

TOWN OF TAZEWELL, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015

**TOWN OF TAZEWELL, VIRGINIA
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INTRODUCTORY SECTION

TOWN OF TAZEWELL, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2015

TOWN COUNCIL

A. Donald Buchanan, Jr., Mayor
Terry W. Mullins, Vice Mayor
Glenn L. Catron
David H. Fox
Jack T. Murray, Sr.
Chris R. Brown
Jerry McReynolds

APPOINTED OFFICIALS

Todd Day Town Manager
Sharon Davis..... Treasurer

INDEPENDENT AUDITORS

Brown, Edwards & Company, L.L.P.

ATTORNEYS

Gillespie, Hart, Altizer & Whitesell, P.C.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Members of Town Council
Town of Tazewell, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Tazewell, Virginia, (the "Town") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Tazewell, Virginia, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Notes 15 and 16 to the financial statements, in 2015, the Town adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Town's 2014 financial statements, on which, in our report dated November 24, 2014, we expressed an unmodified opinion. The 2014 financial information is provided for comparative purposes only. For the year ended June 30, 2015, beginning net position has been restated to reflect the impacts of adopting GASB Statement No. 68, as described in Note 14. However, the information for periods prior to June 30, 2014 is not readily available; therefore the 2014 financial information has not been restated to reflect the effects of the new standard.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents, 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 historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory and other information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and other information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2016 on our consideration of the Town'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* in considering the Town's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
February 12, 2016

FINANCIAL STATEMENTS

TOWN OF TAZEWELL, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2015

	Totals			
	Governmental Activities	Business-Type Activities	2015	(For Comparative Purposes Only) 2014
ASSETS				
Cash and cash equivalents (Note 2)	\$ 30,373	\$ 291,532	\$ 321,905	\$ 243,637
Investments (Note 2)	83,000	-	83,000	-
Investments, restricted (Note 2)	900,157	-	900,157	-
Receivables, net (Note 3)	234,319	461,894	696,213	655,382
Due from other governmental units (Note 4)	106,906	20,833	127,739	334,853
Internal balances (Note 5)	53,944	(53,944)	-	-
Capital assets: (Note 6)				
Not depreciated	2,953,288	3,597,653	6,550,941	5,615,841
Depreciated, net	1,890,271	4,809,881	6,700,152	7,058,515
Note Receivable (Note 14)	-	698,460	698,460	713,055
Net pension asset (Note 8)	79,804	29,517	109,321	-
Total assets	6,332,062	9,855,826	16,187,888	14,621,283
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date (Note 8)	70,351	25,633	95,984	-
LIABILITIES				
Accounts payable	107,625	85,066	192,691	618,847
Accrued payroll and related liabilities	49,166	11,199	60,365	56,927
Accrued interest payable	18,028	11,527	29,555	10,948
Customer deposits	-	100,185	100,185	98,427
Noncurrent liabilities:				
Unearned revenue (Note 14)	-	1,250,365	1,250,365	1,286,872
Due within one year (Note 7)	112,185	166,827	279,012	82,271
Due in more than one year (Note 7)	1,075,673	3,725,259	4,800,932	3,387,819
Total liabilities	1,362,677	5,350,428	6,713,105	5,542,111
DEFERRED INFLOWS OF RESOURCES				
Net difference between projected and actual investment earnings (Note 8)	258,389	95,569	353,958	-
NET POSITION				
Net investment in capital assets	4,715,017	4,597,276	9,312,293	9,327,405
Unrestricted	66,330	(161,814)	(95,484)	(248,233)
Total net position	\$ 4,781,347	\$ 4,435,462	\$ 9,216,809	\$ 9,079,172

