>
\$ -	\$ -	\$ 7,806	\$ 7,806	\$ -	\$ -	\$ (3,486)	\$ (3,486)
-	-	-	-	-	-	3,486	3,486
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,806</u>	<u>\$ 7,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2012

	Green Hill Cemetery Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 5	\$ 5
Charges for services	-	-	8,849	8,849
Miscellaneous	-	-	-	-
Recovered costs	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,854</u>	<u>\$ 8,854</u>
EXPENDITURES				
Current:				
Health and welfare	\$ -	\$ -	\$ -	\$ -
Parks, recreation, and cultural	-	-	-	-
Principal retirement	-	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,854</u>	<u>\$ 8,854</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	(10,000)	(10,000)
Total other financing sources and (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>
Net change in fund balances	\$ -	\$ -	\$ (1,146)	\$ (1,146)
Fund balances - beginning	-	-	61,627	61,627
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,481</u>	<u>\$ 60,481</u>

Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2012

	Community Development Block Grant	School Construction Fund	Total
ASSETS			
Cash and cash equivalents	\$ 60,457	\$ 286,987	\$ 347,444
Receivables (net of allowance for uncollectibles):			
Accounts receivable	26,671	-	26,671
Total assets	<u>\$ 87,128</u>	<u>\$ 286,987</u>	<u>\$ 374,115</u>
LIABILITIES AND FUND BALANCES			
Fund balances:			
Restricted:			
Community development block grant	\$ 87,128	\$ -	\$ 87,128
Assigned:			
Debt service	-	286,987	286,987
Total fund balances	<u>\$ 87,128</u>	<u>\$ 286,987</u>	<u>\$ 374,115</u>
Total liabilities and fund balances	<u>\$ 87,128</u>	<u>\$ 286,987</u>	<u>\$ 374,115</u>

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Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2012

	Community Development Block Grant	School Construction Fund	Total
REVENUES			
Revenue from the use of money and property	\$ 793	\$ -	\$ 793
Intergovernmental revenues:			
Local government	-	372,953	372,953
Federal	11,551	-	11,551
Total revenues	<u>\$ 12,344</u>	<u>\$ 372,953</u>	<u>\$ 385,297</u>
EXPENDITURES			
Debt service:			
Principal retirement	\$ -	\$ 562,872	\$ 562,872
Interest and other fiscal charges	-	128,094	128,094
Total expenditures	<u>\$ -</u>	<u>\$ 690,966</u>	<u>\$ 690,966</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 12,344</u>	<u>\$ (318,013)</u>	<u>\$ (305,669)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 305,135	\$ 305,135
Total other financing sources and (uses)	<u>\$ -</u>	<u>\$ 305,135</u>	<u>\$ 305,135</u>
Net change in fund balances	\$ 12,344	\$ (12,878)	\$ (534)
Fund balances - beginning	74,784	299,865	374,649
Fund balances - ending	<u><u>\$ 87,128</u></u>	<u><u>\$ 286,987</u></u>	<u><u>\$ 374,115</u></u>

City of Buena Vista, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2012

	Community Development Block Grant			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 793	\$ 793
Intergovernmental revenues:				
Local government	-	-	-	-
Federal	-	-	11,551	11,551
Total revenues	\$ -	\$ -	\$ 12,344	\$ 12,344
EXPENDITURES				
Debt service:				
Principal retirement	\$ -	\$ -	\$ -	\$ -
Interest and other fiscal charges	-	-	-	-
Total expenditures	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 12,344	\$ 12,344
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Total other financing sources and uses	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ 12,344	\$ 12,344
Fund balances - beginning	-	-	74,784	74,784
Fund balances - ending	\$ -	\$ -	\$ 87,128	\$ 87,128

School Construction Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
305,134	305,134	372,953	67,819
-	-	-	-
<u>\$ 305,134</u>	<u>\$ 305,134</u>	<u>\$ 372,953</u>	<u>\$ 67,819</u>
\$ 642,107	\$ 642,107	\$ 562,872	\$ 79,235
-	-	128,094	(128,094)
<u>\$ 642,107</u>	<u>\$ 642,107</u>	<u>\$ 690,966</u>	<u>\$ (48,859)</u>
<u>\$ (336,973)</u>	<u>\$ (336,973)</u>	<u>\$ (318,013)</u>	<u>\$ 18,960</u>
<u>\$ 336,973</u>	<u>\$ 336,973</u>	<u>\$ 305,135</u>	<u>\$ (31,838)</u>
<u>\$ 336,973</u>	<u>\$ 336,973</u>	<u>\$ 305,135</u>	<u>\$ (31,838)</u>
\$ -	\$ -	\$ (12,878)	\$ (12,878)
-	-	299,865	299,865
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 286,987</u>	<u>\$ 286,987</u>

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DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

School Operating Fund – The School Operating Fund is a special revenue fund that 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

Cafeteria Fund – The 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.

Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2012

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 77,021	\$ 22,905	\$ 99,926
Receivables (net of allowance for uncollectibles):			
Accounts receivable	3,106	-	3,106
Due from primary government	441,851	-	441,851
Due from other governmental units	360,584	13,351	373,935
Inventories	-	16,749	16,749
Prepaid items	20,427	-	20,427
Total assets	<u>\$ 902,989</u>	<u>\$ 53,005</u>	<u>\$ 955,994</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 55,665	\$ -	\$ 55,665
Contracts payable	770,303	-	770,303
Total liabilities	<u>\$ 825,968</u>	<u>\$ -</u>	<u>\$ 825,968</u>
Fund balances:			
Nonspendable:			
Prepaid expense	\$ 20,427	\$ -	\$ 20,427
Inventory	-	16,749	16,749
Committed:			
School capital projects	56,594	-	56,594
School lunch program	-	36,256	36,256
Total fund balances	<u>\$ 77,021</u>	<u>\$ 53,005</u>	<u>\$ 130,026</u>
Total liabilities and fund balances	<u>\$ 902,989</u>	<u>\$ 53,005</u>	<u>\$ 955,994</u>

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

Total fund balances per above	\$ 130,026
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,796,893
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(574,158)</u>
Net assets of governmental activities	<u>\$ 2,352,761</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2012

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 35,331	\$ -	\$ 35,331
Charges for services	52,526	173,725	226,251
Miscellaneous	61,045	-	61,045
Recovered costs	255,903	-	255,903
Intergovernmental revenues:			
Local government	2,129,464	-	2,129,464
Commonwealth	7,263,956	6,185	7,270,141
Federal	773,427	259,606	1,033,033
Total revenues	<u>\$ 10,571,652</u>	<u>\$ 439,516</u>	<u>\$ 11,011,168</u>
EXPENDITURES			
Current:			
Education	\$ 10,539,655	\$ 446,948	\$ 10,986,603
Total expenditures	<u>\$ 10,539,655</u>	<u>\$ 446,948</u>	<u>\$ 10,986,603</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 31,997</u>	<u>\$ (7,432)</u>	<u>\$ 24,565</u>
Net change in fund balances	\$ 31,997	\$ (7,432)	\$ 24,565
Fund balances - beginning	45,024	60,437	105,461
Fund balances - ending	<u>\$ 77,021</u>	<u>\$ 53,005</u>	<u>\$ 130,026</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	\$ 24,565
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	(81,800)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	<u>(149,379)</u>
Change in net assets of governmental activities	<u>\$ (206,614)</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2012

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 35,331	\$ 35,331
Charges for services	40,000	40,000	52,526	12,526
Miscellaneous	100,000	100,000	61,045	(38,955)
Recovered costs	207,769	207,769	255,903	48,134
Intergovernmental revenues:				
Local government	2,283,803	2,283,803	2,129,464	(154,339)
Commonwealth	7,305,204	7,305,204	7,263,956	(41,248)
Federal	693,962	693,962	773,427	79,465
Total revenues	\$ 10,630,738	\$ 10,630,738	\$ 10,571,652	\$ (59,086)
EXPENDITURES				
Current:				
Education	\$ 10,630,738	\$ 10,630,738	\$ 10,539,655	\$ 91,083
Total expenditures	\$ 10,630,738	\$ 10,630,738	\$ 10,539,655	\$ 91,083
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 31,997	\$ 31,997
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 435,111	\$ 435,111	\$ -	\$ (435,111)
Total other financing sources and uses	\$ 435,111	\$ 435,111	\$ -	\$ (435,111)
Net change in fund balances	\$ 435,111	\$ 435,111	\$ 31,997	\$ (403,114)
Fund balances - beginning	(435,111)	(435,111)	45,024	480,135
Fund balances - ending	\$ -	\$ -	\$ 77,021	\$ 77,021

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2012

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ 221,000	\$ 221,000	\$ 173,725	\$ (47,275)
Intergovernmental revenues:				
Commonwealth	8,020	8,020	6,185	(1,835)
Federal	257,000	257,000	259,606	2,606
Total revenues	<u>\$ 486,020</u>	<u>\$ 486,020</u>	<u>\$ 439,516</u>	<u>\$ (46,504)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 486,020</u>	<u>\$ 486,020</u>	<u>\$ 446,948</u>	<u>\$ 39,072</u>
Total expenditures	<u>\$ 486,020</u>	<u>\$ 486,020</u>	<u>\$ 446,948</u>	<u>\$ 39,072</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,432)</u>	<u>\$ (7,432)</u>
Net change in fund balances	\$ -	\$ -	\$ (7,432)	\$ (7,432)
Fund balances - beginning	-	-	60,437	60,437
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,005</u>	<u>\$ 53,005</u>

