

TOWN OF WYTHEVILLE, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

TOWN OF WYTHEVILLE, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012

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TOWN OF WYTHEVILLE, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012

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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

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wytheville, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the entity's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Wytheville, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2012, 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, 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* and should be considered in assessing the results of our audit.

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 schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the

basic financial statements. We do not express an opinion or provide any assurance on the schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted the 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 operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the Town of Wytheville, Virginia's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Robinson, Turner, Cox Associates

Blacksburg, Virginia
November 8, 2012

Basic Financial Statements

Town of Wytheville, Virginia
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental	Business-type	Total
	<u>Activities</u>	<u>Activities</u>	
ASSETS			
Cash and cash equivalents	\$ 14,887,780	\$ -	\$ 14,887,780
Investments	347,153	-	347,153
Receivables (net of allowance for uncollectibles):			
Taxes receivable	125,324	-	125,324
Accounts receivable	375,068	696,047	1,071,115
Internal balances	2,018,410	(2,018,410)	-
Due from other governmental units	184,077	-	184,077
Prepaid expenses	29,007	-	29,007
Noncurrent assets:			
Restricted cash, cash equivalents, and investments:			
Cash and cash equivalents	220,805	46,010	266,815
Other assets:			
Unamortized bond issue costs	2,748	20,157	22,905
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	16,292,102	18,377,615	34,669,717
Machinery and equipment	1,141,304	190,961	1,332,265
Construction in progress	676,706	3,294,598	3,971,304
Total assets	<u>\$ 37,769,461</u>	<u>\$ 20,865,052</u>	<u>\$ 58,634,513</u>
LIABILITIES			
Accounts payable	\$ 200,750	\$ 1,052,984	\$ 1,253,734
Accrued wages	179,091	36,800	215,891
Accrued interest payable	26,016	102,807	128,823
Deferred revenue	6,324	-	6,324
Long-term liabilities:			
Due within one year	1,092,023	650,887	1,742,910
Due in more than one year	14,064,296	15,272,740	29,337,036
Liabilities payable from restricted assets	-	46,010	46,010
Total liabilities	<u>\$ 15,568,500</u>	<u>\$ 17,162,228</u>	<u>\$ 32,730,728</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 6,309,576	\$ 6,350,530	\$ 12,660,106
Restricted for:			
OPEB	14,214	-	14,214
Unrestricted	15,877,171	(2,647,706)	13,229,465
Total net assets	<u>\$ 22,200,961</u>	<u>\$ 3,702,824</u>	<u>\$ 25,903,785</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, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	
						Total	
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,810,037	\$ 201,408	\$ -	\$ -	\$ (1,608,629)		\$ (1,608,629)
Public safety	3,040,482	160,235	272,930	-	(2,607,317)		(2,607,317)
Public works	4,376,870	55,787	2,215,665	-	(2,105,418)		(2,105,418)
Health and welfare	16,195	-	-	-	(16,195)		(16,195)
Parks, recreation, and cultural	1,838,014	855,603	5,300	-	(977,111)		(977,111)
Community development	1,331,548	2,772	438,587	-	(890,189)		(890,189)
Interest on long-term debt	592,141	-	-	-	(592,141)		(592,141)
Total governmental activities	\$ 13,005,287	\$ 1,275,805	\$ 2,932,482	\$ -	\$ (8,797,000)		\$ (8,797,000)
Business-type activities:							
Water and sewer	\$ 5,394,734	\$ 4,942,430	\$ -	\$ 40,438		\$ (411,866)	\$ (411,866)
Total primary government	\$ 18,400,021	\$ 6,218,235	\$ 2,932,482	\$ 40,438	\$ (8,797,000)	\$ (411,866)	\$ (9,208,866)
General revenues:							
General property taxes					\$ 1,622,277	\$ -	\$ 1,622,277
Other local taxes:							
Local sales and use taxes					488,476	-	488,476
Consumers' utility taxes					233,923	-	233,923
Business license taxes					1,184,278	-	1,184,278
Bank stock taxes					326,401	-	326,401
Hotel and motel room taxes					1,009,963	-	1,009,963
Restaurant food taxes					2,320,440	-	2,320,440
Other local taxes					422,551	-	422,551
Unrestricted revenues from use of money and property					526,479	1,168	527,647
Miscellaneous					363,895	1,905	365,800
Grants and contributions not restricted to specific programs					559,751	-	559,751
Total general revenues					\$ 9,058,434	\$ 3,073	\$ 9,061,507
Change in net assets					\$ 261,434	\$ (408,793)	\$ (147,359)
Net assets - beginning					21,939,527	4,111,617	26,051,144
Net assets - ending					\$ 22,200,961	\$ 3,702,824	\$ 25,903,785

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

Town of Wytheville, Virginia
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 14,548,509	\$ 339,271	\$ 14,887,780
Investments	347,153	-	347,153
Receivables (net of allowance for uncollectibles):			
Taxes receivable	125,324	-	125,324
Accounts receivable	375,068	-	375,068
Due from other funds	2,018,410	-	2,018,410
Due from other governmental units	184,077	-	184,077
Total assets	<u>\$ 17,598,541</u>	<u>\$ 339,271</u>	<u>\$ 17,937,812</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 200,750	\$ -	\$ 200,750
Accrued wages	179,091	-	179,091
Deferred revenue	129,311	-	129,311
Total liabilities	<u>\$ 509,152</u>	<u>\$ -</u>	<u>\$ 509,152</u>
Fund balances:			
Committed:			
Debt service	\$ 5,000,000	\$ -	\$ 5,000,000
Rainy day	6,000,000	-	6,000,000
Special revenue funds	-	324,811	324,811
Assigned:			
Capital projects funds	2,500,000	14,460	2,514,460
Unassigned	3,589,389	-	3,589,389
Total fund balances	<u>\$ 17,089,389</u>	<u>\$ 339,271</u>	<u>\$ 17,428,660</u>
Total liabilities and fund balances	<u>\$ 17,598,541</u>	<u>\$ 339,271</u>	<u>\$ 17,937,812</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 Assets
 June 30, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 17,428,660
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,579,089
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	122,987
Issuance costs are recorded as other assets and amortized over the life of the debt and therefore are not reported in the funds.	2,748
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 assets.	220,805
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net assets.	29,007
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(15,182,335)
Net assets of governmental activities	<u>\$ 22,200,961</u>