TOWN OF TAZEWell, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	2015	(For Comparative Purposes Only) 2014
Governmental activities:								
General government administration	\$ 794,847	\$ -	\$ -	\$ -	\$ (794,847)	\$ -	\$ (794,847)	\$ (763,000)
Public safety	1,764,826	273,900	118,081	-	(1,372,845)		(1,372,845)	(1,217,009)
Public works	1,834,645	398,036	1,151,208	-	(285,401)		(285,401)	225,192
Parks, recreation, and cultural	376,038	47,925	-	-	(328,113)		(328,113)	(297,471)
Interest on long-term debt	24,312	-	-	-	(24,312)		(24,312)	(6,289)
Total governmental activities	4,794,668	719,861	1,269,289	-	(2,805,518)		(2,805,518)	(2,058,577)
Business-type activities:								
Water and sewer	2,178,715	2,254,488	270,838	-		346,611	346,611	288,639
Total business-type activities	2,178,715	2,254,488	270,838	-		346,611	346,611	288,639
Total primary government	\$ 6,973,383	\$ 2,974,349	\$ 1,540,127	\$ -	\$ (2,805,518)	346,611	(2,458,907)	(1,769,938)
General revenues:								
Property taxes					848,704	-	848,704	816,191
Sales taxes					304,204	-	304,204	292,869
Meals taxes					647,973	-	647,973	559,769
Utilities taxes					28,279	-	28,279	32,936
Business license taxes					193,100	-	193,100	244,768
Bank franchise taxes					222,291	-	222,291	170,392
Other local taxes and charges					222,881	-	222,881	162,580
Intergovernmental revenue, unrestricted					111,028	-	111,028	120,809
Investment income					308	28,981	29,289	30,023
Other					221,896	1,865	223,761	78,810
Total general revenues					2,800,664	30,846	2,831,510	2,509,147
Change in net position					(4,854)	377,457	372,603	739,209
NET POSITION AT JULY 1, as restated (Note 15)					4,786,201	4,058,005	8,844,206	8,339,963
NET POSITION AT JUNE 30					\$ 4,781,347	\$ 4,435,462	\$ 9,216,809	\$ 9,079,172

The Notes to Financial Statements are
an integral part of this statement.

TOWN OF TAZEWELL, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2015

	General Fund	
		(For Comparative Purposes Only)
	2015	2014
ASSETS		
Cash and cash equivalents	\$ 30,373	\$ 124,050
Investments	83,000	-
Investments, restricted	900,157	
Receivables, net	234,319	247,076
Due from other governmental units	106,906	163,085
Due from other fund	53,944	32,000
Total assets	<u>\$ 1,408,699</u>	<u>\$ 566,211</u>
LIABILITIES		
Accounts payable	\$ 107,625	\$ 99,418
Accrued payroll and related liabilities	49,166	47,968
Total liabilities	<u>156,791</u>	<u>147,386</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	<u>76,581</u>	<u>105,791</u>
FUND BALANCES		
Restricted		
Public works	900,157	-
Committed		
Public works	1,719,007	2,797,552
Unassigned	(1,443,837)	(2,484,518)
Total fund balances	<u>1,175,327</u>	<u>313,034</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,408,699</u>	<u>\$ 566,211</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Total fund balance	\$ 1,175,327	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	4,843,559	
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	76,581	
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows or resources for 2015 employer contributions	70,351	
Deferred inflows of resources for the net differences between projected and actual investment earnings on pension plan investments	(258,389)	
Net pension asset	79,804	
Long-term liabilities, including notes payable, accrued interest, net OPEB obligation, and compensated absences are not due and payable in the current period and therefore are not reported in the governmental fund.	(1,205,886)	
Net position of governmental activities	<u>\$ 4,781,347</u>	

TOWN OF TAZEWELL, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2015

	General Fund	
	(For Comparative Purposes Only)	
	2015	2014
REVENUES		
General property taxes	\$ 855,569	\$ 797,897
Other local taxes	1,274,358	1,107,274
Permits, privilege fees, and regulatory licenses	270,571	252,986
Fines and forfeitures	46,172	65,190
Revenue from use of money and property	308	632
Charges for services	344,169	357,001
Refuse charges	398,036	393,884
Intergovernmental	1,529,203	1,406,412
Other	100,637	75,949
Total revenues	4,819,023	4,457,225
EXPENDITURES		
Current:		
General government administration	749,359	735,709
Public safety	1,596,981	1,445,140
Public works	1,764,012	1,289,641
Parks, recreation, and cultural	379,408	342,256
Capital outlay	305,786	479,339
Debt service:		
Principal retirement	54,556	92,281
Interest and fiscal charges	6,628	6,168
Total expenditures	4,856,730	4,390,534
Excess (deficiency) of revenue over expenditures	(37,707)	66,691
OTHER FINANCING SOURCES		
Debt proceeds	900,000	148,125
Total other financing sources	900,000	148,125
Net change in fund balance	862,293	214,816
FUND BALANCE AT JULY 1	313,034	98,218
FUND BALANCE AT JUNE 30	<u>\$ 1,175,327</u>	<u>\$ 313,034</u>
Net change in fund balance	\$ 862,293	
Adjustments for the Statement of Activities:		
Governmental funds report capital outlays (\$321,449) as expenditures while governmental activities report depreciation expense (\$250,428) to allocate those expenditures over the life of the assets. This is the amount by which new capital assets exceeded depreciation in the current period.	71,021	
The net effect of the change in revenues in the statement of activities that do not provide current financial resources are not reported in the funds.	(29,210)	
Governmental funds report employer pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which employer pension contributions exceed pension expense in the current period.	63,291	
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of the difference in the treatment of long-term debt and related items.	(845,444)	
Some expenses reported in the statement of activities, such as compensated absences, net OPEB obligation, and accrued interest, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(126,805)	
Change in net position of governmental activities	<u>\$ (4,854)</u>	