SUPPORTING SCHEDULES

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

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	\$ 3,469,000	\$ 3,575,000	\$ 3,599,927	\$ 24,927
Real and personal public service corporation taxes	100,000	100,000	125,495	25,495
Personal property taxes	1,058,081	1,058,081	1,035,230	(22,851)
Machinery and tools taxes	278,000	278,000	295,056	17,056
Penalties	52,000	52,000	49,255	(2,745)
Interest	21,000	21,000	23,138	2,138
Total general property taxes	\$ 4,978,081	\$ 5,084,081	\$ 5,128,101	\$ 44,020
Other local taxes:				
Local sales and use taxes	\$ 350,000	\$ 350,000	\$ 378,736	\$ 28,736
Consumers' utility taxes	275,000	275,000	256,535	(18,465)
Meals taxes	165,000	165,000	192,920	27,920
Communications taxes	326,000	326,000	321,702	(4,298)
Lodging taxes	14,000	14,000	13,158	(842)
Business and professional license taxes	170,000	170,000	177,887	7,887
Motor vehicle licenses	128,000	128,000	125,579	(2,421)
Water utility taxes	92,186	92,186	90,970	(1,216)
Bank stock taxes	40,000	40,000	47,100	7,100
Recordation taxes	40,000	40,000	25,867	(14,133)
Total other local taxes	\$ 1,600,186	\$ 1,600,186	\$ 1,630,454	\$ 30,268
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 2,000	\$ 2,000	\$ 3,485	\$ 1,485
Right of way fees	22,000	22,000	29,862	7,862
Transfer fees	200	200	171	(29)
Permits and other licenses	16,750	16,750	9,979	(6,771)
Total permits, privilege fees, and regulatory licenses	\$ 40,950	\$ 40,950	\$ 43,497	\$ 2,547
Fines and forfeitures:				
Court fines and forfeitures	\$ 60,000	\$ 60,000	\$ 88,361	\$ 28,361
Parking fines	1,800	1,800	590	(1,210)
Total fines and forfeitures	\$ 61,800	\$ 61,800	\$ 88,951	\$ 27,151
Revenue from use of money and property:				
Revenue from use of money	\$ 8,000	\$ 8,000	\$ 3,650	\$ (4,350)
Sale of property	25,000	25,000	42,050	17,050
Sale of cemetery lots	15,000	15,000	23,600	8,600
Total revenue from use of money and property	\$ 48,000	\$ 48,000	\$ 69,300	\$ 21,300
Charges for services:				
Sheriff fees	\$ 500	\$ 500	\$ 706	\$ 206
Commonwealth attorney fees	500	500	1,488	988
Charges for curb and gutter completions	15,000	15,000	-	(15,000)
Charges for waste collection and disposal	410,000	410,000	379,042	(30,958)
Landfill tipping fees	119,281	119,281	94,264	(25,017)
Grave Openings	25,000	25,000	28,400	3,400
Courthouse maintenance fees	3,300	3,300	9,673	6,373
Courthouse security fees	10,000	10,000	15,600	5,600
Jail administration fees	1,200	1,200	1,774	574
Other charges for services	17,100	17,100	19,321	2,221
Total charges for services	\$ 601,881	\$ 601,881	\$ 550,268	\$ (51,613)

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

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 revenue:				
Regional Industrial Park	\$ -	\$ -	\$ 163	\$ 163
IDA tax payment	10,140	10,140	73,581	63,441
Dabney lease revenue	136,800	136,800	136,800	-
Total miscellaneous revenue	<u>\$ 146,940</u>	<u>\$ 146,940</u>	<u>\$ 210,544</u>	<u>\$ 63,604</u>
Recovered costs:				
Social service refunds	\$ -	\$ -	\$ 21,081	\$ 21,081
Other recovered costs	-	-	2,612	2,612
Total recovered costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,693</u>	<u>\$ 23,693</u>
Total revenue from local sources	<u>\$ 7,477,838</u>	<u>\$ 7,583,838</u>	<u>\$ 7,744,808</u>	<u>\$ 160,970</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 5,000	\$ 5,000	\$ 35	\$ (4,965)
Rolling stock	4,600	4,600	5,372	772
Auto rental tax	400	400	778	378
State recordation tax	14,000	14,000	6,330	(7,670)
Personal property tax relief funds	662,919	662,919	662,919	-
Total noncategorical aid	<u>\$ 686,919</u>	<u>\$ 686,919</u>	<u>\$ 675,434</u>	<u>\$ (11,485)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 150,674	\$ 150,674	\$ 148,605	\$ (2,069)
Sheriff	147,255	147,255	147,360	105
Commissioner of revenue	62,460	62,460	59,344	(3,116)
Treasurer	57,768	57,768	56,511	(1,257)
Registrar/electoral board	40,000	40,000	28,911	(11,089)
Police	176,732	176,732	166,894	(9,838)
Juror Expense	3,000	3,000	3,083	83
Clerk of the Circuit Court	123,939	123,939	136,938	12,999
Total shared expenses	<u>\$ 761,828</u>	<u>\$ 761,828</u>	<u>\$ 747,646</u>	<u>\$ (14,182)</u>
Other categorical aid:				
Welfare administration and assistance	\$ 177,232	\$ 177,232	\$ 98,568	\$ (78,664)
Comprehensive services act	586,000	586,000	534,541	(51,459)
Street and Highway Maintenance	970,000	970,000	1,052,067	82,067
School resource officer grant	54,493	54,493	58,164	3,671
Victim-witness grant	28,592	28,592	27,065	(1,527)
Fire programs	-	-	17,777	17,777
Two for life	-	-	5,107	5,107
Other state grants	-	-	5,800	5,800
Seized funds	-	-	4,388	4,388
Total other categorical aid	<u>\$ 1,816,317</u>	<u>\$ 1,816,317</u>	<u>\$ 1,803,477</u>	<u>\$ (12,840)</u>
Total categorical aid	<u>\$ 2,578,145</u>	<u>\$ 2,578,145</u>	<u>\$ 2,551,123</u>	<u>\$ (27,022)</u>
Total revenue from the Commonwealth	<u>\$ 3,265,064</u>	<u>\$ 3,265,064</u>	<u>\$ 3,226,557</u>	<u>\$ (38,507)</u>

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 104,000	\$ 104,000	\$ 75,142	\$ (28,858)
Ground transportation safety grant	-	-	27,561	27,561
USDA forestry grant	-	-	4,000	4,000
Total categorical aid	<u>\$ 104,000</u>	<u>\$ 104,000</u>	<u>\$ 106,703</u>	<u>\$ 2,703</u>
Total revenue from the federal government	<u>\$ 104,000</u>	<u>\$ 104,000</u>	<u>\$ 106,703</u>	<u>\$ 2,703</u>
Total General Fund	<u>\$ 10,846,902</u>	<u>\$ 10,952,902</u>	<u>\$ 11,078,068</u>	<u>\$ 125,166</u>
Special Revenue Funds:				
Park and Recreation Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 108,000	\$ 108,000	\$ 90,118	\$ (17,882)
Total revenue from use of money and property	<u>\$ 108,000</u>	<u>\$ 108,000</u>	<u>\$ 90,118</u>	<u>\$ (17,882)</u>
Charges for services:				
Recreation fees	\$ 83,190	\$ 89,090	\$ 60,553	\$ (28,537)
Total charges for services	<u>\$ 83,190</u>	<u>\$ 89,090</u>	<u>\$ 60,553</u>	<u>\$ (28,537)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 1,100	\$ 1,100	\$ 540	\$ (560)
Total miscellaneous revenue	<u>\$ 1,100</u>	<u>\$ 1,100</u>	<u>\$ 540</u>	<u>\$ (560)</u>
Total revenue from local sources	<u>\$ 192,290</u>	<u>\$ 198,190</u>	<u>\$ 151,211</u>	<u>\$ (46,979)</u>
Total Park and Recreation Fund	<u>\$ 192,290</u>	<u>\$ 198,190</u>	<u>\$ 151,211</u>	<u>\$ (46,979)</u>
Senior Center Fund:				
Revenue from local sources:				
Recovered costs:				
Payments from other localities	\$ 31,000	\$ 31,000	\$ 20,185	\$ (10,815)
Total recovered costs	<u>\$ 31,000</u>	<u>\$ 31,000</u>	<u>\$ 20,185</u>	<u>\$ (10,815)</u>
Total revenue from local sources	<u>\$ 31,000</u>	<u>\$ 31,000</u>	<u>\$ 20,185</u>	<u>\$ (10,815)</u>
Total Senior Center Fund	<u>\$ 31,000</u>	<u>\$ 31,000</u>	<u>\$ 20,185</u>	<u>\$ (10,815)</u>
Green Hill Cemetery Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 5	\$ 5
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 5</u>
Charges for services:				
Cemetery perpetual care receipts	\$ -	\$ -	\$ 8,849	\$ 8,849
Total charges for services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,849</u>	<u>\$ 8,849</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,854</u>	<u>\$ 8,854</u>
Total Green Hill Cemetery Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,854</u>	<u>\$ 8,854</u>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Funds:				
School Construction Fund:				
Intergovernmental revenue:				
Revenues from local governments:				
Contribution from City of Buena Vista School Board	\$ 305,134	\$ 305,134	\$ 372,953	\$ 67,819
Total revenues from local governments	\$ 305,134	\$ 305,134	\$ 372,953	\$ 67,819
Total School Construction Fund	\$ 305,134	\$ 305,134	\$ 372,953	\$ 67,819
Flood Protection Fund:				
Revenue from local sources:				
Revenue from the use of money	\$ -	\$ -	\$ 18	\$ 18
Total revenue from use of money and property	\$ -	\$ -	\$ 18	\$ 18
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 134	\$ 134
Total miscellaneous revenue	\$ -	\$ -	\$ 134	\$ 134
Total revenue from local sources	\$ -	\$ -	\$ 152	\$ 152
Total Flood Protection Fund	\$ -	\$ -	\$ 152	\$ 152
Community Development Block Grant:				
Revenue from local sources:				
Revenue from the use of money	\$ -	\$ -	\$ 793	\$ 793
Total revenue from use of money and property	\$ -	\$ -	\$ 793	\$ 793
Total revenue from local sources	\$ -	\$ -	\$ 793	\$ 793
Intergovernmental revenue:				
Revenue from the federal government:				
Categorical aid:				
USDA Small Business Grant	\$ -	\$ -	\$ 11,551	\$ 11,551
Total categorical aid	\$ -	\$ -	\$ 11,551	\$ 11,551
Total revenue from the federal government	\$ -	\$ -	\$ 11,551	\$ 11,551
Total Community Development Block Grant Fund	\$ -	\$ -	\$ 12,344	\$ 12,344
Total Primary Government	\$ 11,375,326	\$ 11,487,226	\$ 11,643,767	\$ 156,541
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 125	\$ 125
Revenue from the use of property	-	-	35,206	35,206
Total revenue from use of money and property	\$ -	\$ -	\$ 35,331	\$ 35,331
Charges for services:				
Charges for education	\$ 40,000	\$ 40,000	\$ 52,526	\$ 12,526
Total charges for services	\$ 40,000	\$ 40,000	\$ 52,526	\$ 12,526
Miscellaneous revenue:				
Donations and special gifts	\$ -	\$ -	\$ 42,889	\$ 42,889
Miscellaneous	100,000	100,000	18,156	(81,844)
Total miscellaneous revenue	\$ 100,000	\$ 100,000	\$ 61,045	\$ (38,955)
Recovered costs:				
Other recovered costs	\$ 207,769	\$ 207,769	\$ 255,903	\$ 48,134
Total recovered costs	\$ 207,769	\$ 207,769	\$ 255,903	\$ 48,134
Total revenue from local sources	\$ 347,769	\$ 347,769	\$ 404,805	\$ 57,036