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, 2012

	<u>General</u>	Other Governmental <u>Funds</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 1,584,011	\$ -	\$ 1,584,011
Other local taxes	5,986,032	-	5,986,032
Permits, privilege fees, and regulatory licenses	130,591	-	130,591
Fines and forfeitures	56,260	-	56,260
Revenue from the use of money and property	522,636	2,613	525,249
Charges for services	1,088,954	-	1,088,954
Miscellaneous	357,681	6,214	363,895
Recovered costs	32,358	-	32,358
Intergovernmental revenues:			
Commonwealth	3,052,017	-	3,052,017
Federal	440,216	-	440,216
Total revenues	<u>\$ 13,250,756</u>	<u>\$ 8,827</u>	<u>\$ 13,259,583</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,223,202	\$ -	\$ 2,223,202
Public safety	3,124,985	-	3,124,985
Public works	3,575,532	-	3,575,532
Health and welfare	8,267	7,928	16,195
Parks, recreation, and cultural	1,834,251	1,478	1,835,729
Community development	1,327,752	-	1,327,752
Debt service:			
Principal retirement	1,306,243	-	1,306,243
Interest and other fiscal charges	593,098	-	593,098
Total expenditures	<u>\$ 13,993,330</u>	<u>\$ 9,406</u>	<u>\$ 14,002,736</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (742,574)</u>	<u>\$ (579)</u>	<u>\$ (743,153)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	\$ (56,900)	\$ -	\$ (56,900)
Issuance of general obligation bonds	865,389	-	865,389
Capital leases	134,989	-	134,989
Total other financing sources (uses)	<u>\$ 943,478</u>	<u>\$ -</u>	<u>\$ 943,478</u>
Net change in fund balances	\$ 200,904	\$ (579)	\$ 200,325
Fund balances - beginning	16,888,485	339,850	17,228,335
Fund balances - ending	<u>\$ 17,089,389</u>	<u>\$ 339,271</u>	<u>\$ 17,428,660</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, 2012

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

Net change in fund balances - total governmental funds	\$ 200,325
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	343,646
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	38,266
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(280,385)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(52,045)
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	11,627
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Change in net assets of governmental activities	\$ 261,434
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The accompanying notes to the financial statements are an integral part of this statement.

Town of Wytheville, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	OPEB Fund
ASSETS		
Current assets:		
Accounts receivable, net of allowance for uncollectibles	\$ 696,047	\$ -
Total current assets	\$ 696,047	\$ -
Noncurrent assets:		
Restricted cash, cash equivalents, and investments:		
Cash and cash equivalents	\$ 46,010	\$ 220,805
Total restricted assets	\$ 46,010	\$ 220,805
Other assets:		
Unamortized bond issue costs	\$ 20,157	-
Capital assets:		
Land	163,236	
Land rights	94,838	-
Construction in progress	3,294,598	-
Machinery and equipment	1,473,126	-
Utility plant in service	48,237,501	-
Less accumulated depreciation	(31,142,051)	-
Total capital assets	\$ 22,121,248	\$ -
Total noncurrent assets	\$ 22,187,415	\$ 220,805
Total assets	\$ 22,883,462	\$ 220,805
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 1,052,984	\$ -
Accrued payroll	36,800	-
Accrued interest payable	102,807	-
Due to other funds	2,018,410	-
Compensated absences - current portion	114,682	-
Bonds payable - current portion	536,205	-
Total current liabilities	\$ 3,861,888	\$ -
Current liabilities payable from restricted assets:		
Customer deposits payable	\$ 46,010	\$ -
Noncurrent liabilities:		
Bonds payable - net of current portion	\$ 12,197,366	\$ -
Compensated absences - net of current portion	38,227	-
Amount due to Wythe County	3,037,147	-
Net OPEB liability	-	206,591
Total noncurrent liabilities	\$ 15,272,740	\$ 206,591
Total liabilities	\$ 19,180,638	\$ 206,591
NET ASSETS		
Invested in capital assets, net of related debt	\$ 6,350,530	\$ -
Restricted for OPEB	-	14,214
Unrestricted	(2,647,706)	-
Total net assets	\$ 3,702,824	\$ 14,214

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 Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	OPEB Fund
OPERATING REVENUES		
Charges for services:		
Water revenues	\$ 2,865,230	\$ -
Sewer revenues	2,041,324	-
Penalties	35,876	-
Miscellaneous	1,905	-
Total operating revenues	<u>\$ 4,944,335</u>	<u>\$ -</u>
OPERATING EXPENSES		
Salaries	\$ 1,129,241	\$ -
Fringe benefits	392,481	-
Professional services	240,037	-
Repair and maintenance	196,963	-
Operating materials and supplies	843,704	-
Permits, licenses & memberships	12,287	-
Utilities	384,049	-
Travel	4,369	-
Office supplies	13,006	-
Postal services	15,208	-
Insurance	28,979	-
Miscellaneous expenses	786	-
OPEB expense	-	46,503
Depreciation	1,182,560	-
Total operating expenses	<u>\$ 4,443,670</u>	<u>\$ 46,503</u>
Operating income (loss)	<u>\$ 500,665</u>	<u>\$ (46,503)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	\$ 1,168	\$ 1,230
Payment to NRRWA	(563,062)	-
Interest expense	(388,002)	-
Total nonoperating revenues (expenses)	<u>\$ (949,896)</u>	<u>\$ 1,230</u>
Income before contributions and transfers	<u>\$ (449,231)</u>	<u>\$ (45,273)</u>
Capital contributions and construction grants	\$ 40,438	\$ -
Transfers in	-	56,900
Change in net assets	<u>\$ (408,793)</u>	<u>\$ 11,627</u>
Total net assets - beginning	4,111,617	2,587
Total net assets - ending	<u><u>\$ 3,702,824</u></u>	<u><u>\$ 14,214</u></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, 2012

	Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	OPEB Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 4,938,085	\$ -
Payments to suppliers	(1,785,061)	-
Payments to and for employees	(1,508,228)	-
Net cash provided by (used for) operating activities	\$ 1,644,796	\$ -
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	\$ 86,410	\$ 56,900
Payment to NRRWA	(563,062)	-
Net cash provided by (used for) noncapital financing activities	\$ (476,652)	\$ 56,900
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	\$ (2,421,156)	\$ -
Principal payments on bonds	(4,354,553)	-
Contributions in aid of construction	40,438	-
Proceeds from indebtedness	6,485,216	-
Interest payments	(532,077)	-
Loan payments to other localities	(602,678)	-
Net cash provided by (used for) capital and related financing activities	\$ (1,384,810)	\$ -
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	\$ 1,168	\$ 1,230
Net cash provided by (used for) investing activities	\$ 1,168	\$ 1,230
Net increase (decrease) in cash and cash equivalents	\$ (215,498)	\$ 58,130
Cash and cash equivalents - beginning - including restricted	261,508	162,675
Cash and cash equivalents - ending - including restricted	\$ 46,010	\$ 220,805
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 500,665	\$ (46,503)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	\$ 1,182,560	\$ -
(Increase) decrease in accounts receivable	(8,500)	-
(Increase) decrease in deferred revenue	(17)	-
Increase (decrease) in compensated absences	6,603	-
Increase (decrease) in operating accounts payable	(45,673)	-
Increase (decrease) in accrued payroll	6,891	-
Increase (decrease) in OPEB liability	-	46,503
Increase (decrease) customer deposits	2,267	-
Total adjustments	\$ 1,144,131	\$ 46,503
Net cash provided by (used for) operating activities	\$ 1,644,796	\$ -

