

TOWN OF WYTHEVILLE, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

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

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

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INTRODUCTORY SECTION

TOWN OF WYTHEVILLE, VIRGINIA

TOWN COUNCIL

Trenton G. Crewe, Jr., Mayor

Jacqueline K. King

Thomas F. Hundley

Jack W. Hunley

H. Judson Lambert

OTHER OFFICIALS

C. Wayne Sutherland, Jr.

Stephen A. Moore

Michael G. Stephens

Sharon P. Hackler

Robert Kaase

Town Manager

Assistant Town Manager

Town Treasurer

Town Clerk

Town Attorney

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Members of the Town Council
Town of Wytheville, Virginia
Wytheville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Wytheville, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wytheville, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 16 to the financial statements, in 2013, the Town adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Wytheville, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, supporting schedules, and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 basic financial statements.

Other Information (continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013, on our consideration of the Town of Wytheville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Wytheville, Virginia's internal control over financial reporting and compliance.

Robinson, Finner, Cox Associates

Blacksburg, Virginia
December 10, 2013

Basic Financial Statements

Town of Wytheville, Virginia
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 16,567,975	\$ 774,801	\$ 17,342,776
Investments	347,719	-	347,719
Receivables (net of allowance for uncollectibles):			
Taxes receivable	78,735	-	78,735
Accounts receivable	406,640	727,901	1,134,541
Internal balances	2,018,410	(2,018,410)	-
Due from other governmental units	304,042	400,612	704,654
Prepaid items	35,233	-	35,233
Noncurrent assets:			
Restricted cash, cash equivalents, and investments:			
Cash and cash equivalents	282,115	47,795	329,910
Capital assets (net of accumulated depreciation):			
Land	1,468,977	163,236	1,632,213
Land rights	-	94,838	94,838
Buildings and utility plant	16,762,765	16,522,794	33,285,559
Machinery and equipment	1,089,403	198,612	1,288,015
Construction in progress	183,335	7,251,904	7,435,239
Total assets	<u>\$ 39,545,349</u>	<u>\$ 24,164,083</u>	<u>\$ 63,709,432</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 12,410	\$ 56,538	\$ 68,948
LIABILITIES			
Accounts payable	\$ 326,343	\$ 743,983	\$ 1,070,326
Accrued wages	259,248	48,237	307,485
Accrued interest payable	23,976	149,363	173,339
Long-term liabilities:			
Due within one year	1,101,181	805,413	1,906,594
Due in more than one year	13,874,351	16,510,388	30,384,739
Liabilities payable from restricted assets	-	47,795	47,795
Total liabilities	<u>\$ 15,585,099</u>	<u>\$ 18,305,179</u>	<u>\$ 33,890,278</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 12,039	\$ -	\$ 12,039
NET POSITION			
Net investment in capital assets	\$ 6,382,340	\$ 7,037,373	\$ 13,419,713
Restricted for:			
OPEB	31,369	-	31,369
Unrestricted (deficit)	17,546,912	(1,121,931)	16,424,981
Total net position	<u>\$ 23,960,621</u>	<u>\$ 5,915,442</u>	<u>\$ 29,876,063</u>

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

Town of Wytheville, Virginia
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Business-type Activities	
			Grants and Contributions	Capital Grants and Contributions		Total	
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,702,254	\$ 25,305	\$ -	\$ -	\$ (1,676,949)	\$ -	\$ (1,676,949)
Public safety	2,961,351	158,731	285,624	-	(2,516,996)	-	(2,516,996)
Public works	3,918,545	98,451	2,294,706	-	(1,525,388)	-	(1,525,388)
Health and welfare	8,807	-	-	-	(8,807)	-	(8,807)
Parks, recreation, and cultural	1,692,012	921,572	30,591	224,200	(515,649)	-	(515,649)
Community development	999,776	66,540	121,413	-	(811,823)	-	(811,823)
Interest on long-term debt	587,355	-	-	-	(587,355)	-	(587,355)
Total governmental activities	\$ 11,870,100	\$ 1,270,599	\$ 2,732,334	\$ 224,200	\$ (7,642,967)	\$ -	\$ (7,642,967)
Business-type activities:							
Water and sewer	\$ 5,111,728	\$ 5,518,435	\$ -	\$ 1,609,365	\$ -	\$ 2,016,072	\$ 2,016,072
Total primary government	\$ 16,981,828	\$ 6,789,034	\$ 2,732,334	\$ 1,833,565	\$ (7,642,967)	\$ 2,016,072	\$ (5,626,895)
General revenues:					\$ 1,627,185	\$ -	\$ 1,627,185
General property taxes							
Other local taxes:							
Local sales and use taxes					524,902	-	524,902
Consumers' utility taxes					237,212	-	237,212
Business license taxes					1,216,010	-	1,216,010
Bank stock taxes					303,352	-	303,352
Hotel and motel room taxes					1,047,625	-	1,047,625
Restaurant food taxes					2,357,796	-	2,357,796
Other local taxes					521,434	-	521,434
Unrestricted revenues from use of money and property					537,669	4,510	542,179
Miscellaneous					447,629	75,097	522,726
Grants and contributions not restricted to specific programs					581,813	-	581,813
Total general revenues					\$ 9,402,627	\$ 79,607	\$ 9,482,234
Change in net position					\$ 1,759,660	\$ 2,095,679	\$ 3,855,339
Net position - beginning, as restated					22,200,961	3,819,763	26,020,724
Net position - ending					\$ 23,960,621	\$ 5,915,442	\$ 29,876,063

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

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

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 16,221,226	\$ 346,749	\$ 16,567,975
Investments	347,719	-	347,719
Receivables (net of allowance for uncollectibles):			
Taxes receivable	78,735	-	78,735
Accounts receivable	406,640	-	406,640
Due from other funds	2,018,410	-	2,018,410
Due from other governmental units	304,042	-	304,042
Total assets	<u>\$ 19,376,772</u>	<u>\$ 346,749</u>	<u>\$ 19,723,521</u>
LIABILITIES			
Accounts payable	\$ 326,343	\$ -	\$ 326,343
Accrued wages	259,248	-	259,248
Total liabilities	<u>\$ 585,591</u>	<u>\$ -</u>	<u>\$ 585,591</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 87,588	\$ -	\$ 87,588
FUND BALANCES			
Committed:			
Debt service	\$ 5,000,000	\$ -	\$ 5,000,000
Rainy day	6,000,000	-	6,000,000
Special revenue funds	-	331,476	331,476
Assigned:			
Capital projects funds	2,500,000	15,273	2,515,273
Unassigned	5,203,593	-	5,203,593
Total fund balances	<u>\$ 18,703,593</u>	<u>\$ 346,749</u>	<u>\$ 19,050,342</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 19,376,772</u>	<u>\$ 346,749</u>	<u>\$ 19,723,521</u>

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

Town of Wytheville, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 19,050,342
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Land	\$ 1,468,977	
Buildings and utility plant	16,762,765	
Machinery and equipment	1,089,403	
Construction in progress	<u>183,335</u>	19,504,480

Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	75,549
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Internal service funds are used by management to account for other postemployment benefits.

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	282,115
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Certain items reported as expenditures in the fund statements are prepaid and therefore shown as assets on the statement of net position.	35,233
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	\$ (12,906,706)	
Less deferred charge on refunding	12,410	
Promissory note	(70,577)	
Compensated absences	(977,503)	
Capital leases	(144,857)	
Landfill accrued closure/post-closure costs	(625,143)	
Accrued interest	(23,976)	
OPEB obligation	<u>(250,746)</u>	(14,987,098)

Net position of governmental activities	<u>\$ 23,960,621</u>
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The accompanying notes to the financial statements are an integral part of this statement.

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

	<u>General</u>	Other Governmental <u>Funds</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 1,674,623	\$ -	\$ 1,674,623
Other local taxes	6,208,331	-	6,208,331
Permits, privilege fees, and regulatory licenses	170,403	-	170,403
Fines and forfeitures	73,162	-	73,162
Revenue from the use of money and property	533,310	2,649	535,959
Charges for services	1,027,034	-	1,027,034
Miscellaneous	442,200	5,429	447,629
Recovered costs	198,802	-	198,802
Intergovernmental revenues:			
Commonwealth	3,087,483	-	3,087,483
Federal	450,864	-	450,864
Total revenues	<u>\$ 13,866,212</u>	<u>\$ 8,078</u>	<u>\$ 13,874,290</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,082,596	\$ -	\$ 2,082,596
Public safety	2,863,559	-	2,863,559
Public works	3,695,603	-	3,695,603
Health and welfare	8,807	-	8,807
Parks, recreation, and cultural	1,796,813	600	1,797,413
Community development	998,600	-	998,600
Debt service:			
Principal retirement	341,815	-	341,815
Interest and other fiscal charges	585,692	-	585,692
Total expenditures	<u>\$ 12,373,485</u>	<u>\$ 600</u>	<u>\$ 12,374,085</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,492,727</u>	<u>\$ 7,478</u>	<u>\$ 1,500,205</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	\$ (59,600)	\$ -	\$ (59,600)
Capital leases	110,500	-	110,500
Issuance of promissory note	70,577	-	70,577
Total other financing sources (uses)	<u>\$ 121,477</u>	<u>\$ -</u>	<u>\$ 121,477</u>
Net change in fund balances	\$ 1,614,204	\$ 7,478	\$ 1,621,682
Fund balances - beginning	17,089,389	339,271	17,428,660
Fund balances - ending	<u>\$ 18,703,593</u>	<u>\$ 346,749</u>	<u>\$ 19,050,342</u>

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

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

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

Net change in fund balances - total governmental funds \$ 1,621,682

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

Capital asset additions	\$ 769,392		
Depreciation expense	(823,715)		(54,323)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (20,286)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable property taxes is reported as revenues in the governmental funds. (47,438)

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

Debt issued or incurred:			
Capital leases	\$ (110,500)		
Promissory note	(70,577)		
Principal repayments:			
General obligation bonds	288,871		
Capital leases	52,944		
(Increase) Decrease in accrued landfill closure/postclosure cost	39,446		200,184

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.