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (continued)				
Special Revenue Funds: (continued)				
School Operating Fund: (continued)				
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from City of Buena Vista, Virginia	\$ 2,283,803	\$ 2,283,803	\$ 2,129,464	\$ (154,339)
Total revenues from local governments	\$ 2,283,803	\$ 2,283,803	\$ 2,129,464	\$ (154,339)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 820,102	\$ 820,102	\$ 821,793	\$ 1,691
Basic school aid	4,283,058	4,283,058	4,278,918	(4,140)
At-risk	63,753	63,753	63,753	-
Project graduation	-	-	4,134	4,134
Alternative education	33,414	33,414	33,414	-
Gifted and talented	42,660	42,660	42,665	5
Special Education	698,630	698,630	676,022	(22,608)
Remedial summer school	54,319	54,319	54,319	-
Remedial education	82,475	82,475	82,486	11
Vocational education	109,967	109,967	109,982	15
Technology funds	180,000	180,000	180,000	-
Fringe benefits	512,862	512,862	512,932	70
Adult education	7,859	7,859	10,472	2,613
Reduced class size (K-3)	173,514	173,514	173,514	-
Free textbooks	38,450	38,450	38,456	6
Early reading intervention	26,965	26,965	26,965	-
Special education - homebound	5,038	5,038	5,038	-
Vocational education - equipment	-	-	3,658	3,658
Vocational occupational preparedness	18,401	18,401	11,646	(6,755)
Standards of Learning algebra readiness	10,050	10,050	10,050	-
School operating grant	122,879	122,879	122,895	16
Other state funds	20,808	20,808	844	(19,964)
Total categorical aid	\$ 7,305,204	\$ 7,305,204	\$ 7,263,956	\$ (41,248)
Total revenue from the Commonwealth	\$ 7,305,204	\$ 7,305,204	\$ 7,263,956	\$ (41,248)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 218,443	\$ 218,443	\$ 201,304	\$ (17,139)
Title I ARRA	-	-	43,188	43,188
Title VI-B, special education	215,605	215,605	236,356	20,751
Title VI-B, pre-school	10,773	10,773	6,276	(4,497)
Title IV, Drug Education	1,893	1,893	1,893	-
State fiscal stabilization funds ARRA	-	-	53,589	53,589
Education jobs funds ARRA	168,057.00	168,057.00	172,479	4,422
Vocational Education	25,592	25,592	17,017	(8,575)
Title II, Improving teacher quality	53,599	53,599	41,325	(12,274)
Total categorical aid	\$ 693,962	\$ 693,962	\$ 773,427	\$ 79,465
Total revenue from the federal government	\$ 693,962	\$ 693,962	\$ 773,427	\$ 79,465
Total School Operating Fund	\$ 10,630,738	\$ 10,630,738	\$ 10,571,652	\$ (59,086)

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria Sales	\$ 221,000	\$ 221,000	\$ 173,725	\$ (47,275)
Total charges for services	<u>221,000</u>	<u>221,000</u>	<u>173,725</u>	<u>(47,275)</u>
Total revenue from local sources	<u>\$ 221,000</u>	<u>\$ 221,000</u>	<u>\$ 173,725</u>	<u>\$ (47,275)</u>
Intergovernmental revenue:				
Revenues from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 8,020	\$ 8,020	\$ 6,185	\$ (1,835)
Total categorical aid	<u>8,020</u>	<u>8,020</u>	<u>6,185</u>	<u>(1,835)</u>
Revenue from the federal government:				
Categorical aid:				
USDA Commodities	\$ -	\$ -	\$ 22,246	\$ 22,246
Equipment grant	-	-	9,790	9,790
School food program grant	257,000	257,000	227,570	(29,430)
Total categorical aid	<u>257,000</u>	<u>257,000</u>	<u>259,606</u>	<u>2,606</u>
Total revenue from the federal government	<u>\$ 257,000</u>	<u>\$ 257,000</u>	<u>\$ 259,606</u>	<u>\$ 2,606</u>
Total School Cafeteria Fund	<u>\$ 486,020</u>	<u>\$ 486,020</u>	<u>\$ 439,516</u>	<u>\$ (46,504)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 11,116,758</u>	<u>\$ 11,116,758</u>	<u>\$ 11,011,168</u>	<u>\$ (105,590)</u>

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

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
City Council	\$ 40,497	\$ 40,497	\$ 37,026	\$ 3,471
General and financial administration:				
City Manager	\$ 119,493	\$ 119,493	\$ 169,485	\$ (49,992)
City Attorney/Legal Services	70,000	70,000	61,450	8,550
Finance	348,516	262,766	232,107	30,659
Independent Auditor	-	32,250	58,505	(26,255)
Commissioner of Revenue	215,204	183,204	177,500	5,704
City Treasurer	251,913	251,913	254,533	(2,620)
Reassessment	-	32,000	34,921	(2,921)
Other general and financial administration	-	53,500	92,555	(39,055)
Total general and financial administration	\$ 1,005,126	\$ 1,005,126	\$ 1,081,056	\$ (75,930)
Board of elections:				
Electoral board and officials	\$ 58,957	\$ 58,957	\$ 64,649	\$ (5,692)
Total general government administration	\$ 1,104,580	\$ 1,104,580	\$ 1,182,731	\$ (78,151)
Judicial administration:				
Courts:				
Circuit court	\$ 6,700	\$ 6,700	\$ 5,096	\$ 1,604
General district court	4,200	4,200	4,028	172
Juvenile/Domestic relations court	54,525	54,525	40,208	14,317
Clerk of the circuit court	205,174	205,174	219,577	(14,403)
Sheriff	266,882	291,057	325,835	(34,778)
Total courts	\$ 537,481	\$ 561,656	\$ 594,744	\$ (33,088)
Commonwealth's attorney:				
Commonwealth's attorney	\$ 220,135	\$ 220,135	\$ 218,343	\$ 1,792
Total judicial administration	\$ 757,616	\$ 781,791	\$ 813,087	\$ (31,296)
Public safety:				
Law enforcement and traffic control:				
Criminal Justice Service Department	\$ 28,507	\$ 28,507	\$ 27,799	\$ 708
Police Department	1,095,990	1,267,415	1,330,031	(62,616)
Total law enforcement and traffic control	\$ 1,124,497	\$ 1,295,922	\$ 1,357,830	\$ (61,908)
Fire and rescue services:				
Fire department	\$ 114,400	\$ 114,400	\$ 123,030	\$ (8,630)
Rescue Squad	98,200	98,200	96,442	1,758
Central Shenandoah EMS Council	165,642	165,642	183,879	(18,237)
Total fire and rescue services	\$ 378,242	\$ 378,242	\$ 403,351	\$ (25,109)
Correction and detention:				
Probation Office	\$ 3,000	\$ 3,000	\$ 1,083	\$ 1,917
Magistrate	425	425	149	276
Regional Jail	190,000	190,000	255,589	(65,589)
Total correction and detention	\$ 193,425	\$ 193,425	\$ 256,821	\$ (63,396)

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

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 87,356	\$ 87,356	\$ 86,178	\$ 1,178
Medical Examiner	150	150	60	90
Total other protection	<u>\$ 87,506</u>	<u>\$ 87,506</u>	<u>\$ 86,238</u>	<u>\$ 1,268</u>
Total public safety	<u>\$ 1,783,670</u>	<u>\$ 1,955,095</u>	<u>\$ 2,104,240</u>	<u>\$ (149,145)</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Administrative and Engineering	\$ 264,600	\$ 264,600	\$ 281,385	\$ (16,785)
Street Maintenance Department	525,059	525,059	539,690	(14,631)
Street Lights	73,000	73,000	70,895	2,105
Railroad Maintenance	1,800	1,800	-	1,800
Watershed Coordinator	-	-	174	(174)
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 864,459</u>	<u>\$ 864,459</u>	<u>\$ 892,144</u>	<u>\$ (27,685)</u>
Sanitation and waste removal:				
Refuse Department	\$ 236,272	\$ 236,272	\$ 223,385	\$ 12,887
Refuse Disposal	200,000	200,000	150,586	49,414
Total sanitation and waste removal	<u>\$ 436,272</u>	<u>\$ 436,272</u>	<u>\$ 373,971</u>	<u>\$ 62,301</u>
Maintenance of general buildings and grounds:				
Maintenance Buildings and Grounds	\$ 145,476	\$ 145,476	\$ 127,642	\$ 17,834
Green Hill Cemetary Maintenance	107,209	107,209	106,854	355
Total maintenance of general buildings and grounds	<u>\$ 252,685</u>	<u>\$ 252,685</u>	<u>\$ 234,496</u>	<u>\$ 18,189</u>
Total public works	<u>\$ 1,553,416</u>	<u>\$ 1,553,416</u>	<u>\$ 1,500,611</u>	<u>\$ 52,805</u>
Health and welfare:				
Mental health and mental retardation:				
Mental Health	\$ 77,439	\$ 77,439	\$ 83,109	\$ (5,670)
Welfare:				
Property Tax Relief	\$ 51,000	\$ 51,000	\$ 74,949	\$ (23,949)
Social Services	1,250,000	1,250,000	1,192,126	57,874
VA Municipal League	3,973	3,973	-	3,973
Valley Program for Aging	35,413	35,413	35,413	-
Total Action Against Poverty	2,700	2,700	1,350	1,350
Rockbridge Area Hospice	1,000	1,000	1,250	(250)
Rockbridge Area Rental Assistance	3,954	3,954	3,954	-
Rockbridge Free Clinic	10,025	10,025	8,525	1,500
Total welfare	<u>\$ 1,358,065</u>	<u>\$ 1,358,065</u>	<u>\$ 1,317,567</u>	<u>\$ 40,498</u>
Total health and welfare	<u>\$ 1,435,504</u>	<u>\$ 1,435,504</u>	<u>\$ 1,400,676</u>	<u>\$ 34,828</u>