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

Town of Wytheville, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Agency Funds		
	New River Regional Water <u>Authority</u>	Memorial <u>Fund</u>	Perpetual Care <u>Trust Fund</u>
ASSETS			
Cash and cash equivalents	\$ 959,477	\$ 30,047	\$ 68,673
Investments	-	-	261,104
Total assets	\$ 959,477	\$ 30,047	\$ 329,777
NET ASSETS			
Held for New River Regional Water Authority	\$ 959,477	\$ -	\$ -
Held in trust for cemetery expenditures	-	30,047	329,777
Total assets	\$ 959,477	\$ 30,047	\$ 329,777

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

Town of Wytheville, Virginia
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012

	<u>Perpetual Care Trust Fund</u>
ADDITIONS	
Contributions:	
Town	\$ 7,947
Total contributions	<u>\$ 7,947</u>
Investment earnings:	
Interest	\$ 7,992
Net increase (decrease) in the fair market value of investments	1,226
Net investment earnings	<u>\$ 9,218</u>
Total additions	<u>\$ 17,165</u>
DEDUCTIONS	
Expenses	<u>\$ 5,072</u>
Change in net assets	\$ 12,093
Net assets - beginning	317,684
Net assets - ending	<u><u>\$ 329,777</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, 2012

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, 2012, the Town contributed \$563,062 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, 2012, the Town contributed \$68,339 to the Crossroads Regional Industrial Facilities Authority. In addition, the Town received a payment of \$150,000 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, 2012, the Town contributed \$35,092 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, 2012, the Town contributed \$63,509 to the Joint Wythe Industrial Development Authority.

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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 assets 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 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 un-collectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the 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.

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

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

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 all financial resources of the general government, except those required to be accounted for 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.

During fiscal year 2009, the Town adopted GASB Statement 45. As such, the funding of the OPEB liability, internally, required establishing an internal service fund to account for these transactions. The Employee Health Insurance fund was included in the Town's financial for fiscal year ending June 30, 2012.

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.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's water and sewer 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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 government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity:

1. Deposits and Investments

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

Investments for the government 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. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$80,093 at June 30, 2012. The allowance consists of delinquent taxes in the amount of \$3,161 and delinquent water and sewer bills of \$76,932.

4. Use of Estimates

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

5. Capital Assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives 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

6. Compensated Absences

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

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

7. Long-term Obligations

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

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

8. Fund Equity

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

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

8. Fund Equity (Continued)

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.

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

	Other Governmental Funds
Fund Balances:	
Committed:	
Homestead Endowment	\$ 315,399
Wall of Honor	9,412
	<hr/>
Total Committed	\$ 324,811
	<hr/>

9. Net Assets

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that, "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$(15,182,335) difference for the primary government are as follows:

	Primary Government
Bonds payable	\$ (13,195,577)
Deferred amount of refunding	13,365
Capital Leases	(87,301)
Interest payable	(26,016)
Landfill closure liability	(664,589)
OPEB obligation	(206,591)
Compensated absences	(1,015,626)
	<u> </u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ (15,182,335)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$343,646 difference for the primary government are as follows:

	Primary Government
Capital outlays	\$ 1,187,379
Depreciation expense	(843,733)
	<u> </u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 343,646

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

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

Another element of that reconciliation states “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$(280,385) difference in the primary government are as follows:

	<u>Primary Government</u>
Debt Issued or Incurred:	
Bond issuance (net of call premium)	\$ (865,389)
Capital leases	(134,989)
Increase in landfill closure liability	(586,250)
Principal Repayments:	
General obligation debt	1,258,555
Capital leases	<u>47,688</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (280,385)</u>

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$(52,045) difference for the primary government are as follows:

	<u>Primary Government</u>
(Increase) decrease in compensated absences	\$ (82,009)
(Increase) decrease in accrued interest	(836)
Increase (decrease) in prepaid expenses	29,007
Amortization of deferred amount on refunding	(955)
Amortization of bond issuance costs	(132)
Amortization of bond issuance costs	<u>2,880</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (52,045)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 3 - 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, 2012, the Homestead Endowment Fund had expenditures in excess of appropriations in the amount of \$7,928.

C. Deficit fund equity:

At June 30, 2012, there were no funds with deficit fund equity.

NOTE 4 - DEPOSITS AND INVESTMENTS:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**NOTE 4 - 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, 2012 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	\$ 347,153	\$ -
U.S. Treasuries	-	261,104

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	\$ 261,104	\$ 146,978	\$ 15,370	\$ 98,756	\$ -

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.

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TOWN OF WYTHEVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS:

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

	<u>Primary Government</u>
Commonwealth of Virginia	
Other Local Taxes	\$ 100,597
Non-categorical Aid	77,045
Other Categorical Aid	<u>6,435</u>
Total Due from Other Governmental Units	<u>\$ 184,077</u>

NOTE 6 - INTERFUND ACTIVITY:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ (56,900)
OPEB Fund	56,900	-
Total	<u>\$ 56,900</u>	<u>\$ (56,900)</u>

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

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>
General Fund	\$ 1,972,400	\$ -
Water and Sewer Fund	-	(1,972,400)
Total	<u>\$ 1,972,400</u>	<u>\$ (1,972,400)</u>

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

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TOWN OF WYTHEVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 7 - LONG-TERM OBLIGATIONS:

Primary Government - Governmental Activity Indebtedness:

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2012:

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
General obligation bonds	\$ 13,580,288	\$ 873,844	\$ (1,258,555)	\$ 13,195,577
Deferred amount on refunding	-	(14,320)	955	(13,365)
Lease purchase obligations (Note 8)	-	134,989	(47,688)	87,301
Landfill postclosure monitoring liability (Note 9)	78,339	586,250	-	664,589
Other Post Employment Benefits Liability (Note 13)	160,088	55,703	(9,200)	206,591
Compensated absences	933,617	782,222	(700,213)	1,015,626
	<u>\$ 14,752,332</u>	<u>\$ 2,418,688</u>	<u>\$ (2,014,701)</u>	<u>\$ 15,156,319</u>

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2013	\$ 288,900	\$ 579,292
2014	301,627	566,563
2015	314,922	553,269
2016	328,809	539,382
2017	343,313	524,877
2018-2022	1,879,894	2,386,629
2023-2027	2,308,539	1,931,278
2028-2032	2,824,359	1,364,715
2033-2037	3,295,131	685,509
2038-2039	1,310,083	53,646
	<u>\$ 13,195,577</u>	<u>\$ 9,185,160</u>

TOWN OF WYTHEVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 7 - LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government - Governmental Activity Indebtedness: (Continued)

Details of long-term indebtedness:

General Obligation Bonds:

	Interest Rate	Date Issued	Final Maturity Date	Amount of Original Issue	Total Amount	Amount Due Within One Year
General Obligation Bond	4.50%	2/23/2005	1/23/2039	\$ 8,000,000	\$ 6,852,534	\$ 135,039
General Obligation Bond	4.50%	2/23/2005	1/23/2039	6,388,904	5,509,654	109,800
General Obligation Bond	4.03%	8/1/2011	3/1/2039	873,844	833,389	44,061
Less: deferred amount on refunding					(13,365)	(955)
Total General Obligation Bonds					<u>\$ 13,182,212</u>	<u>\$ 287,945</u>