Decrease (increase) in compensated absences	\$ 38,123		
Decrease (increase) in accrued interest	2,040		
Amortization of deferred charge on refunding	(3,703)		
(Decrease) Increase in prepaid items	6,226		42,686

Internal service funds are used by management to charge the costs of certain activities, such as postemployment benefits, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. 17,155

Change in net position of governmental activities \$ 1,759,660

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

Town of Wytheville, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	OPEB Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 774,801	\$ -
Accounts receivable, net of allowance for uncollectibles	727,901	-
Due from other governmental units	400,612	-
Total current assets	<u>\$ 1,903,314</u>	<u>\$ -</u>
Noncurrent assets:		
Restricted cash, cash equivalents, and investments:		
Cash and cash equivalents	\$ 47,795	\$ 282,115
Total restricted assets	<u>\$ 47,795</u>	<u>\$ 282,115</u>
Capital assets:		
Land	\$ 163,236	\$ -
Land rights	94,838	-
Construction in progress	7,251,904	-
Machinery and equipment	1,540,752	-
Utility plant in service	47,360,457	-
Less accumulated depreciation	(32,179,803)	-
Total capital assets	<u>\$ 24,231,384</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 24,279,179</u>	<u>\$ 282,115</u>
Total assets	<u>\$ 26,182,493</u>	<u>\$ 282,115</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	<u>\$ 56,538</u>	<u>\$ -</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 743,983	\$ -
Accrued payroll	48,237	-
Accrued interest payable	149,363	-
Due to other funds	2,018,410	-
Compensated absences - current portion	91,343	-
Bonds and leases payable - current portion	714,070	-
Total current liabilities	<u>\$ 3,765,406</u>	<u>\$ -</u>
Current liabilities payable from restricted assets:		
Customer deposits payable	<u>\$ 47,795</u>	<u>\$ -</u>
Noncurrent liabilities:		
Bonds and leases payable - net of current portion	\$ 14,294,366	\$ -
Compensated absences - net of current portion	30,447	-
Amount due to Wythe County	2,185,575	-
Net OPEB liability	-	250,746
Total noncurrent liabilities	<u>\$ 16,510,388</u>	<u>\$ 250,746</u>
Total liabilities	<u>\$ 20,323,589</u>	<u>\$ 250,746</u>
NET POSITION		
Net investment in capital assets	\$ 7,037,373	\$ -
Restricted for OPEB	-	31,369
Unrestricted (deficit)	(1,121,931)	-
Total net position	<u>\$ 5,915,442</u>	<u>\$ 31,369</u>

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

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

	Enterprise Fund Water and Sewer Fund	Internal Service Fund OPEB Fund
OPERATING REVENUES		
Charges for services:		
Water revenues	\$ 3,062,820	\$ -
Sewer revenues	2,415,743	-
Penalties	39,872	-
Miscellaneous	75,097	-
Total operating revenues	<u>\$ 5,593,532</u>	<u>\$ -</u>
OPERATING EXPENSES		
Salaries	\$ 1,064,634	\$ -
Fringe benefits	371,905	-
Professional services	250,881	-
Repair and maintenance	221,717	-
Operating materials and supplies	503,983	-
Permits, licenses & memberships	12,110	-
Utilities	450,532	-
Travel	3,188	-
Office supplies	5,096	-
Postal services	6,058	-
Insurance	28,461	-
Miscellaneous expenses	292	-
OPEB expense	-	44,155
Depreciation	1,154,691	-
Total operating expenses	<u>\$ 4,073,548</u>	<u>\$ 44,155</u>
Operating income (loss)	<u>\$ 1,519,984</u>	<u>\$ (44,155)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	\$ 4,510	\$ 1,710
Payment to NRRWA	(557,816)	-
Interest expense	(480,364)	-
Total nonoperating revenues (expenses)	<u>\$ (1,033,670)</u>	<u>\$ 1,710</u>
Income before contributions and transfers	<u>\$ 486,314</u>	<u>\$ (42,445)</u>
Capital contributions and construction grants	\$ 1,609,365	\$ -
Transfers in	-	59,600
Change in net position	<u>\$ 2,095,679</u>	<u>\$ 17,155</u>
Total net position - beginning, as restated	3,819,763	14,214
Total net position - ending	<u>\$ 5,915,442</u>	<u>\$ 31,369</u>

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

Town of Wytheville, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Fund Water and Sewer Fund	Internal Service Fund OPEB Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 5,563,446	\$ -
Payments to suppliers	(1,426,021)	-
Payments to and for employees	(1,456,221)	-
Net cash provided by (used for) operating activities	<u>\$ 2,681,204</u>	<u>\$ -</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	\$ -	\$ 59,600
Payment to NRRWA	(557,816)	-
Net cash provided by (used for) noncapital financing activities	<u>\$ (557,816)</u>	<u>\$ 59,600</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	\$ (4,390,230)	\$ -
Principal payments on bonds and leases	(578,932)	-
Contributions in aid of construction	1,208,753	-
Proceeds from indebtedness	2,792,911	-
Interest payments	(314,401)	-
Loan payments to other localities	(69,413)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,351,312)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	\$ 4,510	\$ 1,710
Net increase (decrease) in cash and cash equivalents	\$ 776,586	\$ 61,310
Cash and cash equivalents - beginning - including restricted	46,010	220,805
Cash and cash equivalents - ending - including restricted	<u>\$ 822,596</u>	<u>\$ 282,115</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 1,519,984	\$ (44,155)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	\$ 1,154,691	\$ -
(Increase) decrease in accounts receivable	(31,854)	-
(Increase) decrease in unearned revenue	(17)	-
Increase (decrease) in compensated absences	(31,119)	-
Increase (decrease) in operating accounts payable	56,297	-
Increase (decrease) in accrued payroll	11,437	-
Increase (decrease) in OPEB liability	-	44,155
Increase (decrease) in customer deposits	1,785	-
Total adjustments	<u>\$ 1,161,220</u>	<u>\$ 44,155</u>
Net cash provided by (used for) operating activities	<u>\$ 2,681,204</u>	<u>\$ -</u>

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

Town of Wytheville, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Agency Funds		
	New River Regional Water Authority	Memorial Fund	Perpetual Care Trust Fund
ASSETS			
Cash and cash equivalents	\$ 634,864	\$ 30,268	\$ 41,634
Investments	-	-	285,368
Total assets	<u>\$ 634,864</u>	<u>\$ 30,268</u>	<u>\$ 327,002</u>
NET POSITION			
Held for New River Regional Water Authority	\$ 634,864	\$ -	\$ -
Held in trust for cemetery expenditures	-	30,268	327,002
Total net position	<u>\$ 634,864</u>	<u>\$ 30,268</u>	<u>\$ 327,002</u>

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

Town of Wytheville, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013

	<u>Perpetual Care Trust Fund</u>
ADDITIONS	
Contributions:	
Town	\$ 13,757
Total contributions	<u>\$ 13,757</u>
Investment earnings:	
Interest	\$ 6,856
Net increase (decrease) in the fair market value of investments	<u>(15,464)</u>
Net investment earnings	\$ (8,608)
Total additions	<u>\$ 5,149</u>
DEDUCTIONS	
Expenses	<u>\$ 7,924</u>
Change in net position	\$ (2,775)
Net position - beginning	<u>329,777</u>
Net position - ending	<u><u>\$ 327,002</u></u>

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

TOWN OF WYTHEVILLE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity:

The Town of Wytheville, Virginia (government) is a municipal corporation governed by an elected five-member Town Council. The accompanying financial statements present the government.

Blended Component Units - None

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations:

The Town along with the Counties of Wythe and Carroll participate in the New River Regional Water Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The Town is also the fiscal manager for the New River Regional Water Authority. For the fiscal year ended June 30, 2013, the Town contributed \$557,816 to the New River Regional Water Authority.

The Town along with the Counties of Wythe and Bland participate in the Crossroads Regional Industrial Facilities Authority. The governing body of this organization is appointed by respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2013, the Town contributed \$73,218 to the Crossroads Regional Industrial Facilities Authority. In addition, the Town received a payment of \$165,000 from Crossroads Regional Industrial Facilities Authority as a return of the Town portion of profits.

The Town along with the Counties of Wythe and Smyth participate in the Smyth-Wythe Airport. The governing body of this organization is appointed by respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2013, the Town contributed \$32,175 to the Smyth-Wythe Airport.