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

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contribution to City School Board	\$ 2,283,803	\$ 2,283,803	\$ 2,129,464	\$ 154,339
Contribution to Community Colleges	30,408	30,408	30,408	-
Contribution to Buena Vista Colored School	1,000	1,000	1,000	-
Total education	<u>\$ 2,315,211</u>	<u>\$ 2,315,211</u>	<u>\$ 2,160,872</u>	<u>\$ 154,339</u>
Parks, recreation, and cultural:				
Library:				
Rockbridge/ Buena Vista Regional Library	\$ 89,587	\$ 89,587	\$ 94,023	\$ (4,436)
Total parks, recreation, and cultural	<u>\$ 89,587</u>	<u>\$ 89,587</u>	<u>\$ 94,023</u>	<u>\$ (4,436)</u>
Community development:				
Planning and community development:				
Community development administration	\$ 302,965	\$ 302,965	\$ 293,177	\$ 9,788
Economic Development	33,500	33,500	85,765	(52,265)
Central Shenandoah Planning District Commission	19,491	19,491	9,501	9,990
Rockbridge Area Occupation Center	12,543	12,543	12,543	-
Blue Ridge Legal Services	627	627	627	-
Beautification Committee	2,000	2,000	2,804	(804)
Visitor's Center	42,279	42,279	44,680	(2,401)
Project Horizon	2,140	2,140	2,140	-
Paxton House	10,000	10,000	10,000	-
Rockbridge Area transportation system	25,000	25,000	25,000	-
Virginia Institute of government	500	500	500	-
Food Bank	500	500	500	-
Talking book center	1,800	1,800	1,800	-
Employee programs	35,981	35,981	51,796	(15,815)
Regional bicycle plan	-	-	244	(244)
Total planning and community development	<u>\$ 489,326</u>	<u>\$ 489,326</u>	<u>\$ 541,077</u>	<u>\$ (51,751)</u>
Environmental management:				
Soil and Water Conservation	\$ 2,000	\$ 2,000	\$ 1,000	\$ 1,000
Total environmental management	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>
Total community development	<u>\$ 491,326</u>	<u>\$ 491,326</u>	<u>\$ 542,077</u>	<u>\$ (50,751)</u>
Debt service:				
Principal retirement	\$ 110,595	\$ 216,595	\$ 107,479	\$ 109,116
Interest and other fiscal charges	169,952	169,952	179,282	(9,330)
Total debt service	<u>\$ 280,547</u>	<u>\$ 386,547</u>	<u>\$ 286,761</u>	<u>\$ 99,786</u>
Total General Fund	<u>\$ 9,811,457</u>	<u>\$ 10,113,057</u>	<u>\$ 10,085,078</u>	<u>\$ 27,979</u>
Special Revenue Fund:				
Park & Recreation Fund:				
Parks, recreation, and cultural:				
Parks and recreation:				
Insurance	\$ -	\$ -	\$ 3,913	\$ (3,913)
Administration	-	-	7,893	(7,893)
Recreation	23,040	23,040	37,707	(14,667)
Parks and Ground Maintenance	187,323	222,323	234,389	(12,066)
Activities	81,927	175,591	77,993	97,598
Swimming Pool	-	-	65,673	(65,673)
Total Park and Recreation Fund	<u>\$ 292,290</u>	<u>\$ 420,954</u>	<u>\$ 427,568</u>	<u>\$ (6,614)</u>

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

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund: (continued)				
Senior Center Fund:				
Health and Welfare:				
Senior center	\$ -	\$ -	\$ 7,451	\$ (7,451)
Debt Service				
Principal Retirement	\$ 31,000	\$ 31,000	\$ 16,800	\$ 14,200
Interest and fiscal charges	-	-	1,238	(1,238)
Total Debt Service	\$ 31,000	\$ 31,000	\$ 18,038	\$ 12,962
Total Senior Center Fund	\$ 31,000	\$ 31,000	\$ 25,489	\$ 5,511
Capital Projects Funds:				
School Construction Fund:				
Debt service:				
Principal retirement	\$ 642,107	\$ 642,107	\$ 562,872	\$ 79,235
Interest and other fiscal charges	-	-	128,094	(128,094)
Total School Construction Fund	\$ 642,107	\$ 642,107	\$ 690,966	\$ (48,859)
Flood Protection Fund:				
Capital Outlay:				
Flood control construction and maintenance	\$ -	\$ -	\$ 51,483	\$ (51,483)
Total capital outlay	\$ -	\$ -	\$ 51,483	\$ (51,483)
Debt service:				
Principal retirement	\$ 346,769	\$ 346,769	\$ 313,818	\$ 32,951
Interest and other fiscal charges	-	-	27,306	(27,306)
Total debt service	\$ 346,769	\$ 346,769	\$ 341,124	\$ 5,645
Total Flood Protection Fund	\$ 346,769	\$ 346,769	\$ 392,607	\$ (45,838)
Total Primary Government	\$ 11,123,623	\$ 11,553,887	\$ 11,621,708	\$ (67,821)
Discretely Presented Component Unit - School Board				
Special revenue funds:				
School Operating Fund:				
Education:				
Instruction	\$ 8,423,345	\$ 8,423,345	\$ 8,029,686	\$ 393,659
Administration and Health Services	407,687	407,687	402,551	5,136
Transportation	303,357	303,357	349,755	(46,398)
Operation and Maintenance	920,763	920,763	850,889	69,874
Technology	575,586	575,586	533,821	41,765
Contribution to City of Buena Vista, Virginia	-	-	372,953	(372,953)
Total Education of Schools	\$ 10,630,738	\$ 10,630,738	\$ 10,539,655	\$ 91,083
Total School Operating Fund	\$ 10,630,738	\$ 10,630,738	\$ 10,539,655	\$ 91,083
Cafeteria Fund:				
Education:				
School food services:				
School Nutrition	\$ 486,020	\$ 486,020	\$ 446,948	\$ 39,072
Total Cafeteria Fund	\$ 486,020	\$ 486,020	\$ 446,948	\$ 39,072
Total Discretely Presented Component Unit - School Board	\$ 11,116,758	\$ 11,116,758	\$ 10,986,603	\$ 130,155

STATISTICAL SECTION

STATISTICAL SECTION

Contents

Tables

Financial Trends

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

1-6

Revenue Capacity

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

7-10

Debt Capacity

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

11-14

Demographic and Economic Information

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

15

Operating Information

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

16-19

Sources:

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

City of Buena Vista, Virginia

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

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 7,632,142	\$ 6,650,384	\$ 5,621,558	\$ 4,864,446
Restricted	-	-	-	-
Unrestricted	5,760,828	4,837,113	4,704,389	5,884,854
Total governmental activities net assets	<u>\$ 13,392,970</u>	<u>\$ 11,487,497</u>	<u>\$ 10,325,947</u>	<u>\$ 10,749,300</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 5,098,509	\$ 4,745,428	\$ 4,517,398	\$ 4,140,571
Restricted	-	-	-	-
Unrestricted	202,702	(100,394)	(608,496)	(738,884)
Total business-type activities net assets	<u>\$ 5,301,211</u>	<u>\$ 4,645,034</u>	<u>\$ 3,908,902</u>	<u>\$ 3,401,687</u>
Primary government				
Invested in capital assets, net of related debt	\$ 12,730,651	\$ 11,395,812	\$ 10,138,956	\$ 9,005,017
Restricted	-	-	-	-
Unrestricted	5,963,530	4,736,719	4,095,893	5,145,970
Total primary government net assets	<u>\$ 18,694,181</u>	<u>\$ 16,132,531</u>	<u>\$ 14,234,849</u>	<u>\$ 14,150,987</u>

Table 1

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 4,211,880	\$ 7,977,056	\$ 7,547,301	\$ 7,199,549	\$ 7,461,749	\$ 7,825,868
-	-	-	-	104,685	107,314
5,411,415	2,954,996	2,615,596	2,401,537	1,955,998	1,602,552
<u>\$ 9,623,295</u>	<u>\$ 10,932,052</u>	<u>\$ 10,162,897</u>	<u>\$ 9,601,086</u>	<u>\$ 9,522,432</u>	<u>\$ 9,535,734</u>
\$ 2,949,581	\$ 2,781,984	\$ 2,911,128	\$ 2,574,999	\$ 1,304,944	\$ (2,890,305)
848,453	867,659	848,559	848,452	186,704	3,211,557
(1,312,012)	(656,977)	(1,231,929)	(989,540)	548,085	1,288,213
<u>\$ 2,486,022</u>	<u>\$ 2,992,666</u>	<u>\$ 2,527,758</u>	<u>\$ 2,433,911</u>	<u>\$ 2,039,733</u>	<u>\$ 1,609,465</u>
\$ 7,161,461	\$ 10,759,040	\$ 10,458,429	\$ 9,774,548	\$ 8,766,693	\$ 4,935,563
848,453	867,659	848,559	848,452	291,389	3,318,871
4,099,403	2,298,019	1,383,667	1,411,997	2,504,083	2,890,765
<u>\$ 12,109,317</u>	<u>\$ 13,924,718</u>	<u>\$ 12,690,655</u>	<u>\$ 12,034,997</u>	<u>\$ 11,562,165</u>	<u>\$ 11,145,199</u>