Other Obligations:

Lease Purchase Obligations	\$ 87,301	\$ 42,358
Landfill postclosure liability	664,589	-
OPEB Obligation	206,591	-
Compensated absences	1,015,626	761,720
Total Other Obligations	<u>\$ 1,974,107</u>	<u>\$ 804,078</u>
Total Long-Term Obligations	<u>\$ 15,156,319</u>	<u>\$ 1,092,023</u>

Primary Government - Enterprise Activity Indebtedness:

The following is a summary of long-term debt transactions of the Enterprise Fund for the year ended June 30, 2012:

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
General obligation bonds	\$ 8,780,703	\$ 3,980,845	\$ (4,321,000)	\$ 8,440,548
Deferred amount on refunding	-	(65,236)	4,349	(60,887)
Revenue bonds	1,883,092	2,544,809	(73,991)	4,353,910
Amount due to Wythe Co.	2,832,161	807,664	(602,678)	3,037,147
Compensated absences	146,306	116,332	(109,729)	152,909
	<u>\$ 13,642,262</u>	<u>\$ 7,384,414</u>	<u>\$ (5,103,049)</u>	<u>\$ 15,923,627</u>

TOWN OF WYTHEVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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
2013	\$ 505,722	\$ 297,719	\$ 34,832	\$ 107,655
2014	523,466	279,794	90,404	149,006
2015	542,436	261,240	147,875	118,981
2016	562,641	242,012	151,812	115,044
2017	582,087	222,065	155,862	110,994
2018-2022	2,877,281	801,821	844,256	490,024
2023-2027	1,972,084	308,438	964,576	369,704
2028-2032	874,831	74,700	988,485	231,501
2033-2037	-	-	399,126	129,714
2038-2042	-	-	326,986	53,744
2043-2044	-	-	105,238	4,517
	<u>\$ 8,440,548</u>	<u>\$ 2,487,789</u>	<u>\$ 4,209,452</u>	<u>\$ 1,880,884</u>

Details of long-term indebtedness:

	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	\$ 834,532	\$ 19,828
Revenue Bonds	4.38%	6/9/2005	2044	822,000	763,613	11,313
Revenue Bonds	4.38%	8/17/2004	2044	270,000	251,394	3,691
Revenue Bonds	2.25%	12/13/2011	2032	2,359,913	2,359,913	-
Revenue Bonds (1)	2.93%	12/2/2011	2032	184,896	144,458	-
Total Revenue Bonds					<u>\$ 4,353,910</u>	<u>\$ 34,832</u>
General Obligation Bonds:						
General Obligation Bonds	3.69%	4/6/2005	2024	\$ 4,442,000	\$ 3,133,000	\$ 212,000
General Obligation Bonds	3.61%	9/15/2005	2025	2,100,000	1,511,000	93,000
General Obligation Bonds	4.03%	8/1/2011	2031	3,980,845	3,796,548	200,722
Deferred amount on refunding					(60,887)	(4,349)
Total General Obligation Bonds					<u>\$ 8,379,661</u>	<u>\$ 501,373</u>

TOWN OF WYTHEVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 7 - LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government - Enterprise Activity Indebtedness: (Continued)

Details of long-term indebtedness: (Continued)

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Amount Due	Amount Due Within One Year
Other Obligations:						
Amount due to Wythe Co. (2)					\$ 3,037,147	\$ -
Compensated Absences					152,909	114,682
Total Other Obligations					\$ 3,190,056	\$ 114,682
Total Long-term Obligations					\$ 15,923,627	\$ 650,887

- (1) The VRA Note issuance in the amount of \$184,896 is still in the draw-down stage and therefore an amortization schedule has not been presented.
- (2) This amount is related to construction of water/sewer lines for 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. In addition, the County has paid \$877,044 in cash for the exit 77/interconnect project. The repayment terms for the cash amount has not been determined.

NOTE 8 - CAPITAL LEASES:

Primary Government:

The Town has entered into a lease agreement to finance the acquisition of four Crown Victoria vehicles 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	Total
Vehicles	\$ 106,475	\$ 28,514	\$ 134,989
Less: Accumulated Depreciation	(12,252)	(5,031)	(17,283)
Total	\$ 94,223	\$ 23,483	\$ 117,706

TOWN OF WYTHEVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 8 - CAPITAL LEASE: (CONTINUED)

Primary Government: (Continued)

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

Year Ending June 30,	Capital Leases Crown Victorias	Capital Leases Chevrolet Caprice	Capital Leases Total
2013	\$ 37,579	\$ 10,109	\$ 47,688
2014	37,578	10,109	47,687
Subtotal	\$ 75,157	\$ 20,218	\$ 95,375
Less, amount representing interest	\$ (6,261)	\$ (1,813)	\$ (8,074)
Present Value of Lease Agreement	\$ 68,896	\$ 18,405	\$ 87,301

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, total postclosure monitoring costs are estimated to be \$664,589. 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 2012. 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)

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

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLANS: (CONTINUED)

A. Plan Description: (Continued)

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012NOTE 10 - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLANS: (CONTINUED)

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. 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 2012 was 6.01% of annual covered payroll.

C. Annual Pension Cost:

For the fiscal year ended June 30, 2012, the Town of Wytheville's annual pension cost of \$341,246 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
6/30/2012	\$ 341,246	100%	\$ -
6/30/2011	332,960	100%	-
6/30/2010	259,114	100%	-

¹ Employer portion only

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and 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, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress:

As of June 30, 2011, the most recent actuarial valuation date, the plan was 80.74% funded. The actuarial accrued liability for benefits was \$20,575,023, and the actuarial value of assets was \$16,611,953, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,963,070. The covered payroll (annual payroll of active employees covered by the plan) was \$5,475,909, and ratio of the UAAL to the covered payroll was 72.37%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM AND PENSION PLANS: (CONTINUED)**D. Funded Status and Funding Progress: (Continued)**

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.

NOTE 11 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2012 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	154,714	658,965	(136,973)	676,706
Total capital assets not being depreciated	\$ 1,623,691	\$ 658,965	\$ (136,973)	\$ 2,145,683
Capital assets, being depreciated:				
Buildings and improvements	\$ 19,518,808	\$ 136,973	\$ -	\$ 19,655,781
Machinery and equipment	4,421,183	528,414	(77,000)	4,872,597
Total capital assets being depreciated	\$ 23,939,991	\$ 665,387	\$ (77,000)	\$ 24,528,378
Less: accumulated depreciation				
Buildings and improvements	\$ (2,888,971)	\$ (474,708)	\$ -	\$ (3,363,679)
Machinery and equipment	(3,439,268)	(369,025)	77,000	(3,731,293)
Total accumulated depreciation	\$ (6,328,239)	\$ (843,733)	\$ 77,000	\$ (7,094,972)
Total capital assets being depreciated, net	\$ 17,611,752	\$ (178,346)	\$ -	\$ 17,433,406
Governmental activities capital assets, net	\$ 19,235,443	\$ 480,619	\$ (136,973)	\$ 19,579,089