The Town along with the County of Wythe and Town of Rural Retreat participate in the Joint Wythe Industrial Development Authority. The governing body of this organization is appointed by respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2013, the Town contributed \$76,248 to the Joint Wythe Industrial Development Authority.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

B. Government-wide and fund financial statements:

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund. 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, 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 inflows of resources.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

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

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

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

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

The funding of the OPEB liability, internally, is accounted for in an internal service fund, the OPEB fund.

Additionally, the government reports the following fund types:

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 Perpetual Care fund is a trust fund. The Agency funds consist of the New River Regional Water Authority fund and Memorial funds.

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

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.

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

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

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

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

D. Assets, liabilities, and net position 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 are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on December 15th. Personal property taxes are due and collectible annually on December 15th. The Town bills and collects its own property taxes.

3. 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.

4. Prepaid Items

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

5. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical data and, in certain cases, specific account analysis. The allowance amounted to approximately \$98,953 at June 30, 2013. The allowance consists of delinquent taxes in the amount of \$6,356 and delinquent water and sewer bills of \$92,597.

6. Capital Assets

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Structures, lines, and accessories	20-40
Machinery and equipment	4-15

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

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

7. Compensated Absences

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid are reported as deferred inflows of resources.

9. 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

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

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

10. Fund Equity

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

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

Committed Fund Balance Policy:

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

Assigned Fund Balance Policy:

The Town Council has authorized the Town Treasurer as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

Minimum Unassigned Fund Balance Policy:

The Town will maintain an assigned fund balance in the general fund equal to an amount established by the Town Council for expenditures/operating revenues. The Town considers a balance of less than the amount established by the Town Council to be a cause for concern, barring unusual or deliberate circumstances.

Resource Flow Policy:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

10. Fund Equity (Continued)

The details of committed fund balance, as presented in aggregate on Exhibit 3, are as follows:

	Other Governmental Funds
Fund Balances:	
Committed:	
Homestead Endowment	\$ 321,385
Wall of Honor	<u>10,091</u>
Total Committed	<u>\$ 331,476</u>

11. Net Position

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

12. Net Position Flow Assumption

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary information:

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

1. Prior to May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The General fund and Water/Sewer Fund have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. Only the Town Council can revise the appropriation for each department or category. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not part of the Town's accounting system.

B. Excess of expenditures over appropriations:

For the year ended June 30, 2013, the Wall of Honor Fund had expenditures in excess of appropriations in the amount of \$600.

C. Deficit fund equity:

At June 30, 2013, there were no funds with deficit fund equity.

NOTE 3 - DEPOSITS AND INVESTMENTS:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 3 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies 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).

Credit Risk of Debt Securities:

The Town has not adopted an investment policy for credit risk.

The Town's rated debt investments as of June 30, 2013 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

Town's Rated Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AAAm	Unrated
LGIP	\$ 347,719	\$ -
U.S. Treasuries	-	285,368

Interest Rate Risk:

The Town has not adopted an investment policy for interest rate risk. Investments subject to interest rate risk are presented below along with their corresponding maturities.

Investment Type	Investment Maturities (in years)				
	Fair Value	Less 1 yr	1-5 yrs	6-10 yrs	10 yrs +
United States Treasuries	\$ 285,368	\$ 15,178	\$ -	\$ 270,190	\$ -

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

NOTE 4 - UNAVAILABLE REVENUE:

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

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$75,549 at June 30, 2013.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2013 but paid in advance by the taxpayers totaled \$12,039 at June 30, 2013.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS:

The following amount represents receivables from other governments at year-end:

	Primary Government	
	Governmental Activities	Business-Type Activities
Commonwealth of Virginia		
Other Local Taxes	\$ 88,636	\$ -
Non-categorical Aid	86,390	-
Other Categorical Aid	10,696	-
Federal Government		
Categorical Aid	118,320	400,612
Total Due from Other Governmental Units	\$ 304,042	\$ 400,612

NOTE 6 - INTERFUND ACTIVITY:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ (59,600)
OPEB Fund	59,600	-
Total	\$ 59,600	\$ (59,600)

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

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>
General Fund	\$ -	\$ 2,018,410
Water and Sewer Fund	(2,018,410)	-
Total	\$ (2,018,410)	\$ 2,018,410

During fiscal years 2010, 2011, 2012, and 2013, the Town's General Fund loaned the Water and Sewer Fund \$1,000,000, \$932,000, \$40,400, and \$46,010 respectively. Repayment terms have not been determined.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013NOTE 7 - LONG-TERM OBLIGATIONS:Primary Government - Governmental Activity Indebtedness:

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

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
General obligation bonds	\$ 13,195,577	\$ -	\$ (288,871)	\$ 12,906,706
Capital lease (Note 8)	87,301	110,500	(52,944)	144,857
Promissory note	-	70,577	-	70,577
Landfill postclosure monitoring liability (Note 9)	664,589	-	(39,446)	625,143
Other Post Employment Benefits Liability (Note 14)	206,591	58,055	(13,900)	250,746
Compensated absences	1,015,626	723,597	(761,720)	977,503
	<u>\$ 15,169,684</u>	<u>\$ 962,729</u>	<u>\$ (1,156,881)</u>	<u>\$ 14,975,532</u>

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2014	\$ 301,627	\$ 566,563
2015	314,922	553,268
2016	328,809	539,382
2017	343,313	524,877
2018	358,465	509,726
2019-2023	1,943,492	2,302,736
2024-2028	2,412,395	1,827,763
2029-2033	2,899,631	1,237,334
2034-2038	3,446,508	534,132
2039	557,544	10,088
	<u>\$ 12,906,706</u>	<u>\$ 8,605,869</u>

TOWN OF WYTHEVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013NOTE 7 - LONG-TERM OBLIGATIONS: (CONTINUED)Primary Government - Governmental Activity Indebtedness: (Continued)

Details of long-term obligations:

	Interest Rate	Date Issued	Final Maturity Date	Amount of Original Issue	Total Amount	Amount Due Within One Year
<u>General Obligation Bonds:</u>						
General Obligation Bond	4.50%	2/23/2005	1/23/2039	\$ 8,000,000	\$ 6,717,511	\$ 141,242
General Obligation Bond	4.50%	2/23/2005	1/23/2039	6,388,904	5,399,867	114,844
General Obligation Bond	4.03%	8/1/2011	3/1/2039	873,844	789,328	45,541
Total General Obligation Bonds					\$ 12,906,706	\$ 301,627
<u>Other Obligations:</u>						
Promissory Note - CDL Leasing II, Inc.	0.00%	6/19/2013	7/15/2014	\$ 70,577	\$ 70,577	\$ -
Capital Leases					144,857	66,427
Landfill postclosure liability					625,143	-
OPEB Obligation					250,746	-
Compensated absences					977,503	733,127
Total Other Obligations					\$ 2,068,826	\$ 799,554
Total Long-Term Obligations					\$ 14,975,532	\$ 1,101,181

Primary Government - Enterprise Activity Indebtedness:

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

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
General obligation bonds	\$ 8,585,007	\$ 507,284	\$ (505,723)	\$ 8,586,568
Revenue bonds	4,209,452	1,745,087	(37,106)	5,917,433
Capital lease (note 8)	-	540,540	(36,105)	504,435
Amount due to Wythe Co.	2,160,103	94,885	(69,413)	2,185,575
Compensated absences	152,909	83,563	(114,682)	121,790
	\$ 15,107,471	\$ 2,971,359	\$ (763,029)	\$ 17,315,801

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 7 - LONG-TERM OBLIGATIONS: (CONTINUED)Primary Government - Enterprise Activity Indebtedness: (Continued)

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

Year Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 569,993	\$ 298,552	\$ 70,706	\$ 207,969
2015	590,335	278,625	107,806	159,049
2016	611,954	257,983	110,833	156,023
2017	632,856	236,580	113,952	152,904
2018	654,052	214,444	117,165	149,691
2019-2023	3,173,854	740,148	637,579	696,701
2024-2028	1,686,682	242,982	734,118	600,162
2029-2033	666,842	45,305	846,691	487,589
2034-2038	-		978,229	356,051
2039-2043	-		923,960	215,555
2044-2048	-		755,346	100,739
2049-2052	-		521,048	20,435
Totals	<u>\$ 8,586,568</u>	<u>\$ 2,314,619</u>	<u>\$ 5,917,433</u>	<u>\$ 3,302,868</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 7 - LONG-TERM OBLIGATIONS: (CONTINUED)Primary Government - Enterprise Activity Indebtedness: (Continued)

Details of long-term obligations:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Amount Due	Amount Due Within One Year
Revenue Bonds:						
Revenue Bonds	3.25%	9/27/1999	2039	\$ 982,519	\$ 814,706	\$ 20,482
Revenue Bonds	4.38%	6/9/2005	2044	822,000	752,302	11,818
Revenue Bonds	4.38%	8/17/2004	2044	270,000	247,703	3,856
Revenue Bonds	2.25%	12/13/2011	2032	4,105,000	4,102,722	34,550
Total Revenue Bonds					\$ 5,917,433	\$ 70,706
General Obligation Bonds:						
General Obligation Bonds	3.69%	4/6/2005	2024	\$ 4,442,000	\$ 2,921,000	\$ 220,000
General Obligation Bonds	3.61%	9/15/2005	2025	2,100,000	1,418,000	96,000
General Obligation Bonds	4.03%	8/1/2011	2031	3,980,845	3,595,826	207,466
General Obligation Bonds	2.73%	12/2/2011	2025	964,540	651,742	46,527
Total General Obligation Bonds					\$ 8,586,568	\$ 569,993
Other Obligations:						
Lease Purchase Obligations					\$ 504,435	\$ 73,371
Amount due to Wythe Co. (1)					2,185,575	-
Compensated Absences					121,790	91,343
Total Other Obligations					\$ 2,811,800	\$ 164,714
Total Long-term Obligations					\$ 17,315,801	\$ 805,413

(1) This amount is related to construction of water/sewer lines for the New River Regional Water Authority. The Town has agreed to pay 50% of three Rural Development revenue bonds and 21.28% of a VACO/VML revenue bond, all of which are issued by the County of Wythe, Virginia.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**NOTE 8 - CAPITAL LEASES:**Governmental activities:

The Town has entered into lease agreements to finance the acquisition of four Crown Victoria vehicles, a refuse truck, and a Chevrolet Caprice vehicle. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at present value of the minimum lease payments at the date of inception.