City of Buena Vista, Virginia

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government administration	\$ 1,507,923	\$ 1,846,040	\$ 1,880,818	\$ 2,044,310
Judicial administration	532,297	577,181	620,104	643,104
Public safety	1,573,120	1,641,183	1,633,240	1,726,672
Public works	1,844,909	1,923,082	2,456,980	2,245,520
Health and welfare	729,236	760,001	730,696	1,013,795
Education	3,052,566	3,402,007	2,988,982	2,977,818
Parks, recreation and cultural	370,436	534,681	472,463	508,863
Community development	207,410	246,095	232,135	319,041
Interest on long-term debt	599,949	392,520	273,304	321,298
Total governmental activities expenses	\$ 10,417,846	\$ 11,322,790	\$ 11,288,722	\$ 11,800,421
Business-type activities:				
Water and sewer	\$ 1,425,674	\$ 1,485,531	\$ 1,634,331	\$ 1,956,993
Golf course	-	479,076	1,232,628	1,387,292
Total business-type activities expenses	\$ 1,425,674	\$ 1,964,607	\$ 2,866,959	\$ 3,344,285
Total primary government expenses	\$ 11,843,520	\$ 13,287,397	\$ 14,155,681	\$ 15,144,706
Program Revenues				
Governmental activities:				
Charges for services:				
General government administration	\$ 525	\$ 363	\$ 55	\$ -
Judicial administration	370	85,896	91,503	87,866
Public safety	35,735	865	22,595	1,576
Public works	472,978	546,460	639,748	615,851
Parks, recreation and cultural	25,350	93,155	62,299	48,623
Operating grants and contributions	2,343,164	2,394,339	2,200,825	2,419,602
Capital grants and contributions	97,855	157,311	322,323	327,214
Total governmental activities program revenues	\$ 2,975,977	\$ 3,278,389	\$ 3,339,348	\$ 3,500,732
Business-type activities:				
Charges for services:				
Water and sewer	\$ 1,389,828	\$ 1,430,339	\$ 1,641,310	\$ 1,686,732
Golf course	6,965	-	459,665	629,808
Capital grants and contributions	-	-	-	88,370
Total business-type activities program revenues	\$ 1,396,793	\$ 1,430,339	\$ 2,100,975	\$ 2,404,910
Total primary government program revenues	\$ 4,372,770	\$ 4,708,728	\$ 5,440,323	\$ 5,905,642
Net (expense) / revenue				
Governmental activities	\$ (7,441,869)	\$ (8,044,401)	\$ (7,949,374)	\$ (8,299,689)
Business-type activities	(28,881)	(534,268)	(765,984)	(939,375)
Total primary government net expense	\$ (7,470,750)	\$ (8,578,669)	\$ (8,715,358)	\$ (9,239,064)

Table 2

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 2,847,909	\$ 1,191,515	\$ 2,013,515	\$ 2,000,877	\$ 1,488,136	\$ 1,555,693
659,781	596,948	666,736	718,851	698,976	834,369
1,823,524	1,666,689	1,774,179	1,896,548	1,853,412	1,974,531
2,147,185	2,994,946	2,032,597	1,785,838	1,645,418	1,532,334
1,106,517	1,117,070	1,471,928	1,423,633	1,373,423	1,387,794
1,966,991	554,187	2,225,190	2,540,852	2,429,651	2,388,442
534,620	581,445	543,381	455,459	470,587	493,121
194,075	544,350	477,741	532,525	440,144	524,202
406,483	346,791	374,344	370,086	340,654	329,680
\$ 11,687,085	\$ 9,593,941	\$ 11,579,611	\$ 11,724,669	\$ 10,740,401	\$ 11,020,166
\$ 1,939,751	\$ 1,875,328	\$ 1,840,673	\$ 1,826,382	\$ 1,734,258	\$ 2,057,106
1,440,095	1,645,137	1,454,701	1,188,907	1,191,768	1,201,667
\$ 3,379,846	\$ 3,520,465	\$ 3,295,374	\$ 3,015,289	\$ 2,926,026	\$ 3,258,773
\$ 15,066,931	\$ 13,114,406	\$ 14,874,985	\$ 14,739,958	\$ 13,666,427	\$ 14,278,939
\$ -	\$ 26,616	\$ 30,253	\$ 65,834	\$ 8,441	\$ 19,321
76,263	644	667	341	2,041	1,488
1,700	12,017	81,937	91,828	71,311	107,031
675,923	557,235	634,775	605,353	471,529	526,476
68,644	86,423	90,478	60,268	69,415	97,802
2,586,567	2,897,897	3,107,371	3,274,247	2,913,191	3,042,330
240,428	1,071,492	-	34,923	-	-
\$ 3,649,525	\$ 4,652,324	\$ 3,945,481	\$ 4,132,794	\$ 3,535,928	\$ 3,794,448
\$ 1,608,561	\$ 1,658,072	\$ 1,541,154	\$ 1,647,493	\$ 1,587,034	\$ 1,975,335
747,703	835,938	655,199	591,335	418,580	487,851
19,630	-	-	-	-	-
\$ 2,375,894	\$ 2,494,010	\$ 2,196,353	\$ 2,238,828	\$ 2,005,614	\$ 2,463,186
\$ 6,025,419	\$ 7,146,334	\$ 6,141,834	\$ 6,371,622	\$ 5,541,542	\$ 6,257,634
\$ (8,037,560)	\$ (4,941,617)	\$ (7,634,130)	\$ (7,591,875)	\$ (7,204,473)	\$ (7,225,718)
(1,003,952)	(1,026,455)	(1,099,021)	(776,461)	(920,412)	(795,587)
\$ (9,041,512)	\$ (5,968,072)	\$ (8,733,151)	\$ (8,368,336)	\$ (8,124,885)	\$ (8,021,305)

City of Buena Vista, Virginia

Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting) (continued)

	Fiscal Year			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	\$ 3,349,624	\$ 3,457,494	\$ 4,256,304	\$ 6,102,424
Local sales and use taxes	336,627	349,457	341,367	359,834
Consumer utility taxes	475,673	499,059	478,170	462,224
Meals taxes	135,736	139,830	139,969	153,017
Cellular phone taxes and right of ways	171,189	98,584	82,772	77,065
Business and professional licenses taxes	172,392	148,718	160,451	169,818
Franchise licenses taxes	63,606	69,332	62,330	78,560
Motor vehicle licenses taxes	105,566	106,374	136,064	135,766
E-911 taxes	59,327	71,897	95,564	92,702
Other local taxes	89,589	95,439	106,618	142,523
Permits, privilege fees, and regulatory licenses	18,803	-	-	-
Unrestricted grants and contributions	416,979	705,096	718,218	856,831
Unrestricted revenues from use of money and property	168,148	113,074	124,834	113,964
Miscellaneous	-	-	-	-
Recovered costs	118,657	68,170	85,163	84,926
Loss on disposition of assets	-	(83,254)	-	(17,330)
Transfers	415,645	299,658	-	(152,269)
Total governmental activities	\$ 6,097,561	\$ 6,138,928	\$ 6,787,824	\$ 8,660,055
Business-type activities:				
Unrestricted revenues from use of money and property	\$ 12,611	\$ 14,148	\$ 27,198	\$ 39,020
Miscellaneous	-	163,601	2,654	240,871
Loss on disposition of assets	-	-	-	-
Transfers	(415,645)	(299,658)	-	152,269
Total business-type activities	\$ (403,034)	\$ (121,909)	\$ 29,852	\$ 432,160
Total primary government	\$ 5,694,527	\$ 6,017,019	\$ 6,817,676	\$ 9,092,215
Change in Net Assets				
Governmental activities	\$ (1,344,308)	\$ (1,905,473)	\$ (1,161,550)	\$ 360,366
Business-type activities	(431,915)	(656,177)	(736,132)	(507,215)
Total primary government	\$ (1,776,223)	\$ (2,561,650)	\$ (1,897,682)	\$ (146,849)

Table 2

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 5,468,056	\$ 5,003,837	\$ 4,868,906	\$ 5,223,823	\$ 5,009,886	\$ 4,948,762
391,387	391,902	363,627	345,773	397,404	378,736
566,100	276,078	274,681	294,001	248,874	256,535
169,072	182,152	182,056	196,708	167,780	192,920
55,886	361,701	328,652	330,009	328,377	321,702
181,281	182,082	179,437	175,694	174,242	177,887
41,681	-	-	-	-	-
131,757	133,238	128,123	126,257	127,561	125,579
58,332	-	-	-	-	-
134,202	213,280	185,098	208,553	171,758	177,095
-	-	-	-	-	-
701,839	694,017	684,393	675,957	736,104	675,434
186,796	209,473	356,190	151,987	139,688	160,234
12,971	135,208	130,751	170,308	146,107	189,394
203,641	-	-	-	-	-
-	-	(7,272)	-	-	-
-	(1,532,594)	(809,667)	(679,006)	(521,962)	(365,258)
\$ 8,303,001	\$ 6,250,374	\$ 6,864,975	\$ 7,220,064	\$ 7,125,819	\$ 7,239,020
\$ 37,181	\$ 15,278	\$ 3,146	\$ -	\$ -	\$ -
168	-	-	3,608	4,272	61
-	(14,773)	-	-	-	-
-	1,532,594	809,667	679,006	521,962	365,258
\$ 37,349	\$ 1,533,099	\$ 812,813	\$ 682,614	\$ 526,234	\$ 365,319
\$ 8,340,350	\$ 7,783,473	\$ 7,677,788	\$ 7,902,678	\$ 7,652,053	\$ 7,604,339
\$ 265,441	\$ 1,308,757	\$ (769,155)	\$ (371,811)	\$ (78,654)	\$ 13,302
(966,603)	506,644	(286,208)	(93,847)	(394,178)	(430,268)
\$ (701,162)	\$ 1,815,401	\$ (1,055,363)	\$ (465,658)	\$ (472,832)	\$ (416,966)