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TOWN OF WYTHEVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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	50,000	3,244,598	-	3,294,598
Total capital assets not being depreciated	<u>\$ 308,074</u>	<u>\$ 3,244,598</u>	<u>\$ -</u>	<u>\$ 3,552,672</u>
Capital assets, being depreciated:				
Utility plant and equipment (1)	\$ 47,321,583	\$ 915,918	\$ -	\$ 48,237,501
Machinery and equipment	1,350,081	123,045	-	1,473,126
Total capital assets being depreciated	<u>\$ 48,671,664</u>	<u>\$ 1,038,963</u>	<u>\$ -</u>	<u>\$ 49,710,627</u>
Less: accumulated depreciation for:				
Utility plant and equipment (1)	\$ (28,735,935)	\$ (1,123,951)	\$ -	\$ (29,859,886)
Machinery and equipment	(1,223,556)	(58,609)	-	(1,282,165)
Total accumulated depreciation	<u>\$ (29,959,491)</u>	<u>\$ (1,182,560)</u>	<u>\$ -</u>	<u>\$ (31,142,051)</u>
Total capital assets being depreciated, net	<u>\$ 18,712,173</u>	<u>\$ (143,597)</u>	<u>\$ -</u>	<u>\$ 18,568,576</u>
Business-Type activities capital assets, net	<u>\$ 19,020,247</u>	<u>\$ 3,101,001</u>	<u>\$ -</u>	<u>\$ 22,121,248</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	\$ 68,954
Public safety	179,730
Public works	556,814
Parks, recreation, and cultural	<u>38,235</u>
Total depreciation expense-governmental activities	<u>\$ 843,733</u>
Business-type activities:	
Water and Sewer	<u>\$ 1,182,560</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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:

From an accrual accounting perspective, the cost of post-employment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, 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 2012, the Town contributed \$9,200 in total for current premiums and prefunding amounts.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012NOTE 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	
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	\$ 56,900
Interest on net OPEB obligation	6,403
Adjustment to annual required contribution	(7,600)
Annual OPEB cost (expense)	55,703
Contributions made	(9,200)
Increase in net OPEB obligation	46,503
Net OPEB obligation - beginning of year	160,088
Net OPEB obligation - end of year	\$ 206,591

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

D. 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 2012 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>
6/30/2010	\$ 64,664	12%	\$ 104,064
6/30/2011	54,088	16%	160,088
6/30/2012	55,703	17%	206,591

E. 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.

F. 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, 2012

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

F. 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, 2012 was 26 years.

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, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 1,557,500	\$ 1,557,500	\$ 1,584,011	\$ 26,511
Other local taxes	5,074,500	5,074,500	5,986,032	911,532
Permits, privilege fees, and regulatory licenses	113,100	113,100	130,591	17,491
Fines and forfeitures	50,000	50,000	56,260	6,260
Revenue from the use of money and property	399,100	399,100	522,636	123,536
Charges for services	968,380	968,380	1,088,954	120,574
Miscellaneous	443,850	443,850	357,681	(86,169)
Recovered costs	6,250	6,250	32,358	26,108
Intergovernmental revenues:				
Commonwealth	3,306,685	3,306,685	3,052,017	(254,668)
Federal	508,880	508,880	440,216	(68,664)
Total revenues	\$ 12,428,245	\$ 12,428,245	\$ 13,250,756	\$ 822,511
EXPENDITURES				
Current:				
General government administration	\$ 2,957,038	\$ 2,563,938	\$ 2,223,202	\$ 340,736
Public safety	2,951,470	3,047,070	3,124,985	(77,915)
Public works	3,948,853	4,026,853	3,575,532	451,321
Health and welfare	7,500	8,300	8,267	33
Parks, recreation, and cultural	2,170,955	2,299,555	1,834,251	465,304
Community development	1,440,690	1,465,690	1,327,752	137,938
Debt service:				
Principal retirement	706,756	706,756	1,306,243	(599,487)
Interest and other fiscal charges	302,301	302,301	593,098	(290,797)
Total expenditures	\$ 14,485,563	\$ 14,420,463	\$ 13,993,330	\$ 427,133
Excess (deficiency) of revenues over (under) expenditures	\$ (2,057,318)	\$ (1,992,218)	\$ (742,574)	\$ 1,249,644
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ (65,100)	\$ (56,900)	\$ 8,200
Issuance of general obligation bonds	-	-	865,389	865,389
Issuance of capital leases	-	-	134,989	134,989
Total other financing sources and uses	\$ -	\$ (65,100)	\$ 943,478	\$ 1,008,578
Net change in fund balances	\$ (2,057,318)	\$ (2,057,318)	\$ 200,904	\$ 2,258,222
Fund balances - beginning	2,057,318	2,057,318	16,888,485	14,831,167
Fund balances - ending	\$ -	\$ -	\$ 17,089,389	\$ 17,089,389

Town of Wytheville, Virginia
Schedules of Pension and OPEB Funding Progress
For the Year Ended June 30, 2012

Primary Government:

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)
6/30/2011	\$ 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%
6/30/2009	15,889,802	17,408,534	1,518,732	91.28%	5,508,541	27.57%

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

OTHER SUPPLEMENTARY INFORMATION SECTION

Supplementary Financial Statements

Town of Wytheville, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue			Capital Projects	Total Nonmajor Governmental Funds
	Homestead Endowment Fund	Wall of Honor Fund	Total	CDBG Funds	
ASSETS					
Cash and cash equivalents	\$ 315,399	\$ 9,412	\$ 324,811	\$ 14,460	\$ 339,271
Total assets	\$ 315,399	\$ 9,412	\$ 324,811	\$ 14,460	\$ 339,271
LIABILITIES AND FUND BALANCES					
Fund balances:					
Committed for:					
Homestead Endowment	\$ 315,399	\$ -	\$ 315,399	\$ -	\$ 315,399
Wall of Honor	-	9,412	9,412	-	9,412
Assigned for:					
Capital Projects	-	-	-	14,460	14,460
Total fund balances	\$ 315,399	\$ 9,412	\$ 324,811	\$ 14,460	\$ 339,271
Total liabilities and fund balances	\$ 315,399	\$ 9,412	\$ 324,811	\$ 14,460	\$ 339,271

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

	Special Revenue			Capital Projects		Total
	Homestead Endowment <u>Fund</u>	Wall of Honor <u>Fund</u>	<u>Total</u>	CDBG <u>Funds</u>	Nonmajor Governmental <u>Funds</u>	
REVENUES						
Revenue from the use of money and property	\$ 2,462	\$ 59	\$ 2,521	\$ 92	\$ 2,613	
Miscellaneous	3,464	2,400	5,864	350	6,214	
Total revenues	\$ 5,926	\$ 2,459	\$ 8,385	\$ 442	\$ 8,827	
EXPENDITURES						
Current:						
Health and welfare	\$ 7,928	\$ -	\$ 7,928	\$ -	\$ 7,928	
Parks, recreation, and cultural	-	1,478	1,478	-	1,478	
Total expenditures	\$ 7,928	\$ 1,478	\$ 9,406	\$ -	\$ 9,406	
Excess (deficiency) of revenues over (under) expenditures	\$ (2,002)	\$ 981	\$ (1,021)	\$ 442	\$ (579)	
Net change in fund balances	\$ (2,002)	\$ 981	\$ (1,021)	\$ 442	\$ (579)	
Fund balances - beginning	317,401	8,431	325,832	14,018	339,850	
Fund balances - ending	\$ 315,399	\$ 9,412	\$ 324,811	\$ 14,460	\$ 339,271	