The assets acquired through capital leases are as follows:

	Crown Victorias	Chevrolet Caprice	Refuse Truck	Total
Assets	\$ 106,475	\$ 28,514	\$ 112,706	\$ 247,695
Less: Accumulated Depreciation	(33,547)	(10,734)	(3,489)	(47,770)
Total	\$ 72,928	\$ 17,780	\$ 109,217	\$ 199,925

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

Year Ending June 30,	Crown Victorias	Chevrolet Caprice	Refuse Truck	Total
2014	\$ 37,578	\$ 10,109	\$ 23,257	\$ 70,944
2015	-	-	23,256	23,256
2016	-	-	23,257	23,257
2017	-	-	23,257	23,257
2018	-	-	11,628	11,628
Total	\$ 37,578	\$ 10,109	\$ 104,655	\$ 152,342
Less, amount representing interest	\$ (2,127)	\$ (617)	\$ (4,741)	\$ (7,485)
Present Value of Lease Agreement	\$ 35,451	\$ 9,492	\$ 99,914	\$ 144,857

Business-type activities:

The Town has entered into a lease agreement to finance the acquisition of a meter reading system. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at present value of the minimum lease payments at the date of inception.

As of June 30, 2013, the meter reading system was construction in progress in the amount of \$376,924.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 8 - CAPITAL LEASES: (CONTINUED)Business-type activities: (Continued)

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

Year Ending June 30,	Meter Reading System
2014	\$ 83,216
2015	83,217
2016	83,216
2017	83,217
2018	83,216
2019	83,217
2020	41,608
Total	<u>\$ 540,907</u>
Less, amount representing interest	<u>\$ (36,472)</u>
Present Value of Lease Agreement	<u>\$ 504,435</u>

NOTE 9 - LANDFILL POSTCLOSURE MONITORING LIABILITY:

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 10 years after closure. The Town closed the landfill in December, 1997. As a result of a new estimate provided by the Town's landfill engineer in 2012, total postclosure monitoring costs are estimated to be \$625,143. This estimate is based on ten years of monitoring starting with fiscal year 2012 and ending in fiscal year 2022. The amount is based on what it would cost to perform all postclosure in 2013. Actual costs for postclosure monitoring may change due to inflation, deflation, changes in technology, or changes in regulations. The Town is using the State Financial Assurance Mechanism to meet their Financial Assurance requirements for their landfill.

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)

NOTE 10 - DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 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 website at <http://www.varetire.org/Pdf/Publications/2012-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:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phase in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town of Wytheville, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2013 was 8.75% of annual covered payroll.

C. Annual Pension Cost:

For the fiscal year ended June 30, 2013, the Town of Wytheville's annual pension cost of \$499,393 was equal to the Town's required and actual contributions.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net pension Obligation
6/30/2013	\$ 499,393	100%	\$ -
6/30/2012	341,246	100%	-
6/30/2011	332,960	100%	-

¹ Employer portion only

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 10 - DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost: (Continued)

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

D. Funded Status and Funding Progress:

As of June 30, 2012, the most recent actuarial valuation date, the plan was 75.54% funded. The actuarial accrued liability for benefits was \$22,189,965, and the actuarial value of assets was \$16,761,809, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,428,156. The covered payroll (annual payroll of active employees covered by the plan) was \$5,616,845, and ratio of the UAAL to the covered payroll was 96.64%.

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**NOTE 11 - CAPITAL ASSETS:**

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

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,468,977	\$ -	\$ -	\$ 1,468,977
Construction in progress	676,706	427,152	(920,523)	183,335
Total capital assets not being depreciated	\$ 2,145,683	\$ 427,152	\$ (920,523)	\$ 1,652,312
Capital assets, being depreciated:				
Buildings and improvements	\$ 19,655,781	\$ 957,850	\$ -	\$ 20,613,631
Machinery and equipment	4,872,597	304,913	(34,185)	5,143,325
Total capital assets being depreciated	\$ 24,528,378	\$ 1,262,763	\$ (34,185)	\$ 25,756,956
Less: accumulated depreciation				
Buildings and improvements	\$ (3,363,679)	\$ (487,187)	\$ -	\$ (3,850,866)
Machinery and equipment	(3,731,293)	(336,528)	13,899	(4,053,922)
Total accumulated depreciation	\$ (7,094,972)	\$ (823,715)	\$ 13,899	\$ (7,904,788)
Total capital assets being depreciated, net	\$ 17,433,406	\$ 439,048	\$ (20,286)	\$ 17,852,168
Governmental activities capital assets, net	\$ 19,579,089	\$ 866,200	\$ (940,809)	\$ 19,504,480

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**NOTE 11 - CAPITAL ASSETS: (CONTINUED)**

Primary Government: (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 163,236	\$ -	\$ -	\$ 163,236
Land Rights	94,838	-	-	94,838
Construction in progress	3,294,597	3,957,307	-	7,251,904
Total capital assets not being depreciated	<u>\$ 3,552,671</u>	<u>\$ 3,957,307</u>	<u>\$ -</u>	<u>\$ 7,509,978</u>
Capital assets, being depreciated:				
Utility plant and equipment	\$ 47,360,457	\$ -	\$ -	\$ 47,360,457
Machinery and equipment	1,473,126	67,626	-	1,540,752
Total capital assets being depreciated	<u>\$ 48,833,583</u>	<u>\$ 67,626</u>	<u>\$ -</u>	<u>\$ 48,901,209</u>
Less: accumulated depreciation for:				
Utility plant and equipment (1)	\$ (29,742,947)	\$ (1,094,716)	\$ -	\$ (30,837,663)
Machinery and equipment	(1,282,165)	(59,975)	-	(1,342,140)
Total accumulated depreciation	<u>\$ (31,025,112)</u>	<u>\$ (1,154,691)</u>	<u>\$ -</u>	<u>\$ (32,179,803)</u>
Total capital assets being depreciated, net	<u>\$ 17,808,471</u>	<u>\$ (1,087,065)</u>	<u>\$ -</u>	<u>\$ 16,721,406</u>
Business-type activities capital assets, net	<u>\$ 21,361,142</u>	<u>\$ 2,870,242</u>	<u>\$ -</u>	<u>\$ 24,231,384</u>

(1) Increase includes asset related to Amount Due to Wythe County

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

Governmental activities:	
General government administration	\$ 52,158
Public safety	181,558
Public works	553,727
Parks, recreation, and cultural	<u>36,272</u>
Total depreciation expense-governmental activities	<u>\$ 823,715</u>
Business-type activities:	
Water and Sewer	<u>\$ 1,154,691</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 12 - RISK MANAGEMENT:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates with other localities in a public entity risk pool for their coverage of worker's compensation with the Virginia Municipal League. The Town pays an annual premium to the pools for its general insurance coverage. The agreement for the formation of the pool provides that the pool will be self sustaining through member premiums. The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

NOTE 13 - SURETY BONDS:

Clorendon National Insurance Company

All Town Employees - blanket bond	\$ 1,000,000
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NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS:

The Town of Wytheville recognizes the cost of post-employment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the Town's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

A. Plan Description:

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

To be eligible for this benefit a retiree must meet at the following criteria: attained age 50 and 25 years of service. The benefits, employee contributions and the employer contributions are governed by the Board of Directors and can be amended through Board action. The Plan does not issue a publicly available financial report.