City of Buena Vista, Virginia

Governmental Activities Tax Revenues by Source

Last Ten Fiscal Years

(accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Meals Tax	Cell Phone Tax	Business License Tax	Franchise License Tax
2012	\$ 4,948,762	\$ 378,736	\$ 256,535	\$ 192,920	\$ 321,702	\$ 177,887	\$ -
2011	5,009,886	397,404	248,874	167,780	328,377	174,242	-
2010	5,223,823	345,773	294,001	196,708	330,009	175,694	-
2009	4,868,906	363,627	274,681	182,056	328,652	179,437	-
2008	5,003,837	391,902	276,078	182,152	361,701	182,082	-
2007	5,468,056	391,387	566,100	169,072	55,886	181,281	41,681
2006	6,102,424	359,834	462,224	153,017	77,065	169,818	78,560
2005	4,256,304	341,367	478,170	139,969	82,772	160,451	623,300
2004	3,457,494	349,457	499,059	139,830	98,584	148,718	69,332
2003	3,349,624	336,627	475,673	135,736	171,189	172,392	63,606

Table 3

Motor Vehicle License Tax	E-911 Tax	Other Local Tax	Total
\$ 125,579	\$ -	\$ 177,095	\$ 6,579,216
127,561	-	171,758	6,625,882
126,257	-	208,553	6,900,818
128,123	-	185,098	6,510,580
133,238	-	213,280	6,744,270
131,757	58,332	134,202	7,197,754
135,766	92,702	142,523	7,773,933
136,064	95,564	106,618	6,420,579
106,374	71,897	95,439	5,036,184
105,566	89,589	89,589	4,989,591

City of Buena Vista, Virginia

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

	Fiscal Year			
	2003	2004	2005	2006
General fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Unassigned	2,221,540	1,892,533	1,824,442	1,768,794
Total general fund	<u>\$ 2,221,540</u>	<u>\$ 1,892,533</u>	<u>\$ 1,824,442</u>	<u>\$ 1,768,794</u>
All other governmental funds				
Restricted:				
Community development block grant	\$ -	\$ -	\$ -	\$ -
Assigned:				
Parks and recreation	-	-	-	-
Debt service	-	-	-	-
Senior Center	-	-	-	-
Green Hill Cemetary	-	-	-	-
Unassigned, reported in:				
Special revenue funds	213,650	146,174	152,367	117,611
Capital projects funds	1,701,165	2,340,506	1,918,648	1,826,421
Debt service funds	1,054,043	-	-	-
Total all other governmental funds	<u>\$ 2,968,858</u>	<u>\$ 2,486,680</u>	<u>\$ 2,071,015</u>	<u>\$ 1,944,032</u>

Note: GASB 54 was implemented during fiscal year 2011

Table 4

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ -	\$ -	\$ -	\$ -	\$ 104,685	\$ 23,647
3,312,815	1,337,155	1,353,762	1,497,759	1,178,003	107,314
<u>\$ 3,312,815</u>	<u>\$ 1,337,155</u>	<u>\$ 1,353,762</u>	<u>\$ 1,497,759</u>	<u>\$ 1,282,688</u>	<u>\$ 1,028,297</u>
\$ 3,312,815	\$ 1,337,155	\$ 1,353,762	\$ 1,497,759	\$ 1,282,688	\$ 1,159,258
\$ -	\$ -	\$ -	\$ -	\$ 74,784	\$ 87,128
-	-	-	-	-	(64,781)
-	-	-	-	614,525	565,546
-	-	-	-	-	7,806
-	-	-	-	61,627	60,481
(289,477)	115,176	128,822	73,167	(50,987)	-
1,456,981	1,260,164	1,073,011	664,549	-	-
-	-	-	-	-	-
<u>\$ 1,167,504</u>	<u>\$ 1,375,340</u>	<u>\$ 1,201,833</u>	<u>\$ 737,716</u>	<u>\$ 699,949</u>	<u>\$ 656,180</u>

City of Buena Vista, Virginia

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenues					
General property taxes	\$ 3,375,457	\$ 3,470,266	\$ 4,037,659	\$ 4,767,410	\$ 5,468,056
Other local taxes	1,609,705	1,578,690	1,603,305	1,671,509	1,729,698
Permits, privilege fees and regulatory licenses	18,803	24,736	20,650	19,805	49,651
Fines and forfeitures	35,205	51,830	78,852	73,895	65,062
Revenue from use of money and property	168,148	113,074	124,834	113,964	186,796
Charges for services	533,539	650,173	730,509	652,084	707,817
Miscellaneous	118,657	68,333	85,163	84,926	203,641
Recovered costs	-	-	-	-	12,971
Intergovernmental:					
Local government	10,497	26,168	26,625	20,308	10,033
Commonwealth	2,895,662	3,018,564	3,041,985	3,364,439	3,243,926
Federal	224,205	224,340	151,155	218,900	274,875
Total revenues	\$ 8,989,878	\$ 9,226,174	\$ 9,900,737	\$ 10,987,240	\$ 11,952,526
Expenditures					
General government administration	\$ 802,268	\$ 890,337	\$ 924,489	\$ 1,044,406	\$ 1,982,241
Judicial administration	523,987	573,023	612,735	660,811	654,829
Public safety	1,420,923	1,572,006	1,617,431	1,657,427	1,780,266
Public works	1,588,323	1,831,342	2,174,628	2,148,466	2,085,456
Health and welfare	610,345	760,001	730,696	1,013,795	1,106,517
Education	2,880,355	2,556,977	2,249,647	2,279,712	1,966,991
Parks, recreation and cultural	363,050	522,720	469,725	505,527	533,729
Community development	207,410	207,997	232,135	319,041	194,075
Nondepartmental	-	6,461	23,075	27,676	-
Capital outlay	646,989	266,852	495,649	255,672	138,013
Debt service					
Principal	4,365,576	917,091	919,265	1,007,188	1,072,553
Interest and other fiscal charges	583,977	343,703	363,937	330,868	420,363
Total expenditures	\$ 13,993,203	\$ 10,448,510	\$ 10,813,412	\$ 11,250,589	\$ 11,935,033
Excess of revenues over (under) expenditures	\$ (5,003,325)	\$ (1,222,336)	\$ (912,675)	\$ (263,349)	\$ 17,493
Other financing sources (uses)					
Transfers in	\$ 1,504,921	\$ 1,202,024	\$ 746,801	\$ 888,069	\$ 614,610
Transfers out	(1,089,276)	(902,366)	(746,801)	(1,040,338)	(614,610)
Refunding bonds issued	4,094,000	-	-	-	-
Issuance of long-term debt	-	-	-	-	750,000
Issuance of bond anticipation notes	-	-	-	-	-
Issuance of refunding loan payable	-	-	-	-	-
Redemption of refunded loan	-	-	-	-	-
Capital leases	-	111,493	428,919	170,000	-
Total other financing sources (uses)	\$ 4,509,645	\$ 411,151	\$ 428,919	\$ 17,731	\$ 750,000
Net change in fund balances	\$ (493,680)	\$ (811,185)	\$ (483,756)	\$ (245,618)	\$ 767,493
Debt service as a percentage of noncapital expenditures	37.09%	12.38%	12.44%	12.17%	12.66%

Table 5

Fiscal Year				
2008	2009	2010	2011	2012
\$ 5,050,037	\$ 4,982,364	\$ 5,036,684	\$ 5,000,774	\$ 5,128,101
1,740,433	1,641,674	1,676,995	1,615,996	1,630,454
82,399	42,008	42,597	32,548	43,497
67,218	68,608	73,899	56,870	88,951
209,473	356,190	151,987	139,688	160,234
682,935	727,494	707,128	532,071	619,670
135,208	130,751	170,308	146,107	211,218
54,075	74,215	74,733	30,537	43,878
-	-	324,093	324,093	372,953
3,438,185	3,677,754	3,443,597	3,201,924	3,226,557
1,225,221	114,010	217,437	123,278	118,254
\$ 12,685,184	\$ 11,815,068	\$ 11,919,458	\$ 11,203,886	\$ 11,643,767
\$ 1,177,680	\$ 1,073,527	\$ 985,770	\$ 1,111,062	\$ 1,182,731
659,675	656,622	703,827	683,819	813,087
1,709,107	1,914,522	1,804,153	1,775,565	2,104,240
3,237,176	1,867,050	1,672,395	1,494,922	1,500,611
1,138,437	1,491,952	1,491,844	1,386,566	1,408,127
2,532,423	2,225,190	2,350,852	2,239,651	2,160,872
585,231	537,994	455,423	478,682	521,591
489,732	491,300	519,316	450,938	542,077
-	-	-	-	-
2,022,976	520,898	125,654	48,384	51,483
1,081,207	1,017,383	1,037,806	942,103	1,000,969
359,111	374,344	413,531	323,070	335,920
\$ 14,992,755	\$ 12,170,782	\$ 11,560,571	\$ 10,934,762	\$ 11,621,708
\$ (2,307,571)	\$ (355,714)	\$ 358,887	\$ 269,124	\$ 22,059
\$ 1,456,151	\$ 911,238	\$ 593,959	\$ 951,086	\$ 950,648
(2,988,745)	(1,720,905)	(1,272,965)	(1,473,048)	(1,315,906)
-	836,849	-	-	-
100,752	171,632	-	-	176,000
1,663,151	-	-	-	-
-	-	750,000	750,000	-
-	-	(750,000)	(750,000)	-
-	-	-	-	-
\$ 231,309	\$ 198,814	\$ (679,006)	\$ (521,962)	\$ (189,258)
\$ (2,076,262)	\$ (156,900)	\$ (320,119)	\$ (252,838)	\$ (167,199)
12.16%	11.95%	12.69%	11.62%	11.82%

City of Buena Vista, Virginia

General Governmental Tax Revenues by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year		Property Tax		Local sales and use Tax		Consumer Utility Tax		Business License Tax		Franchise License Tax		Motor Vehicle License Tax		Bank Stock Tax
2012	\$	5,128,101	\$	378,736	\$	256,535	\$	177,887	\$	-	\$	125,579	\$	47,100
2011		5,000,774		397,404		248,874		174,242		-		127,561		54,919
2010		5,036,684		345,773		294,001		175,694		-		126,257		51,602
2009		4,982,364		363,627		274,681		179,437		-		128,123		40,194
2008		5,050,037		391,902		276,078		182,082		-		133,238		47,515
2007		5,468,056		391,387		566,100		181,281		41,681		131,757		34,030
2006		4,767,410		359,834		462,224		169,818		78,560		135,766		38,717
2005		4,037,659		341,367		478,170		160,451		62,330		136,064		32,532
2004		3,470,266		349,457		499,059		148,718		69,332		106,374		29,731
2003		3,375,457		336,627		475,673		172,392		63,606		105,566		36,875