Supporting Schedules

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

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	\$ 1,185,000	\$ 1,185,000	\$ 1,222,437	\$ 37,437
Real and personal public service corporation taxes	45,000	45,000	46,703	1,703
Personal property taxes	136,500	136,500	151,267	14,767
Mobile home taxes	3,000	3,000	3,375	375
Machinery and tools taxes	180,000	180,000	148,611	(31,389)
Penalties	5,000	5,000	7,434	2,434
Interest	3,000	3,000	4,184	1,184
Total general property taxes	\$ 1,557,500	\$ 1,557,500	\$ 1,584,011	\$ 26,511
Other local taxes:				
Local sales and use taxes	\$ 440,000	\$ 440,000	\$ 488,476	\$ 48,476
Consumers' utility taxes	235,000	235,000	233,923	(1,077)
Consumption taxes	-	-	52,541	52,541
Business license taxes	1,000,000	1,000,000	1,184,278	184,278
Franchise license tax	70,000	70,000	15,231	(54,769)
Motor vehicle licenses	125,000	125,000	123,836	(1,164)
Tobacco tax	175,000	175,000	207,893	32,893
Bank stock taxes	175,000	175,000	326,401	151,401
Hotel and motel room taxes	850,000	850,000	1,009,963	159,963
Restaurant food taxes	1,987,000	1,987,000	2,320,440	333,440
Interest on local taxes	17,500	17,500	23,050	5,550
Total other local taxes	\$ 5,074,500	\$ 5,074,500	\$ 5,986,032	\$ 911,532
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 500	\$ 500	\$ 428	\$ (72)
Land use permits	-	-	2,772	2,772
Building permits	20,000	20,000	20,570	570
Electrical permits	5,000	5,000	5,942	942
Plumbing permits	4,000	4,000	4,630	630
Mechanical permits	5,000	5,000	7,148	2,148
Burial permits	30,000	30,000	30,095	95
Monument permits	1,200	1,200	1,090	(110)
Subdivision permits	200	200	910	710
Zoning permits	500	500	1,197	697
Refuse tags and disposal permits	46,000	46,000	49,976	3,976
Permits and other licenses	700	700	5,833	5,133
Total permits, privilege fees, and regulatory licenses	\$ 113,100	\$ 113,100	\$ 130,591	\$ 17,491
Fines and forfeitures:				
Court fines and forfeitures	\$ 25,000	\$ 25,000	\$ 36,885	\$ 11,885
Parking fines	25,000	25,000	19,375	(5,625)
Total fines and forfeitures	\$ 50,000	\$ 50,000	\$ 56,260	\$ 6,260

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

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	\$ 311,100	\$ 311,100	\$ 382,317	\$ 71,217
Revenue from use of property	88,000	88,000	140,319	52,319
Total revenue from use of money and property	<u>\$ 399,100</u>	<u>\$ 399,100</u>	<u>\$ 522,636</u>	<u>\$ 123,536</u>
Charges for services:				
Charges for clerical services	\$ 106,205	\$ 106,205	\$ 104,799	\$ (1,406)
Charges for false alarms	500	500	75	(425)
Charges for fire services	18,000	18,000	46,055	28,055
Charges for law enforcement	25,000	25,000	12,643	(12,357)
Charges for cemetery plots	20,000	20,000	25,669	5,669
Charges for restaurant signs	1,000	1,000	4,275	3,275
Charges for copies	1,000	1,000	2,258	1,258
Charges for animal control	100	100	102	2
Charges for gift shop	16,000	16,000	16,455	455
Charges for admissions	48,300	48,300	58,868	10,568
Charges for parks and recreation	719,050	719,050	798,749	79,699
Charges for weed cutting	7,500	7,500	5,811	(1,689)
Charges for other services	5,725	5,725	13,195	7,470
Total charges for services	<u>\$ 968,380</u>	<u>\$ 968,380</u>	<u>\$ 1,088,954</u>	<u>\$ 120,574</u>
Miscellaneous revenue:				
Donations	\$ 24,150	\$ 24,150	\$ 41,875	\$ 17,725
Miscellaneous	419,700	419,700	315,806	(103,894)
Total miscellaneous revenue	<u>\$ 443,850</u>	<u>\$ 443,850</u>	<u>\$ 357,681</u>	<u>\$ (86,169)</u>
Recovered costs:				
Recovered costs	\$ 6,250	\$ 6,250	\$ 32,358	\$ 26,108
Total revenue from local sources	<u>\$ 8,612,680</u>	<u>\$ 8,612,680</u>	<u>\$ 9,758,523</u>	<u>\$ 1,145,843</u>
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 7,000	\$ 7,000	\$ 11,457	\$ 4,457
Mobile home titling tax	3,500	3,500	1,477	(2,023)
Motor vehicle rental tax	25,000	25,000	41,125	16,125
Telecommunication Tax	450,000	450,000	435,734	(14,266)
Personal property tax relief funds	61,000	61,000	61,076	76
Total noncategorical aid	<u>\$ 546,500</u>	<u>\$ 546,500</u>	<u>\$ 550,869</u>	<u>\$ 4,369</u>
Categorical aid:				
Department of technology (E-911)	\$ 35,000	\$ 35,000	\$ 39,999	\$ 4,999
Fire programs	21,000	21,000	21,950	950

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

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: (Continued)				
Intergovernmental revenue: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Highway maintenance	\$ 2,507,285	\$ 2,507,285	\$ 2,181,428	\$ (325,857)
Law enforcement block grant	188,500	188,500	190,471	1,971
Litter control	3,400	3,400	2,763	(637)
Virginia commission for the arts	5,000	5,000	5,300	300
Virginia tourism	-	-	25,000	25,000
Department of transportation	-	-	34,237	34,237
Total categorical aid	<u>\$ 2,760,185</u>	<u>\$ 2,760,185</u>	<u>\$ 2,501,148</u>	<u>\$ (259,037)</u>
Total revenue from the Commonwealth	<u>\$ 3,306,685</u>	<u>\$ 3,306,685</u>	<u>\$ 3,052,017</u>	<u>\$ (254,668)</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	\$ -	\$ -	\$ 17,747	\$ 17,747
CDBG for WRHA	500,000	500,000	413,587	(86,413)
Total categorical aid	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 431,334</u>	<u>\$ (68,666)</u>
Total revenue from the federal government	<u>\$ 508,880</u>	<u>\$ 508,880</u>	<u>\$ 440,216</u>	<u>\$ (68,664)</u>
Total General Fund	<u>\$ 12,428,245</u>	<u>\$ 12,428,245</u>	<u>\$ 13,250,756</u>	<u>\$ 822,511</u>
Special Revenue Funds:				
Homestead Endowment Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 2,462	\$ 2,462
Miscellaneous revenue:				
Contributions	\$ -	\$ -	\$ 3,464	\$ 3,464
Total Homestead Endowment Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,926</u>	<u>\$ 5,926</u>
Wall of Honor Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 59	\$ 59