B. Funding Policy:

The Town currently pays for the post-retirement health care benefits on a pay-as-you-go basis. The Town currently has 165 employees that are eligible for the program. In addition, for retirees' pre 65 years of age, retiree pays active employee rate. For retirees 65 years of age and above, retiree pays full cost of Medicare Supplement. Retiree at any age must pay 100% of spousal employee premium. All coverage ceases at retiree's death. For fiscal year 2013, the Town contributed \$13,900 in total for current premiums and prefunding amounts.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

B. Funding Policy: (Continued)

Health benefits include Medical, Dental, Prescription drug, and Vision coverage for retirees and eligible spouses/dependents. Retirees are eligible to choose one of the following medical options through the Town. The rates are as follows:

	Key Advantage Expanded	Key Advantage 250
Pre-Medicare Eligible		
Retiree	\$ 560	\$ 521
Retiree+Spouse	1,036	964
Family	1,512	1,407
	Advantage 65	Key Advantage 250
Post-Medicare Eligible		
Retiree	\$ 190	\$ 190

C. Annual OPEB Cost and Net OPEB Obligation:

The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution* of the employer (ARC), 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 Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

Annual required contribution	\$ 59,600
Interest on net OPEB obligation	8,263
Adjustment to annual required contribution	(9,808)
Annual OPEB cost (expense)	58,055
Contributions made	(13,900)
Increase in net OPEB obligation	44,155
Net OPEB obligation - beginning of year	206,591
Net OPEB obligation - end of year	\$ 250,746

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

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

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 54,088	16%	\$ 160,088
6/30/2012	55,703	17%	206,591
6/30/2013	58,055	24%	250,746

D. Funded Status and Funding Progress:

The funded status of the Plan for the Town as of the most recent actuarial dated July 1, 2010 is as follows:

Actuarial accrued liability (AAL)	\$ 645,600
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 645,600
Funded ratio (actuarial value of plan assets / AAL)	0.00%
Covered payroll (active plan members)	\$ 5,466,300
UAAL as a percentage of covered payroll	11.81%

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

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

E. Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

E. Actuarial Methods and Assumptions: (Continued)

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

In the July 1, 2010 actuarial valuation, the Entry Age Normal cost method was used. Under this method, the actuarial present value of projected benefits of every active participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service: inflations at 2.50%, plus productivity component of 1.25%, and investment's rate of return at 4.00%, and a health care trend rate of 9.00% graded to 5.00% over 10 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2013 was 26 years.

NOTE 15 - LITIGATION:

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

NOTE 16 - ADOPTION OF ACCOUNTING PRINCIPLES:

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

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

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

The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 17 - BEGINNING NET POSITION RESTATEMENT:

	Enterprise Fund
Beginning Net Position at 7/1/2012, as previously reported	\$ 3,702,824
Removal of depreciation from prior period	116,939
Beginning Net Position at 7/1/2012, as restated	<u>\$ 3,819,763</u>

NOTE 18 - UPCOMING PRONOUNCEMENTS:

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

Required Supplementary Information

Town of Wytheville, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
General property taxes	\$ 1,777,500	\$ 1,777,500	\$ 1,674,623	\$ (102,877)
Other local taxes	5,607,500	5,607,500	6,208,331	600,831
Permits, privilege fees, and regulatory licenses	157,100	157,100	170,403	13,303
Fines and forfeitures	45,000	45,000	73,162	28,162
Revenue from the use of money and property	436,600	436,600	533,310	96,710
Charges for services	963,975	963,975	1,027,034	63,059
Miscellaneous	361,495	361,495	442,200	80,705
Recovered costs	117,720	117,720	198,802	81,082
Intergovernmental revenues:				
Commonwealth	3,358,185	3,358,185	3,087,483	(270,702)
Federal	8,880	8,880	450,864	441,984
Total revenues	\$ 12,833,955	\$ 12,833,955	\$ 13,866,212	\$ 1,032,257
EXPENDITURES				
Current:				
General government administration	\$ 2,629,072	\$ 2,291,772	\$ 2,082,596	\$ 209,176
Public safety	2,841,834	2,930,834	2,863,559	67,275
Public works	3,470,670	3,752,570	3,695,603	56,967
Health and welfare	8,500	9,000	8,807	193
Parks, recreation, and cultural	1,891,489	1,852,389	1,796,813	55,576
Community development	992,890	997,890	998,600	(710)
Debt service:				
Principal retirement	706,756	706,756	341,815	364,941
Interest and other fiscal charges	302,301	302,301	585,692	(283,391)
Total expenditures	\$ 12,843,512	\$ 12,843,512	\$ 12,373,485	\$ 470,027
Excess (deficiency) of revenues over (under) expenditures	\$ (9,557)	\$ (9,557)	\$ 1,492,727	\$ 1,502,284
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (59,600)	\$ (59,600)
Issuance of capital leases	-	-	110,500	110,500
Issuance of promissory note	-	-	70,577	70,577
Total other financing sources and uses	\$ -	\$ -	\$ 121,477	\$ 121,477
Net change in fund balances	\$ (9,557)	\$ (9,557)	\$ 1,614,204	\$ 1,623,761
Fund balances - beginning	-	-	17,089,389	17,089,389
Fund balances - ending	\$ (9,557)	\$ (9,557)	\$ 18,703,593	\$ 18,713,150

Town of Wytheville, Virginia
Schedules of Pension and OPEB Funding Progress
For the Year Ended June 30, 2013

Retirement Plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2012	\$ 16,761,809	\$ 22,189,965	\$ 5,428,156	75.54%	\$ 5,616,845	96.64%
6/30/2011	16,611,953	20,575,023	3,963,070	80.74%	5,475,909	72.37%
6/30/2010	16,121,093	19,384,809	3,263,716	83.16%	5,421,860	60.20%

Postemployment Health Insurance Plan:

Actuarial Valuation Date*	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2010	\$ -	\$ 645,600	\$ 645,600	0.00%	\$ 5,466,300	11.81%
7/1/2008	-	518,100	518,100	0.00%	5,116,686	10.13%

*Only two years of information available

Supplementary Financial Statements

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

	Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
	Homestead Endowment Fund	Wall of Honor Fund	Total	CDBG Funds		
ASSETS						
Cash and cash equivalents	\$ 321,385	\$ 10,091	\$ 331,476	\$ 15,273	\$	\$ 346,749
Total assets	<u>\$ 321,385</u>	<u>\$ 10,091</u>	<u>\$ 331,476</u>	<u>\$ 15,273</u>	<u>\$</u>	<u>\$ 346,749</u>
LIABILITIES AND FUND BALANCES						
Fund balances:						
Committed for:						
Homestead Endowment	\$ 321,385	\$ -	\$ 321,385	\$ -	\$	\$ 321,385
Wall of Honor	-	10,091	10,091	-	-	10,091
Assigned for:						
Capital Projects	-	-	-	15,273		15,273
Total fund balances	<u>\$ 321,385</u>	<u>\$ 10,091</u>	<u>\$ 331,476</u>	<u>\$ 15,273</u>	<u>\$</u>	<u>\$ 346,749</u>
Total liabilities and fund balances	<u>\$ 321,385</u>	<u>\$ 10,091</u>	<u>\$ 331,476</u>	<u>\$ 15,273</u>	<u>\$</u>	<u>\$ 346,749</u>

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

	Special Revenue			Capital Projects		Total
	Homestead Endowment	Wall of Honor		CDBG Funds	Nonmajor Governmental Funds	
	<u>Fund</u>		<u>Fund</u>	<u>Total</u>		
REVENUES						
Revenue from the use of money and property	\$ 2,455	\$ 79	\$	2,534	\$ 115	\$ 2,649
Miscellaneous	3,531	1,200		4,731	698	5,429
Total revenues	\$ 5,986	\$ 1,279	\$	7,265	\$ 813	\$ 8,078
EXPENDITURES						
Current:						
Parks, recreation, and cultural	\$ -	\$ 600	\$	600	\$ -	\$ 600
Total expenditures	\$ -	\$ 600	\$	600	\$ -	\$ 600
Excess (deficiency) of revenues over (under) expenditures	\$ 5,986	\$ 679	\$	6,665	\$ 813	\$ 7,478
Net change in fund balances	\$ 5,986	\$ 679	\$	6,665	\$ 813	\$ 7,478
Fund balances - beginning	315,399	9,412		324,811	14,460	339,271
Fund balances - ending	\$ 321,385	\$ 10,091	\$	331,476	\$ 15,273	\$ 346,749

Supporting Schedules

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

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 1,440,000	\$ 1,440,000	\$ 1,274,879	\$ (165,121)
Real and personal public service corporation taxes	45,000	45,000	51,246	6,246
Personal property taxes	141,500	141,500	153,972	12,472
Mobile home taxes	3,000	3,000	2,919	(81)
Machinery and tools taxes	140,000	140,000	159,428	19,428
Penalties	5,000	5,000	15,201	10,201
Interest	3,000	3,000	16,978	13,978
Total general property taxes	\$ 1,777,500	\$ 1,777,500	\$ 1,674,623	\$ (102,877)
Other local taxes:				
Local sales and use taxes	\$ 440,000	\$ 440,000	\$ 524,902	\$ 84,902
Consumers' utility taxes	235,000	235,000	237,212	2,212
Consumption taxes	52,000	52,000	54,532	2,532
Business license taxes	1,100,000	1,100,000	1,216,010	116,010
Franchise license tax	13,000	13,000	15,244	2,244
Motor vehicle licenses	125,000	125,000	119,621	(5,379)
Tobacco tax	300,000	300,000	305,076	5,076
Bank stock taxes	225,000	225,000	303,352	78,352
Hotel and motel room taxes	925,000	925,000	1,047,625	122,625
Restaurant food taxes	2,175,000	2,175,000	2,357,796	182,796
Interest on local taxes	17,500	17,500	26,961	9,461
Total other local taxes	\$ 5,607,500	\$ 5,607,500	\$ 6,208,331	\$ 600,831
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 500	\$ 500	\$ 352	\$ (148)
Land use permits	-	-	116	116
Building permits	30,000	30,000	21,087	(8,913)
Electrical permits	5,000	5,000	4,414	(586)
Plumbing permits	4,000	4,000	3,536	(464)
Mechanical permits	5,000	5,000	6,779	1,779
Burial permits	30,000	30,000	33,225	3,225
Monument permits	1,200	1,200	2,000	800
Subdivision permits	200	200	2,760	2,560
Zoning permits	500	500	4,017	3,517
Refuse tags and disposal permits	80,000	80,000	89,206	9,206
Permits and other licenses	700	700	2,911	2,211
Total permits, privilege fees, and regulatory licenses	\$ 157,100	\$ 157,100	\$ 170,403	\$ 13,303
Fines and forfeitures:				
Court fines and forfeitures	\$ 25,000	\$ 25,000	\$ 49,461	\$ 24,461
Parking fines	20,000	20,000	23,701	3,701
Total fines and forfeitures	\$ 45,000	\$ 45,000	\$ 73,162	\$ 28,162