TOWN OF TAZEWell, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2015

	Enterprise Fund	
	Water and Sewer	
		(For Comparative Purposes Only)
	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 291,532	\$ 119,587
Receivables, net	461,894	408,306
Due from other governments	20,833	171,768
Total current assets	<u>774,259</u>	<u>699,661</u>
Noncurrent assets:		
Note receivable	698,460	713,055
Net pension asset	29,517	-
Capital assets:		
Not depreciated	3,597,653	2,865,008
Depreciated, net	<u>4,809,881</u>	<u>5,036,810</u>
Total noncurrent assets	<u>9,135,511</u>	<u>8,614,873</u>
Total assets	<u>9,909,770</u>	<u>9,314,534</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions subsequent to measurement date	<u>25,633</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	85,066	519,429
Accrued payroll and related liabilities	11,199	8,959
Accrued interest payable	11,527	10,604
Due to other fund	53,944	32,000
Customer deposits	100,185	98,427
Current portion of noncurrent liabilities	<u>166,827</u>	<u>33,358</u>
Total current liabilities	<u>428,748</u>	<u>702,777</u>
Noncurrent liabilities:		
Unearned revenue	1,250,365	1,286,872
Due in more than one year	<u>3,725,259</u>	<u>3,203,439</u>
Total noncurrent liabilities	<u>4,975,624</u>	<u>4,490,311</u>
Total liabilities	<u>5,404,372</u>	<u>5,193,088</u>
DEFERRED INFLOWS OF RESOURCES		
Net difference between projected and actual investment earnings on pension plan investments	<u>95,569</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	4,597,276	4,706,214
Unrestricted	<u>(161,814)</u>	<u>(584,768)</u>
Total net position	<u>\$ 4,435,462</u>	<u>\$ 4,121,446</u>

TOWN OF TAZEWELL, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2015

	Enterprise Fund	
	Water and Sewer	
		(For Comparative Purposes Only)
	2015	2014
OPERATING REVENUES		
Water service charges and fees	\$ 1,236,892	\$ 1,164,272
Sewer service charges and fees	1,010,085	998,472
Water/sewer penalties	7,511	8,419
Other revenue	1,865	2,861
Total operating revenues	2,256,353	2,174,024
OPERATING EXPENSES		
Salaries	562,752	607,282
Fringe benefits	174,153	157,796
Maintenance	18,094	141,234
Utilities	207,316	196,252
Materials and supplies	203,444	169,765
Purchased water	584,684	592,287
Administrative	68,789	57,480
Miscellaneous	9,832	1,962
Depreciation	282,682	295,891
Total operating expenses	2,111,746	2,219,949
Operating income (loss)	144,607	(45,925)
NONOPERATING REVENUES (EXPENSES)		
Interest income	28,981	29,391
Intergovernmental revenue	270,838	372,105
Interest expense	(66,969)	(34,680)
Net nonoperating income (expenses)	232,850	366,816
Change in net position	377,457	320,891
NET POSITION AT JULY 1, AS RESTATED	4,058,005	3,800,555
NET POSITION AT JUNE 30	\$ 4,435,462	\$ 4,121,446

TOWN OF TAZEWELL, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2015

	Enterprise Fund	
	Water and Sewer	
		(For Comparative Purposes Only)
	2015	2014
OPERATING ACTIVITIES		
Receipts from customers	\$ 2,168,016	\$ 2,140,074
Payments to suppliers	(1,179,176)	(1,319,596)
Payments to employees	(582,103)	(588,335)
Net cash provided by operating activities	406,737	232,143
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(1,235,761)	(1,944,626)
Principal paid on debt	(33,404)	(32,733)
Debt proceeds	648,058	1,626,218
Capital grant received	421,773	200,337
Payments on note receivable received	14,595	14,015
Interest paid on capital debt	(79,034)	(49,995)
Net cash used in capital and related financing activities	(263,773)	(186,784)
INVESTING ACTIVITIES		
Interest received	28,981	29,391
Net increase in cash and cash equivalents	171,945	74,750
CASH AND CASH EQUIVALENTS		
Beginning at July 1	119,587	44,837
Ending at June 30	\$ 291,532	\$ 119,587
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 144,607	\$ (45,925)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	282,682	295,891
Net OPEB obligation	39,204	
Pension expense net of employer contributions	(23,022)	-
Change in assets and liabilities:		
Decrease (increase) in:		
Receivables, net	(53,588)	(8,779)
Due from other fund	-	1,530
Increase (decrease) in:		
Accounts payable	25,988	(36,350)
Due to other funds	21,944	32,000
Accrued payroll and related liabilities	3,671	18,947
Customer deposits	1,758	11,336
Unearned revenue	(36,507)	(36,507)
Net cash provided by operating activities	\$ 406,737	\$ 232,143
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capitalized interest	\$ 12,988	\$ 21,667
Capital asset purchases financed by accounts payable	\$ -	\$ 460,351