Table 6

Recordation and Wills Tax	Meals Tax	Other Local Tax	Total
\$ 25,867	\$ 192,920	\$ 425,830	\$ 6,758,555
23,283	167,780	421,933	6,616,770
41,553	196,708	445,407	6,713,679
36,102	182,056	437,454	6,624,038
53,119	182,152	474,347	6,790,470
63,641	169,072	92,417	7,139,422
68,056	153,017	205,517	6,438,919
40,080	139,969	212,342	5,640,964
30,270	139,830	205,919	5,048,956
30,410	135,736	252,820	4,985,162

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
2012	\$ 398,252,780	\$ 72,758,896	\$ 13,617,540	\$ 484,629,216	\$ 422,040,596	114.83%	\$ 1.62
2011	396,922,080	71,020,705	13,884,688	481,827,473	466,706,192	103.24%	1.65
2010	395,269,480	70,764,045	11,824,822	477,858,347	476,159,281	92.90%	1.63
2009	393,844,500	75,320,618	11,349,391	480,514,509	593,227,789	81.00%	1.67
2008	363,681,730	81,628,870	12,193,672	457,504,272	649,864,023	70.40%	1.74
2007	357,475,000	98,916,496	10,351,192	466,742,688	645,563,884	72.30%	2.13
2006	290,043,800	57,045,516	11,791,726	358,881,042	467,902,271	76.70%	1.83
2005	270,017,543	42,152,162	10,406,172	322,575,877	354,478,986	91.00%	1.33
2004	252,817,505	37,910,249	12,044,574	302,772,328	384,228,843	78.80%	1.24
2003	252,135,520	39,465,608	10,943,615	302,544,743	353,853,501	85.50%	1.33

(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			
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
2012	\$ 0.93	\$ 5.85	\$ 0.90/0.93	\$ 4.25
2011	0.90	5.85	0.90	4.25
2010	0.90	5.85	0.90	4.25
2009	0.85	5.85	0.85	4.25
2008	0.89	5.85	0.89	4.25
2007	0.90	6.75	0.90	4.25
2006	0.90	6.75	0.90	4.25
2005	0.80	4.25	0.80	4.25
2004	0.89	4.25	0.89	4.25
2003	0.89	4.25	0.89	4.25

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 Ten Years Prior

Taxpayer	Type Business	Fiscal Year 2012		Fiscal Year 2003	
		2012 Assessed Valuation	% of Total Assessed Valuation	2003 Assessed Valuation	% of Total Assessed Valuation
Modine	Manufacturing - heating supplies	7,863,410	1.82%	5,782,245	2.67%
Virginia Electric and Power	Utility	7,147,797	1.66%	5,586,676	2.62%
GPH Buena Vista LLC (2)	Nursing home	3,651,500	0.85%	4,056,165	0.00%
Everbrite	Manufacturing - signs	3,327,310	0.77%	2,931,835	1.68%
Eforay	Manufacturing-HVAC	3,264,100	0.76%	2,677,265	1.56%
Rebkee (1)	Retail Merchants	3,165,500	0.73%	-	0.00%
Shenandoah Valley Investors (1)	Manufacturing	3,133,800	0.73%	-	0.00%
Fitzgerald Lumber	Lumber Mill	3,064,630	0.71%	-	0.00%
Treemont Village	Apartment complex	3,042,200	0.71%	2,278,900	0.98%
Knopp Company (1)	Apartment complex	2,863,300	0.66%	-	0.00%
Ramsey Enterprises LLC	Commercial Real Estate	2,721,800	0.00%	-	4.71%
Columbia Gas	Utility	2,479,753	0.00%	2,046,835	1.62%
Shenandoah Hardwood Lumber	Lumber Mill	2,158,525	0.00%	-	1.14%
Daryl Limited Co	Manufacturing	2,029,600	0.00%	-	0.96%
Central Telephone Company	Utility	1,959,467	0.00%	2,173,025	0.91%
		<u>51,872,692</u>	<u>9.40%</u>	<u>27,532,946</u>	<u>18.85%</u>

Source: Commissioner of Revenue

(1) Business not in operation in City in fiscal year 2001

(2) Operated under the name Beverly Enterprises in fiscal year 2001.

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			
2012	\$	5,849,241	\$	5,475,831	93.62%	\$	-	\$	5,475,831	93.62%
2011		5,661,547		5,377,064	94.98%		143,573		5,520,637	97.51%
2010		5,611,405		5,244,565	93.46%		224,130		5,468,695	97.46%
2009		5,511,443		5,356,497	97.19%		83,867		5,440,364	98.71%
2008		5,609,091		5,420,981	96.65%		144,952		5,565,933	99.23%
2007		5,990,921		5,816,443	97.09%		143,405		5,959,848	99.48%
2006		5,028,745		4,882,933	97.10%		143,235		5,026,168	99.95%
2005		4,454,042		4,330,103	97.22%		122,378		4,452,481	99.96%
2004		4,049,434		3,835,983	94.73%		212,936		4,048,919	99.99%
2003		4,009,547		3,827,583	95.46%		181,388		4,008,971	99.99%

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
2012	\$ 627,636	\$ 3,750,000	\$ 765,422	\$ 3,163,754	\$ 382,170	\$ 16,692,334	\$ -	\$ 424,019
2011	941,454	4,125,000	926,292	3,193,926	101,859	13,127,451	-	-
2010	1,255,272	4,500,000	1,080,515	3,215,680	179,167	13,512,737	-	-
2009	1,569,090	4,875,000	1,228,397	3,250,000	345,952	13,708,989	11,500	-
2008	1,882,910	5,250,000	1,368,860	2,413,151	362,420	13,896,720	80,164	-
2007	2,196,728	5,625,000	1,497,244	750,000	525,673	14,076,078	146,257	-
2006	2,510,546	6,000,000	1,627,806	-	780,225	14,233,925	209,861	-
2005	2,824,364	6,375,000	1,753,119	-	803,283	14,261,015	271,119	-
2004	3,138,182	6,750,000	1,873,426	-	484,503	10,883,105	175,000	-
2003	3,452,000	7,125,000	1,988,957	-	474,000	10,907,937	-	-

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)
\$	25,805,335	16.37%	\$ 3,889
	22,415,982	13.01%	3,464
	23,743,371	13.78%	3,740
	24,988,928	14.50%	3,936
	25,254,225	14.66%	3,948
	24,816,980	14.40%	3,879
	25,362,363	17.08%	3,995
	26,287,900	17.71%	4,140
	23,304,216	15.70%	3,671
	23,947,894	16.50%	3,772

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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)
2012	\$	4,377,636	\$	-	\$ 4,377,636	0.98%	\$ 660
2011		5,066,454		-	5,066,454	1.14%	783
2010		5,755,272		-	5,755,272	1.30%	906
2009		6,444,090		-	6,444,090	1.45%	1,015
2008		7,132,910		-	7,132,910	1.71%	1,115
2007		7,821,728		-	7,821,728	1.87%	1,223
2006		8,510,546		-	8,510,546	2.37%	1,340
2005		9,199,364		-	9,199,364	2.85%	1,449
2004		9,888,182		-	9,888,182	3.27%	1,557
2003		10,577,000		-	10,577,000	3.50%	1,666

(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.

City of Buena Vista, Virginia

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	2003	2004	2005	2006	2007
Debt limit (1)	\$ 25,213,552	\$ 25,281,751	\$ 27,001,754	\$ 29,004,380	\$ 35,747,500
Total net debt applicable to limit (2)	<u>23,947,894</u>	<u>23,304,216</u>	<u>26,287,900</u>	<u>25,362,363</u>	<u>24,816,980</u>
Legal debt margin	<u>\$ 1,265,658</u>	<u>\$ 1,977,535</u>	<u>\$ 713,854</u>	<u>\$ 3,642,017</u>	<u>\$ 10,930,520</u>
Total net debt applicable to the limit as a percentage of debt limit	94.98%	92.18%	97.36%	87.44%	69.42%

(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				
2008	2009	2010	2011	2012
\$ 36,368,173	\$ 39,384,450	\$ 39,526,948	\$ 39,692,208	\$ 39,825,278
25,254,225	24,988,928	23,743,371	22,415,982	25,805,335
\$ 11,113,948	\$ 14,395,522	\$ 15,783,577	\$ 20,814,660	\$ 14,019,943
69.44%	63.45%	60.07%	51.85%	64.80%

City of Buena Vista, Virginia

Pledged-Revenue Coverage
Last Ten Fiscal Years

Water and Sewer Revenue Bonds (3)							
Fiscal Year	Water/Sewer Charges and Other		Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
2012	\$	1,975,335	\$ 1,664,180	\$ 311,155	\$ 299,091	\$ 333,964	49.15%
2011		1,591,284	1,575,252	16,032	78,266	159,006	6.76%
2010		1,651,101	1,661,771	(10,670)	74,269	164,611	-4.47%
2009		1,541,154	1,682,258	(141,104)	70,338	158,415	-59.31%
2008		1,658,072	1,705,050	(46,978)	66,478	170,278	-19.84%
2007		1,608,729	1,760,267	(151,538)	51,648	179,484	-65.56%
2006		1,690,353	1,777,900	(87,547)	27,090	179,093	-42.46%
2005		1,641,310	1,468,690	172,620	27,090	165,641	89.57%
2004		1,592,355	1,394,118	198,237	24,833	91,413	170.53%
2003		1,389,825	1,336,795	53,030	22,575	88,879	47.58%

(1) The golf course was under construction and not in full operation until fiscal year 2005. Limited operations began in fiscal year 2004.

(2) All interest for the golf course debt was capitalized until construction was completed during fiscal year 2005.