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

Schedule 1
Page 2 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 335,100	\$ 335,100	\$ 417,041	\$ 81,941
Revenue from use of property	101,500	101,500	116,269	14,769
Total revenue from use of money and property	<u>\$ 436,600</u>	<u>\$ 436,600</u>	<u>\$ 533,310</u>	<u>\$ 96,710</u>
Charges for services:				
Charges for false alarms	\$ 500	\$ 500	\$ 445	\$ (55)
Charges for fire services	18,000	18,000	32,333	14,333
Charges for law enforcement	25,000	25,000	16,623	(8,377)
Charges for cemetery plots	25,000	25,000	20,476	(4,524)
Charges for restaurant signs	1,000	1,000	400	(600)
Charges for copies	1,000	1,000	2,477	1,477
Charges for animal control	100	100	-	(100)
Charges for gift shop	17,000	17,000	16,833	(167)
Charges for admissions	51,350	51,350	59,247	7,897
Charges for parks and recreation	793,800	793,800	849,038	55,238
Charges for weed cutting	10,500	10,500	9,245	(1,255)
Charges for other services	20,725	20,725	19,917	(808)
Total charges for services	<u>\$ 963,975</u>	<u>\$ 963,975</u>	<u>\$ 1,027,034</u>	<u>\$ 63,059</u>
Miscellaneous revenue:				
Donations	\$ 33,500	\$ 33,500	\$ 94,856	\$ 61,356
Miscellaneous	327,995	327,995	347,344	19,349
Total miscellaneous revenue	<u>\$ 361,495</u>	<u>\$ 361,495</u>	<u>\$ 442,200</u>	<u>\$ 80,705</u>
Recovered costs:				
Recovered costs	\$ 117,720	\$ 117,720	\$ 198,802	\$ 81,082
Total revenue from local sources	<u>\$ 9,466,890</u>	<u>\$ 9,466,890</u>	<u>\$ 10,327,865</u>	<u>\$ 860,975</u>
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 9,000	\$ 9,000	\$ 21,287	\$ 12,287
Mobile home titling tax	3,000	3,000	1,555	(1,445)
Motor vehicle rental tax	25,000	25,000	52,123	27,123
Telecommunication tax	425,000	425,000	436,890	11,890
Personal property tax relief funds	61,000	61,000	61,076	76
Total noncategorical aid	<u>\$ 523,000</u>	<u>\$ 523,000</u>	<u>\$ 572,931</u>	<u>\$ 49,931</u>
Categorical aid:				
Department of technology (E-911)	\$ 10,000	\$ 10,000	\$ 42,215	\$ 32,215
Fire programs	21,000	21,000	23,419	2,419

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

Schedule 1
Page 3 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental revenue: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Highway maintenance	\$ 2,607,285	\$ 2,607,285	\$ 2,223,046	\$ (384,239)
Law enforcement block grant	188,500	188,500	188,512	12
Litter control	3,400	3,400	3,988	588
Virginia commission for the arts	5,000	5,000	5,000	-
Virginia tourism	-	-	25,591	25,591
VMGSIA Grant	-	-	2,781	2,781
Total categorical aid	<u>\$ 2,835,185</u>	<u>\$ 2,835,185</u>	<u>\$ 2,514,552</u>	<u>\$ (320,633)</u>
Total revenue from the Commonwealth	<u>\$ 3,358,185</u>	<u>\$ 3,358,185</u>	<u>\$ 3,087,483</u>	<u>\$ (270,702)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 8,880	\$ 8,880	\$ 8,882	\$ 2
Categorical aid:				
DMV ground transportation safety grant	\$ -	\$ -	\$ 28,697	\$ 28,697
Community development block grant	-	-	121,413	121,413
DOT TEA 21 grant	-	-	291,872	291,872
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 441,982</u>	<u>\$ 441,982</u>
Total revenue from the federal government	<u>\$ 8,880</u>	<u>\$ 8,880</u>	<u>\$ 450,864</u>	<u>\$ 441,984</u>
Total General Fund	<u>\$ 12,833,955</u>	<u>\$ 12,833,955</u>	<u>\$ 13,866,212</u>	<u>\$ 1,032,257</u>
Special Revenue Funds:				
Homestead Endowment Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 2,455	\$ 2,455
Miscellaneous revenue:				
Contributions	\$ -	\$ -	\$ 3,531	\$ 3,531
Total Homestead Endowment Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,986</u>	<u>\$ 5,986</u>
Wall of Honor Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 79	\$ 79

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

Schedule 1
Page 4 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Wall of Honor Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Contributions	\$ -	\$ -	\$ 1,200	\$ 1,200
Total Wall of Honor Fund	\$ -	\$ -	\$ 1,279	\$ 1,279
Capital Projects Fund:				
CDBG Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 115	\$ 115
Miscellaneous revenue:				
Contributions	\$ -	\$ -	\$ 698	\$ 698
Total CDBG Fund	\$ -	\$ -	\$ 813	\$ 813
Total Primary Government	\$ 12,833,955	\$ 12,833,955	\$ 13,874,290	\$ 1,040,335

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

Schedule 2
Page 1 of 3

<u>Fund, Function, Activity and Element</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:				
Town council	\$ 626,880	\$ 786,880	\$ 705,370	\$ 81,510
General and financial administration:				
Town clerk	\$ 417,923	\$ 417,923	\$ 410,389	\$ 7,534
Commission member	14,320	14,320	8,546	5,774
Town manager	142,950	142,950	141,761	1,189
Assistant town manager	118,440	118,440	117,460	980
Legal services	11,030	11,030	4,681	6,349
Independent services	40,000	40,000	36,225	3,775
Town treasurer	193,075	194,775	194,343	432
Automotive/motor pool	217,485	218,485	217,592	893
Engineering department	846,969	346,969	246,229	100,740
Total general and financial administration	\$ 2,002,192	\$ 1,504,892	\$ 1,377,226	\$ 127,666
Total general government administration	\$ 2,629,072	\$ 2,291,772	\$ 2,082,596	\$ 209,176
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,937,140	\$ 1,987,140	\$ 1,923,705	\$ 63,435
Communication center	313,375	302,375	299,876	2,499
Total law enforcement and traffic control	\$ 2,250,515	\$ 2,289,515	\$ 2,223,581	\$ 65,934
Fire and rescue services:				
Fire department	\$ 437,733	\$ 483,733	\$ 487,335	\$ (3,602)
Inspections:				
Building	\$ 78,870	\$ 82,870	\$ 80,739	\$ 2,131
Other protection:				
Animal control	\$ 47,300	\$ 47,300	\$ 44,488	\$ 2,812
Transportation study grant	27,416	27,416	27,416	-
Total other protection	\$ 74,716	\$ 74,716	\$ 71,904	\$ 2,812
Total public safety	\$ 2,841,834	\$ 2,930,834	\$ 2,863,559	\$ 67,275
Public works:				
Maintenance of highways, streets, bridges & sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,285,490	\$ 1,345,490	\$ 1,345,982	\$ (492)
Snow and ice removal	149,200	106,500	103,327	3,173
Streets, signs, and lights	430,670	440,670	450,637	(9,967)
Administration	119,580	139,580	137,631	1,949
Total maintenance of highways, streets, bridges & sidewalks	\$ 1,984,940	\$ 2,032,240	\$ 2,037,577	\$ (5,337)
Sanitation and waste removal:				
Refuse collection and disposal	\$ 289,350	\$ 346,350	\$ 315,167	\$ 31,183