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

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>
Special Revenue Funds: (Continued)				
Wall of Honor Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Contributions	\$ 2,100	\$ 2,100	\$ 2,400	\$ 300
Total Wall of Honor Fund	\$ 2,100	\$ 2,100	\$ 2,459	\$ 359
Capital Projects Fund:				
CDBG Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 92	\$ 92
Miscellaneous revenue:				
Contributions	\$ -	\$ -	\$ 350	\$ 350
Total CDBG Fund	\$ -	\$ -	\$ 442	\$ 442
Total Primary Government	\$ 12,430,345	\$ 12,430,345	\$ 13,259,583	\$ 829,238

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

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	\$ 681,567	\$ 683,967	\$ 383,909	\$ 300,058
General and financial administration:				
Town clerk	\$ 402,335	\$ 412,835	\$ 411,862	\$ 973
Commission member	12,970	13,520	13,580	(60)
Town manager	137,810	137,810	139,246	(1,436)
Assistant town manager	114,100	114,100	115,866	(1,766)
Legal services	11,000	11,000	5,818	5,182
Independent services	35,000	35,025	35,021	4
Town treasurer	189,225	189,225	187,306	1,919
Automotive/motor pool	206,260	211,360	209,908	1,452
Engineering department	1,164,271	752,596	718,982	33,614
Board of elections	2,500	2,500	1,704	796
Total general and financial administration	\$ 2,275,471	\$ 1,879,971	\$ 1,839,293	\$ 40,678
Total general government administration	\$ 2,957,038	\$ 2,563,938	\$ 2,223,202	\$ 340,736
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,910,225	\$ 2,005,225	\$ 2,099,083	\$ (93,858)
Communication center	304,600	304,600	298,852	5,748
Total law enforcement and traffic control	\$ 2,214,825	\$ 2,309,825	\$ 2,397,935	\$ (88,110)
Fire and rescue services:				
Fire department	\$ 588,345	\$ 588,345	\$ 578,633	\$ 9,712
Inspections:				
Building	\$ 76,070	\$ 76,070	\$ 75,824	\$ 246
Other protection:				
Animal control	\$ 44,855	\$ 45,455	\$ 45,218	\$ 237
Transportation study grant	27,375	27,375	27,375	-
Total other protection	\$ 72,230	\$ 72,830	\$ 72,593	\$ 237
Total public safety	\$ 2,951,470	\$ 3,047,070	\$ 3,124,985	\$ (77,915)
Public works:				
Maintenance of highways, streets, bridges & sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,259,129	\$ 1,281,629	\$ 1,257,002	\$ 24,627
Snow and ice removal	159,395	159,395	60,873	98,522
Streets, signs, and lights	441,590	441,590	382,578	59,012
Administration	121,860	121,860	113,086	8,774
Total maintenance of highways, streets, bridges & sidewalks	\$ 1,981,974	\$ 2,004,474	\$ 1,813,539	\$ 190,935
Sanitation and waste removal:				
Refuse collection and disposal	\$ 500,135	\$ 500,135	\$ 342,862	\$ 157,273

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

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)				
Maintenance of general buildings and grounds:				
General properties	\$ 81,100	\$ 108,600	\$ 108,013	\$ 587
Town hall	591,340	591,340	560,276	31,064
Community center and park	565,069	565,069	497,425	67,644
Parks	54,705	54,705	55,884	(1,179)
Emergency services buildings	69,970	81,970	79,043	2,927
Animal shelter	2,050	2,050	1,877	173
Weed control - mowing	102,510	118,510	116,613	1,897
Total maintenance of general buildings and grounds	<u>\$ 1,466,744</u>	<u>\$ 1,522,244</u>	<u>\$ 1,419,131</u>	<u>\$ 103,113</u>
Total public works	<u>\$ 3,948,853</u>	<u>\$ 4,026,853</u>	<u>\$ 3,575,532</u>	<u>\$ 451,321</u>
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ 7,500	\$ 8,300	\$ 8,267	\$ 33
Parks, recreation, and cultural:				
Parks and recreation:				
Community activities	\$ 43,060	\$ 43,060	\$ 13,052	\$ 30,008
Recreational programs	570,870	623,570	520,480	103,090
Swimming pools	11,050	11,050	5,194	5,856
Athletic programs	317,555	317,555	286,436	31,119
New community programs	123,752	123,752	99,655	24,097
Youth/Teen center	112,775	116,675	115,891	784
Fitness center	170,803	170,803	151,674	19,129
Nutrition	101,670	119,670	21,669	98,001
Cemeteries	251,885	251,885	184,922	66,963
Total parks and recreation	<u>\$ 1,703,420</u>	<u>\$ 1,778,020</u>	<u>\$ 1,398,973</u>	<u>\$ 379,047</u>
Cultural enrichment:				
E. Lee Trinkle visitor center	\$ 81,640	\$ 81,640	\$ 66,822	\$ 14,818
Museums and heritage education	142,090	142,090	98,088	44,002
Homestead museum	28,125	82,125	77,226	4,899
Museums and Heritage Center	215,680	215,680	193,142	22,538
Total cultural enrichment	<u>\$ 467,535</u>	<u>\$ 521,535</u>	<u>\$ 435,278</u>	<u>\$ 86,257</u>
Total parks, recreation, and cultural	<u>\$ 2,170,955</u>	<u>\$ 2,299,555</u>	<u>\$ 1,834,251</u>	<u>\$ 465,304</u>
Community development:				
Planning and community development:				
Director of public information	\$ 283,960	\$ 308,960	\$ 315,905	\$ (6,945)
Chamber of commerce	106,205	106,205	105,983	222
Horticulture	128,350	128,350	114,648	13,702
Meeting Center	422,175	422,175	377,629	44,546
Other community development	500,000	500,000	413,587	86,413
Total planning and community development	<u>\$ 1,440,690</u>	<u>\$ 1,465,690</u>	<u>\$ 1,327,752</u>	<u>\$ 137,938</u>
Total community development	<u>\$ 1,440,690</u>	<u>\$ 1,465,690</u>	<u>\$ 1,327,752</u>	<u>\$ 137,938</u>