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

Table 14

Golf Course Revenue Bonds (1,2,3)						
Golf Course Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
			Principal	Interest		
\$ 487,912	\$ 617,024	\$ (129,112)	\$ 899,525	\$ 584,643		-8.70%
418,602	662,568	(243,966)	307,020	529,200		-29.17%
591,335	666,547	(75,212)	121,983	521,956		-11.68%
655,199	903,238	(248,039)	117,393	548,856		-38.39%
835,938	1,088,193	(252,255)	112,880	551,765		-37.95%
747,703	936,520	(188,817)	106,199	495,929		-31.36%
867,058	932,558	(65,500)	-	444,721		-14.73%
462,319	868,797	(406,478)	-	363,831		-111.72%
1,585	479,076	(477,491)	-	257,560		-185.39%
-	-	-	-	-		-

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemploy- ment Rate
2012	6,636	\$ 157,624,908	\$ 23,753	37.6	1,198	7.40%
2011	6,471	172,309,592	26,628	39.3	1,104	8.60%
2010	6,349	172,309,592	27,140	39.3	1,120	8.70%
2009	6,349	172,309,592	27,140	39.3	1,211	5.60%
2008	6,397	172,309,592	26,936	39.3	1,133	4.10%
2007	6,397	172,309,592	26,936	39.3	1,133	3.40%
2006	6,349	148,458,997	23,383	36.5	1,128	3.00%
2005	6,349	148,458,997	23,383	36.5	1,122	3.00%
2004	6,349	148,458,997	23,383	36.5	1,081	3.90%
2003	6,349	145,157,187	22,863	36.5	948	4.20%

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

Principal Employers

Current Year and Nine Years Ago

Employer	Fiscal Year 2012			Fiscal Year 2003 (1)		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Southern Virginia University	225	1	6.86%			0.00%
Modine Manufacturing	174	2	5.31%			0.00%
Buena Vista City Schools	198	3	6.04%			0.00%
Munters	176	4	5.37%			0.00%
Sayres	110	5	3.35%			0.00%
Everbrite	99	6	3.02%			0.00%
GGNSC - Shenandoah Valley Health	77	7	2.35%			0.00%
City of Buena Vista, VA	77	8	2.35%			0.00%
Mundet	43	9	1.31%			0.00%
ADS	36	10	1.10%			0.00%
Totals	1,215		37.05%			0.00%

Source: Individual city departments

(1) Data not available.

City of Buena Vista, Virginia

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

Function	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General government	14	14	15	15	13	13	13	12
Judicial administration	13	8	8	8	8	8	8	8
Public safety								
Police department	15	15	16	17	13	13	13	12
Fire & rescue	0	0	0	0	0			
Building inspections	1	1	1	1	1	1	1	1
Animal control	1	1	1	1	1	1	1	1
Public works								
General maintenance	40	40	42	42	42	42	42	38
Landfill	0	0	0	0	0	0	0	0
Engineering	0	0	0	0	0	0	0	0
Health and welfare								
Department of social services	0	0	0	0	0	0	0	0
Culture and recreation								
Parks and recreation	2	6	10	11	11	11	5	3
Museum	0	0	0	0	0	0	0	0
Library	0	0	0	0	0	0	0	0
Community development								
Planning	1	2	2	2	2	3	2	3
Totals	87	87	95	97	91	92	85	78

Source: Individual city departments

Table 17

2011	2012
12	12
8	8
16	15
1	1
1	1
33	33
0	0
0	0
0	0
5	5
0	0
0	0
2	2
78	77

City of Buena Vista, Virginia

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Public safety						
Sheriffs department:						
Civil papers	4,107	2,347	2,300	3,214	3,400	3,970
Building inspections:						
Permits issued	128	142	113	106	128	91
Public works						
Landfill:						
Recycling (tons/year)	-	-	-	-	-	-
Community development						
Planning:						
Zoning permits issued	42	40	60	52	54	41
Component Unit - School Board						
Education:						
School age population	948	1,081	1,122	1,128	1,219	1,136
Number of teachers	93.21	93.28	94.65	97.07	99.00	102.00
Local expenditures per pupil	\$ 3,089	\$ 2,844	\$ 2,313	\$ 2,450	\$ 1,878	\$ 2,219

Source: Individual county departments

Table 18

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
3,569	4,171	3,888	4021
84	73	62	61
248	327	367	377
35	48	63	64
1,211	1,101	1,135	1175
111.00	108.00	98.00	88
\$ 2,051	\$ 2,347	\$ 2,188	1944

City of Buena Vista, Virginia

**Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General government								
Administration buildings	15	18	18	18	18	18	18	18
Vehicles	1	1	1	1	1	1	1	1
Public safety								
Police department:								
Patrol units	13	13	13	19	19	19	19	19
Building inspections:								
Vehicles	1	1	1	1	1	1	1	1
Animal control:								
Vehicles	1	1	1	1	1	1	1	1
Public works								
General maintenance:								
Trucks/vehicles	27	25	29	29	30	31	29	28
Culture and recreation								
Parks and recreation:								
Community centers	1	1	1	1	1	1	1	1
Vehicles	3	3	3	2	2	2	2	2
Parks acreage	415	615	615	615	615	615	615	615
Swimming pools	1	1	1	1	1	1	1	1
Tennis courts	1	1	1	1	1	1	1	1
Community development								
Planning:								
Vehicles	1	1	1	1	1	1	1	1
Component Unit - School Board								
Education:								
Schools	4	4	4	4	4	4	4	4
School buses	13	13	13	13	13	13	13	13

Source: Individual county departments

Table 19

2011	2012
18	18
1	1
19	19
1	1
1	1
28	29
1	1
2	2
615	615
1	1
1	1
1	1
4	4
13	12

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COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

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

Internal Control Over Financial Reporting

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

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 financial statements of the City of Buena Vista, Virginia will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (2012-1). 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.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Buena Vista, Virginia in a separate letter dated November 30, 2012.

City of Buena Vista, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Buena Vista, Virginia's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of members of the Council, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2012

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 INDEPENDENT AUDITORS' REPORT

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

Compliance

We have audited City of Buena Vista, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each the City of Buena Vista, Virginia's major federal programs for the year ended June 30, 2012. City of Buena Vista, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Buena Vista, Virginia's management. Our responsibility is to express an opinion on the City of Buena Vista, Virginia's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the 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. Our audit does not provide a legal determination on the City of Buena Vista, Virginia's compliance with those requirements.

In our opinion, City of Buena Vista, Virginia complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of City of Buena Vista, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Buena Vista, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purposes 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2012

City of Buena Vista, Virginia

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

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		\$ 13,251
Temporary Assistance for Needy Families	93.558		2,215
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575		19,382
Child Care Mandatory and Matching Funds of the			
Child Care and Development Fund	93.596		6,651
Foster Care - Title IV-E	93.658		741
Adoption Assistance	93.659		27,348
Social Services Block Grant	93.667	86667	<u>5,199</u>
Total Department of Health and Human Services			\$ <u>74,787</u>
Department of Housing and Urban Development:			
Pass Through Payments:			
Community Development Block Grant/State's program and Non-Entitlement			
Grants in Hawaii	14.228		\$ <u>11,551</u>
Total Department of Housing and Urban Development			\$ <u>11,551</u>
Department of Agriculture:			
Direct Payments:			
Schools and Roads - Grants to States	10.665		\$ <u>4,000</u>
Total Department of Agriculture direct payments			\$ <u>4,000</u>
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster:			
Food Distribution	10.555	40623	\$ 22,246
Department of Education:			
National school lunch program	10.555	40623	<u>193,184</u>
Total Child Nutrition Cluster			215,430
Department of Education:			
Child Nutrition Cluster:			
National school breakfast program	10.553	40591	34,386
Child Nutrition Discretionary Grants Limited Availability	10.579		9,790
Department of Social Services:			
State Admin Matching Grants for the Supplemental Nutrition			
Assistance Program	10.561		<u>355</u>
Total Department of Agriculture - pass-through payments			\$ <u>259,961</u>
Total Department of Agriculture			\$ <u>263,961</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety Program	20.600		\$ <u>27,561</u>
Total Department of Transportation			\$ <u>27,561</u>

City of Buena Vista, Virginia

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Cluster:			
Title I: Grants to local educational agencies	84.010	42901	\$ 201,304
ARRA Title I: Grants to local educational agencies	84.389	42913	43,188
Special Education Cluster:			
Title VI-B: Special education - Grants to States	84.027	43071	215,735
Title VI-B: Special education preschool incentive grant	84.173		6,276
ARRA Title VI-B: Special education grants to states	84.391	61245	20,621
Career and technical education: basic grants to states	84.048	61095	17,017
Safe and drug free schools and communities	84.186		1,893
Education technology state grants	84.318	61600	279
ARRA State fiscal stabilization funds-education State grants	84.394		53,589
ARRA Education jobs fund	84.410	85001	172,479
Improving Teacher Quality State Grants	84.367	61480	41,046
Total Department of Education			\$ 773,427
Total Federal Assistance			\$ 1,151,287

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, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 assets, or cash flows of the City of Buena Vista, Virginia.

Pass-through identifying numbers are presented where available.

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 principles contained in OMB Circular A-87, *Cost Principles for States, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - FOOD DISTRIBUTION

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

NOTE D - RELATIONSHIP TO FINANCIAL STATEMENTS

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
Governmental funds	\$ 118,254
Total primary government	\$ 118,254
Discretely presented component unit - School Board:	
School operating fund	\$ 773,427
School cafeteria fund	259,606
Total discretely presented component unit - School Board	\$ 1,033,033
Total federal expenditures per the Schedule of Expenditures of Federal awards	\$ 1,151,287

CITY OF BUENA VISTA, VIRGINIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes x no

- Significant deficiency(ies) identified? x yes

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: unqualified

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133? yes x no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.410	ARRA - Education Jobs Fund

Title I Cluster

84.010	Title I-Grants to Local Educational Agencies
84.389	ARRA-Title I-Grants to Local Educational Agencies

Child Nutrition Cluster

10.553	National School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes x no

CITY OF BUENA VISTA, VIRGINIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012 (Continued)

Section II-Financial Statement Findings

2012-1

Condition: The financial statements as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.

Cause: The City's financials were not reviewed in detail after the year end adjustments proposed by the accounting consultant were posted.

Criteria: Per Statement on Auditing Standards 115, 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.

Effect: There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal controls over financial reporting.

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: To be included

Section III-Federal Award Findings and Questioned Costs

None

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

There were no prior audit findings related to federal awards.