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

Schedule 2
Page 2 of 3

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public works: (Continued)				
Maintenance of general buildings and grounds:				
General properties	\$ 40,600	\$ 107,600	\$ 106,355	\$ 1,245
Town hall	368,050	368,050	353,760	14,290
Community center and park	579,210	639,310	620,181	19,129
Parks	46,685	46,685	46,062	623
Emergency services buildings	54,200	86,200	87,715	(1,515)
Animal shelter	2,050	2,550	2,324	226
Weed control - mowing	105,585	123,585	126,462	(2,877)
Total maintenance of general buildings and grounds	\$ 1,196,380	\$ 1,373,980	\$ 1,342,859	\$ 31,121
Total public works	\$ 3,470,670	\$ 3,752,570	\$ 3,695,603	\$ 56,967
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ 8,500	\$ 9,000	\$ 8,807	\$ 193
Parks, recreation, and cultural:				
Parks and recreation:				
Community activities	\$ 24,865	\$ 24,865	\$ 21,659	\$ 3,206
Recreational programs	510,305	477,305	443,670	33,635
Swimming pools	-	500	5,018	(4,518)
Athletic programs	262,209	246,209	235,106	11,103
New community programs	125,047	108,447	107,651	796
Youth/Teen center	104,470	113,470	109,315	4,155
Fitness center	176,686	158,686	287,888	(129,202)
Nutrition	-	35,000	12,024	22,976
Cemeteries	241,115	241,115	162,176	78,939
Total parks and recreation	\$ 1,444,697	\$ 1,405,597	\$ 1,384,507	\$ 21,090
Cultural enrichment:				
E. Lee Trinkle visitor center	\$ 84,470	\$ 84,470	\$ 82,491	\$ 1,979
Museums and heritage education	125,267	118,267	91,379	26,888
Homestead museum	31,090	38,090	35,960	2,130
Museums and Heritage Center	205,965	205,965	202,476	3,489
Total cultural enrichment	\$ 446,792	\$ 446,792	\$ 412,306	\$ 34,486
Total parks, recreation, and cultural	\$ 1,891,489	\$ 1,852,389	\$ 1,796,813	\$ 55,576
Community development:				
Planning and community development:				
Director of public information	\$ 290,060	\$ 310,060	\$ 300,798	\$ 9,262
Chamber of commerce	111,470	111,470	108,050	3,420
Horticulture	133,415	133,415	102,929	30,486
Meeting Center	457,945	442,945	400,410	42,535
Other community development	-	-	86,413	(86,413)
Total planning and community development	\$ 992,890	\$ 997,890	\$ 998,600	\$ (710)
Total community development	\$ 992,890	\$ 997,890	\$ 998,600	\$ (710)

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

Schedule 2
Page 3 of 3

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Debt service:				
Principal retirement	\$ 706,756	\$ 706,756	\$ 341,815	\$ 364,941
Interest and other fiscal charges	302,301	302,301	585,692	(283,391)
Total debt service	<u>\$ 1,009,057</u>	<u>\$ 1,009,057</u>	<u>\$ 927,507</u>	<u>\$ 81,550</u>
 Total General Fund	 <u>\$ 12,843,512</u>	 <u>\$ 12,843,512</u>	 <u>\$ 12,373,485</u>	 <u>\$ 470,027</u>
 Wall of Honor Fund:				
Parks, recreation, and cultural:				
Parks and recreation:				
Other parks and recreation	\$ -	\$ -	\$ 600	\$ (600)
 Total Wall of Honor Fund	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 600</u>	 <u>\$ (600)</u>
 Total Primary Government	 <u>\$ 12,843,512</u>	 <u>\$ 12,843,512</u>	 <u>\$ 12,374,085</u>	 <u>\$ 469,427</u>

Other Statistical Information

Table 1

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

Fiscal Year	General		Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural		Community Development	Interest on Long- Term Debt		Water and Sewer	Total				
	Government Administration	Government														
2003-04	\$	1,409,830	\$	1,995,714	\$	5,052	\$	783,660	\$	258,585	\$	58,671	\$	4,804,957	\$	11,760,495
2004-05		1,419,300		2,195,909		5,407		1,024,005		299,297		53,892		4,763,773		11,989,832
2005-06		1,694,003		2,141,543		5,725		1,224,791		376,296		241,768		5,228,416		13,669,768
2006-07		1,513,692		2,252,477		5,096		1,200,948		584,942		603,356		5,338,898		14,886,680
2007-08		1,679,294		2,655,638		13,237		1,914,984		849,741		684,441		5,473,375		16,578,195
2008-09		1,749,917		2,812,237		6,768		1,755,356		865,663		666,665		5,533,058		16,983,161
2009-10		1,753,803		2,741,033		7,426		1,905,998		842,390		637,665		5,849,682		17,345,364
2010-11		2,072,793		3,088,094		7,051		1,967,550		874,542		617,794		5,667,829		17,483,493
2011-12		1,810,037		3,040,482		16,195		1,838,014		1,331,548		592,141		5,394,734		18,400,021
2012-13		1,702,254		2,961,351		8,807		1,692,012		999,776		587,355		5,111,728		16,981,828

Table 2

Town of Wytheville, Virginia
Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Fines and Forfeitures	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2003-04	\$ 3,346,602	\$ 2,129,823	\$ -	\$ -	\$ 882,337	\$ 4,644,189	\$ 34,904	\$ 108,774	\$ 91,726	\$ 128,044	\$ 11,366,399
2004-05	4,308,516	2,332,356	-	-	872,367	5,219,712	-	178,279	1,176,093	112,897	14,200,220
2005-06	4,735,609	2,782,272	560,000		1,242,163	5,654,811	84,858	457,156	980,980	140,925	16,638,774
2006-07	5,180,124	2,383,769	547,433		1,180,184	5,935,622	-	775,903	679,101	130,492	16,812,628
2007-08	6,020,604	2,382,195	-		1,566,495	6,152,682	-	733,359	86,111	120,657	17,062,103
2008-09	5,970,690	2,384,354	-		1,642,174	5,969,361	-	549,591	315,318	127,695	16,959,183
2009-10	5,912,685	2,345,899	-		1,638,257	5,479,318	-	521,621	384,756	557,392	16,839,928
2010-11	5,954,107	2,488,479	52,478		1,630,380	5,637,844	-	506,198	523,468	550,766	17,343,720
2011-12	6,218,235	2,932,482	40,438		1,622,277	5,986,032	-	527,647	365,800	559,751	18,252,662
2012-13	6,789,034	2,732,334	1,833,565		1,627,185	6,208,331	-	542,179	522,726	581,813	20,837,167

Town of Wytheville, Virginia
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government		Parks, Recreation, and Cultural						Community Development		Capital Projects		Debt Service		Total
	Administration	Safety	Public Works	Health and Welfare	Recreation, and Cultural	Community Development	Capital Projects	Debt Service	Total						
2003-04	\$ 1,413,612	\$ 2,087,329	\$ 2,389,392	\$ 5,052	\$ 809,704	\$ 268,143	\$ 930,032	\$ 150,230	\$ 8,053,494						
2004-05	1,601,017	2,237,173	2,314,794	5,407	1,012,337	295,766	1,844,667	175,720	9,486,881						
2005-06	1,778,478	2,175,501	2,813,861	5,725	1,303,760	375,737	8,114,964	240,167	16,808,193						
2006-07	1,625,204	2,511,889	2,862,275	5,096	1,305,235	575,764	6,260,369	903,745	16,049,577						
2007-08	1,769,720	2,667,804	3,293,887	13,237	1,868,329	850,405	122,071	2,195,211	12,780,664						
2008-09	1,697,051	2,956,207	3,343,931	6,768	1,861,491	860,305	1,467	1,211,488	11,938,708						
2009-10	1,670,058	2,754,738	3,103,138	7,426	1,868,294	836,689	-	1,152,918	11,393,261						
2010-11	2,017,959	2,785,249	2,973,737	7,051	1,936,379	867,113	4,157	1,014,858	11,606,503						
2011-12	2,223,202	3,124,985	3,575,532	16,195	1,835,729	1,327,752	-	1,899,341	14,002,736						
2012-13	2,082,596	2,863,559	3,695,603	8,807	1,797,413	998,600	-	927,507	12,374,085						

(1) Includes General, Special Revenue, and Capital Projects funds of the Primary Government.

Table 4

Town of Wytheville, Virginia
General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2003-04	\$ 879,731	\$ 4,644,159	\$ 125,015	\$ 34,904	\$ 108,774	\$ 302,736	\$ 86,138	\$ 2,928	\$ 2,257,867	\$ 8,442,252
2004-05	888,473	5,219,712	63,417	43,518	178,279	380,111	1,176,093	214,027	2,445,253	10,608,883
2005-06	1,186,989	5,654,811	120,940	84,858	457,156	377,222	980,980	73,363	3,133,197	12,069,516
2006-07	1,223,926	5,935,622	143,265	85,537	775,903	711,083	679,101	172,325	2,999,261	12,726,023
2007-08	1,566,604	6,152,682	168,997	60,828	733,359	1,099,399	79,684	94,267	2,502,852	12,458,672
2008-09	1,623,756	5,969,361	140,707	59,139	549,591	1,194,743	312,503	143,694	2,512,049	12,505,543
2009-10	1,618,701	5,479,318	131,545	48,018	521,621	1,088,555	384,756	16,581	2,903,291	12,192,386
2010-11	1,606,847	5,637,844	135,442	51,880	504,623	1,099,982	523,464	39,138	3,089,245	12,688,465
2011-12	1,584,011	5,986,032	130,591	56,260	525,249	1,088,954	363,895	32,358	3,492,233	13,259,583
2012-13	1,674,623	6,208,331	170,403	73,162	535,959	1,027,034	447,629	198,802	3,538,347	13,874,290

(1) Includes General, Special Revenue, and Capital Projects funds of the Primary Government.