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

Schedule 2
Page 3 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)				
Debt service:				
Principal retirement	\$ 706,756	\$ 706,756	\$ 1,306,243	\$ (599,487)
Interest and other fiscal charges	302,301	302,301	593,098	(290,797)
Total debt service	<u>\$ 1,009,057</u>	<u>\$ 1,009,057</u>	<u>\$ 1,899,341</u>	<u>\$ (890,284)</u>
 Total General Fund	 <u>\$ 14,485,563</u>	 <u>\$ 14,420,463</u>	 <u>\$ 13,993,330</u>	 <u>\$ 427,133</u>
 Homestead Endowment Fund:				
Health and welfare:				
Welfare and social services:				
Other welfare	\$ -	\$ -	\$ 7,928	\$ (7,928)
 Total Homestead Endowment Fund	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 7,928</u>	 <u>\$ (7,928)</u>
 Wall of Honor Fund:				
Parks, recreation, and cultural:				
Parks and recreation:				
Other parks and recreation	\$ 2,200	\$ 2,200	\$ 1,478	\$ 722
 Total Wall of Honor Fund	 <u>\$ 2,200</u>	 <u>\$ 2,200</u>	 <u>\$ 1,478</u>	 <u>\$ 722</u>
 Total Primary Government	 <u>\$ 14,487,763</u>	 <u>\$ 14,422,663</u>	 <u>\$ 14,002,736</u>	 <u>\$ 419,927</u>

Other Statistical Information

Table 1

Town of Wytheville, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years (1)

Fiscal Year	General				Parks,			Interest		Total
	Government Administration	Public Safety	Public Works	Health and Welfare	Recreation, and Cultural	Community Development	on Long- Term Debt	Water and Sewer		
2003-04	\$ 1,409,830	\$ 1,995,714	\$ 2,444,026	\$ 5,052	\$ 783,660	\$ 258,585	\$ 58,671	\$ 4,804,957	\$ 11,760,495	
2004-05	1,419,300	2,195,909	2,228,249	5,407	1,024,005	299,297	53,892	4,763,773	11,989,832	
2005-06	1,694,003	2,141,543	2,757,226	5,725	1,224,791	376,296	241,768	5,228,416	13,669,768	
2006-07	1,513,692	2,252,477	3,387,271	5,096	1,200,948	584,942	603,356	5,338,898	14,886,680	
2007-08	1,679,294	2,655,638	3,307,485	13,237	1,914,984	849,741	684,441	5,473,375	16,578,195	
2008-09	1,749,917	2,812,237	3,593,497	6,768	1,755,356	865,663	666,665	5,533,058	16,983,161	
2009-10	1,753,803	2,741,033	3,607,367	7,426	1,905,998	842,390	637,665	5,849,682	17,345,364	
2010-11	2,072,793	3,088,094	3,187,840	7,051	1,967,550	874,542	617,794	5,667,829	17,483,493	
2011-12	1,810,037	3,040,482	4,376,870	16,195	1,838,014	1,331,548	592,141	5,394,734	18,400,021	

(1) Information has only been available for 9 years.

Table 2

Town of Wytheville, Virginia
Government-Wide Revenues
Last Ten Fiscal Years (1)

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

(1) Information has only been available for 9 years.

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

Fiscal Year	General Government		Judicial Administration	Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural	Community Development	Capital Projects	Debt Service	Total
	Administration	Government									
2002-03	\$ 1,328,468	\$ -	-	\$ 1,833,934	\$ 2,446,568	\$ 5,611	\$ 731,755	\$ 255,568	\$ 168,992	\$ 130,219	\$ 6,901,115
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

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

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
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
2002-03	824,156		3,574,465		152,310		20,175		165,864		295,885		62,778		-		2,020,532		7,116,165
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

(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
2002-03	\$ 856,067	\$ 843,044	98.48%	\$ 15,788	\$ 858,832	100.32%	\$ 42,563	4.97%
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%

(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	
2002-03	\$ 484,990,208	\$ 101,679,956	\$ 30,201,787	\$ 145,189	\$ 617,017,140
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

(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
2002-03	\$	0.113	\$ 0.280	\$ 0.165	\$ 0.280
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

(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
2002-03	7,804	\$ 617,017	\$ 11,568,963	1.87%	\$ 1,482
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

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

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

(3) Includes all long-term general obligation bonded debt, 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
2002-03	\$ 71,793	\$ 58,426	\$ 130,219	\$ 6,901,115	1.89%
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%

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

Table 10

Town of Wytheville, Virginia
Computation of Legal Debt Margin
June 30, 2012

Assessed valuations:

Assessed value (real estate)	<u>\$ 784,201,479</u>
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Legal debt margin

Debt limitation - 10 percent of total assessed value	78,420,148
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Debt applicable to limitation:	
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Total debt applicable to limitation	<u>(21,636,125)</u>
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Legal debt margin

	<u>\$ 56,784,023</u>
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COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements 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 and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 8, 2012. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting 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 (reference 2012-1 and 2012-2).

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town of Wytheville, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs (reference 2012-3).

COMPLIANCE AND OTHER MATTERS (CONTINUED)

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

We noted certain other matters that we reported to management of the Town of Wytheville, Virginia in a separate letter dated November 8, 2012.

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

Robinson, Turner, Cox Associates

Blacksburg, Virginia
November 8, 2012

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

COMPLIANCE

We have audited the 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 the Town of Wytheville, Virginia's major federal programs for the year ended June 30, 2012. Town of Wytheville, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Wytheville, Virginia's management. Our responsibility is to express an opinion on the Town of Wytheville, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the Town of Wytheville, Virginia's compliance with those requirements.

In our opinion, the Town of Wytheville, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Robinson, Turner, Cox Associates

Blacksburg, Virginia
November 8, 2012

Town of Wytheville, Virginia

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

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Agriculture: Pass through payments: Rural Development ARRA - Water and Waste Disposal Systems for Rural Communities	10.781	Not applicable	\$ 2,359,913
U.S. Department of Housing and Urban Development: Pass through payments: Department of Housing and Community Development: Community Development Block Grant	14.228	Not applicable	\$ 413,587
Department of Transportation: Pass through payments: Department of Motor Vehicles: State and Community Highway Safety	20.607	154AL-2011-51221-4163 154AL-2012-52276-4654	\$ 17,747
Virginia Department of Transportation: Highway Planning and Construction	20.205	EN04139105	34,236
Total Department of Transportation			\$ 51,983
Total Expenditures of Federal Awards			\$ 2,825,483

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, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town of Wytheville, Virginia, it is not intended to and does not present the financial position, changes in net assets, 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:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount</u>
14.228	Community Development Block Grant	\$ 413,587

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	\$ 431,334
Loan Proceeds in Water & Sewer Fund	2,394,149
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 2,825,483

Town of Wytheville, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
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:	Unqualified
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
14.228	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
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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, 2012

Section II - Financial Statement Findings

2012-1

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.

2012-2

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, 2012

Section II - Financial Statement Findings (continued)

2012-2 (continued)

Recommendation:	The Town should review the auditors' proposed audit adjustments for 2012 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 2012 and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

2012-3

Criteria:	The Auditor of Public Accounts' <i>Specification for Audits of Counties, Cities, and Towns</i> 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' <i>Specification for Audits of Counties, Cities, and Towns</i> .
Management's Response:	Management will begin to track all work performed on individual streets.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings and Questioned Costs

2011-1 is recurring in the current year.