Table 5

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

Fiscal Year	Total Tax Levy (1,3)	Current Tax Collections (1,3)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2003-04	\$ 899,781	\$ 873,253	97.05%	\$ 23,673	\$ 896,926	99.68%	\$ 41,788	4.64%
2004-05	859,499	837,614	97.45%	40,824	878,438	102.20%	31,397	3.65%
2005-06	1,233,610	1,216,897	98.65%	17,303	1,234,200	100.05%	27,777	2.25%
2006-07	1,295,414	1,252,435	96.68%	24,056	1,276,491	98.54%	40,725	3.14%
2007-08	1,597,819	1,573,653	98.49%	26,031	1,599,684	100.12%	48,380	3.03%
2008-09	1,666,957	1,639,349	98.34%	16,315	1,655,664	99.32%	55,007	3.30%
2009-10	1,677,626	1,645,525	98.09%	17,735	1,663,260	99.14%	79,785	4.76%
2010-11	1,670,817	1,621,867	97.07%	25,899	1,647,766	98.62%	93,082	5.57%
2011-12	1,668,570	1,613,883	96.72%	19,586	1,633,469	97.90%	128,486	7.70%
2012-13	1,668,534	1,627,494	97.54%	76,026	1,703,520	102.10%	85,090	5.10%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years and first half of current tax year.

(3) Includes amounts paid by the Commonwealth of VA under the PPTRA.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (1)	Public Utility (2)		Total
			Real Estate	Personal Property	
2003-04	\$ 493,371,435	\$ 103,823,031	\$ 32,758,710	\$ 614,024	\$ 630,567,200
2004-05	511,817,426	113,753,167	29,306,604	119,049	654,996,246
2005-06	522,286,760	123,907,776	28,554,442	40,219	674,789,197
2006-07	556,901,460	133,984,761	22,839,288	14,624	713,740,133
2007-08	741,692,480	131,898,828	31,138,767	29,124	904,759,199
2008-09	766,175,970	146,226,226	25,648,614	25,663	938,076,473
2009-10	774,457,660	144,166,990	29,122,192	45,781	947,792,623
2010-11	780,360,645	138,668,979	27,223,533	93,702	946,346,859
2011-12	784,201,479	135,028,147	29,030,462	91,414	948,351,502
2012-13	778,870,700	136,520,057	31,842,008	106,972	947,339,737

(1) Real estate, personal property and mobile homes are assessed at 100% of fair market value.

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

Table 7

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

Fiscal Year			Personal Property	Public Utility	
				Real Estate	Personal Property
2003-04	\$	0.113	\$ 0.280	\$ 0.113	\$ 0.280
2004-05		0.113	0.280	0.113	0.280
2005-06		0.160	0.280	0.160	0.280
2006-07		0.160	0.280	0.160	0.280
2007-08		0.160	0.280	0.160	0.280
2008-09		0.160	0.280	0.160	0.280
2009-10		0.160	0.280	0.160	0.280
2010-11		0.160	0.280	0.160	0.280
2011-12		0.160	0.280	0.160	0.280
2012-13		0.160	0.280	0.160	0.280

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2003-04	7,804	\$ 630,567	\$ 11,358,141	1.80%	\$ 1,455
2004-05	7,804	654,996	11,973,028	1.83%	1,534
2005-06	7,804	674,789	22,982,200	3.41%	2,945
2006-07	7,804	713,740	21,362,105	2.99%	2,737
2007-08	7,804	904,759	25,036,888	2.77%	3,208
2008-09	7,804	938,076	24,139,045	2.57%	3,093
2009-10	7,804	947,793	23,202,621	2.45%	2,973
2010-11	8,211	946,347	22,390,991	2.37%	2,727
2011-12	8,211	948,352	21,636,125	2.28%	2,635
2012-13	8,211	947,340	21,493,275	2.27%	2,618

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

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

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.
Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

Table 9

Town of Wytheville, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures (1)
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2003-04	\$ 92,818	\$ 57,412	\$ 150,230	\$ 8,053,494	1.87%
2004-05	119,979	55,741	175,720	9,486,881	1.85%
2005-06	116,807	123,360	240,167	16,812,434	1.43%
2006-07	193,262	710,483	903,745	16,049,577	5.63%
2007-08	1,525,223	669,988	2,195,211	12,780,664	17.18%
2008-09	545,887	665,601	1,211,488	11,938,708	10.15%
2009-10	512,937	639,981	1,152,918	11,393,261	10.12%
2010-11	396,490	618,368	1,014,858	11,606,503	8.74%
2011-12	1,306,243	593,098	1,899,341	14,002,736	13.56%
2012-13	341,815	585,692	927,507	12,374,085	7.50%

(1) Includes General and Special Revenue funds of the Primary Government.

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

Assessed valuations:

Assessed value (real estate)	<u>\$ 778,870,700</u>
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Legal debt margin

Debt limitation - 10 percent of total assessed value	77,887,070
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Debt applicable to limitation:

Net bonded debt	<u>(21,493,275)</u>
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Total debt applicable to limitation	<u>(21,493,275)</u>
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Legal debt margin

	<u>\$ 56,393,795</u>
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COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Members of the Town Council
Town of Wytheville, Virginia
Wytheville, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Wytheville, Virginia as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Wytheville, Virginia's basic financial statements and have issued our report thereon dated December 10, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (2013-1, 2013-2)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Wytheville, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2013-3.

Town of Wytheville, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Turner, Cox Associates

Blacksburg, Virginia
December 10, 2013

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

To the Honorable Members of the Town Council
Town of Wytheville, Virginia
Wytheville, Virginia

Report on Compliance for Each Major Federal Program

We have audited Town of Wytheville, 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 of Town of Wytheville, Virginia's major federal programs for the year ended June 30, 2013. Town of Wytheville, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Wytheville, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Town of Wytheville, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Town of Wytheville, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Town of Wytheville, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Wytheville, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Wytheville, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Turner, Co. Associates

Blacksburg, Virginia
December 10, 2013

Town of Wytheville, Virginia

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
United States Department of Agriculture: Pass through payments: Rural Development ARRA - Water and Waste Disposal Systems for Rural Communities	10.781	Not applicable	\$ 3,158,452
Department of Housing and Urban Development: Pass through payments: Department of Housing and Community Development: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Not applicable	\$ 121,413
Department of Transportation: Pass through payments: Department of Motor Vehicles: Alcohol Open Container Requirements	20.607	154AL-2011-51221-4163 154AL-2012-52276-4654	\$ 28,697
Virginia Department of Transportation: Highway Planning and Construction	20.205	EN04139105	291,872
Total Department of Transportation			\$ 320,569
Total Expenditures of Federal Awards			\$ 3,600,434

NOTE 1--BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Wytheville, Virginia under programs of the federal government for the year ended June 30, 2013. 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 Town of Wytheville, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Wytheville, Virginia.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- (1) 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 State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

NOTE 3--SUBRECIPIENTS:

Of the federal expenditures presented in the Schedule, Town of Wytheville, Virginia provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	\$ 121,413

NOTE 4--RELATIONSHIP TO THE FINANCIAL STATEMENTS:

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

Intergovernmental federal revenues/loan proceeds per the basic financial statements:

Primary government:	
General Fund	\$ 441,982
Water & Sewer Fund	1,413,365
Loan Proceeds in Water & Sewer Fund	1,745,087
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 3,600,434

Town of Wytheville, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.781	ARRA - Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

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Town of Wytheville, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section II - Financial Statement Findings

2013-1

Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	The Town lacks proper segregation of duties over the billings and collections functions in the Treasurer's office.
Context:	There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Cause of Condition:	Budget constraints on most local governments limit their ability to comply with proper segregation of duties.
Recommendation:	The Town should try to reduce some of the segregation issues by implementing controls that will mitigate the risk of one person having too much control.
Management's Response:	Management acknowledges that internal control over the functions listed above lack proper segregation of duties; however, to alleviate same would require additional staff. Due to cost constraints, the Town has decided not to address the aforementioned internal control deficiencies.

2013-2

Criteria:	Per Statement on Auditing Standards 115 (SAS 115), identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness exists.
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 of Condition:	The Town does not have proper controls in place to notice and correct errors in closing their year end financial statements.
Effect of Condition:	There is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal controls over financial reporting.

Town of Wytheville, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section II - Financial Statement Findings (continued)

2013-2 (continued)

Recommendation: The Town should review the auditors' proposed audit adjustments for 2013 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.

Management's Response: The Town will review the auditor's proposed audit adjustments for 2013 and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

2013-3

Criteria: The Auditor of Public Accounts' *Specifications for Audits of Counties, Cities, and Towns* requires us to perform certain procedures regarding Urban Highway Maintenance.

Condition: Records being maintained by the Town do not allow us to properly perform those procedures.

Context: There are no logs kept of work performed on individual streets.

Cause of Condition: Misunderstanding of required documentation by Town personnel.

Effect of Condition: The auditors were unable to appropriately track work performed on individual streets and thus it is difficult to determine if the state funding is being used appropriately.

Recommendation: The Town should begin tracking all work on a daily basis in accordance with the Auditors of Public Accounts' *Specifications for Audits of Counties, Cities, and Towns*.

Management's Response: Management is working towards having a system in place that will track costs by eligible roads.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings and Questioned Costs

2012-1 is recurring in the current year.