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

The Town of Tazewell (the “Town”) was established in 1916. It is a political subdivision of the Commonwealth of Virginia operating under the Mayor-Council form of government. The Town Council consists of a mayor and six other council members. The Town is part of Tazewell County and has taxing powers subject to statewide restrictions and tax limits. The Town provides a full range of municipal services including police, fire and rescue, refuse collection, public improvements, planning and zoning, general administrative services, recreation, and water and wastewater services.

These financial statements present the Town as the primary government. The Town has no component units – that is, entities for which the primary government is considered to be financially accountable. Furthermore, the Town has no related or jointly governed organizations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. 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*.

Separate financial statements are provided for the major governmental fund and the major proprietary fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Government 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 Town considers non-grant revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. These revenues are considered available if they are collected within one year of the end of the current fiscal period.

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary fund:

The *enterprise fund* accounts for the financing of services to the general public where all or most of the operating expenses involved are intended to be recovered in the form of user charges, or where management has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for management control, accountability, or other purposes. The enterprise fund consists of the activities relating to water and wastewater services.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds 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.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Reclassifications

Certain amounts in the prior year comparative data have been reclassified to conform to the current year's presentation.

E. Budgets and Budgetary Accounting

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

- 1) During the regular May Council meetings, the Town Manager submits a proposed operating and capital budget for the fiscal year commencing the following July 1. This budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain citizen comments.
- 3) Prior to June 30, the budget for the general fund is legally enacted through passage of an Appropriations Ordinance. Town Council may, from time to time, amend the budget, providing for additional expenditures and the means for financing them.
- 4) The Appropriations Ordinance places legal restrictions on expenditures at the department or category level. The appropriations for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer amounts within general governmental departments.
- 5) Formal budgetary integration is employed as a management control device during the year.
- 6) Budgets are adopted utilizing the cash basis of accounting.
- 7) Appropriations lapse on June 30 for all Town units.
- 8) All budget data presented is the final revised budget.
- 9) For the year ended June 30, 2015, the general government administration, public works, parks and recreation, and capital improvements categories overspent their budgets.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting (Continued)

The following is a reconciliation of the results of operations for the year on the budgetary basis to the GAAP basis:

	<u>General Fund</u>
Net change in fund balance (non-GAAP budgetary basis)	\$ 911,422
Modified accrual basis adjustments	<u>(49,129)</u>
Net change in fund balance (GAAP basis)	<u><u>\$ 862,293</u></u>

F. Encumbrances

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 employed as an extension of formal budgetary integration in the General Fund. There were no outstanding encumbrances at year end.

G. Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term highly liquid investments with an original maturity of three months or less when purchased. Also included in this classification are nonnegotiable certificates of deposit.

H. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible taxes, water and sewer billings, and ambulatory accounts receivable using historical collection data, specific account analysis, and management's estimate of the collectability of aged receivables.

I. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

I. Capital Assets (Continued)

The costs 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. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	25-40 years
Vehicles, machinery, and equipment	5-10 years
Distribution and transmission systems	25-40 years
Furniture and fixtures	5-10 years
Water and wastewater plants	40 years

Infrastructure assets are roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. and include all assets constructed since July 1, 2001. The retroactive reporting of general infrastructure is optional and the Town has chosen not to report these assets.

J. Capitalization of interest

The Town capitalizes interest costs on funds borrowed to finance the construction of capital assets in the Water and Sewer Fund. For the current year, interest capitalized totaled \$12,988.

K. Unearned Revenue

The water and sewer fund reports unearned revenue in connection with receipt of capital assets from the sale of capacity rights to the Town's sewer treatment plant. Revenue is recognized over the term of the agreement. During the year ended June 30, 2015, \$36,507 of revenue was recognized under this agreement.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has only one item that qualifies for reporting in this category, which consists of contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

L. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items. One item occurs only under the modified accrual basis of accounting; this item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 45 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period.

M. Compensated Absences

The Town's policies allow for the accumulation and vesting of limited amounts of personal time off until termination or retirement. Each employee can only carryover a maximum of 160 hours of personal time off at the end of the calendar year. Such absences are accrued when earned in the government-wide and proprietary financial statements. A liability is reported in governmental fund only when the leave is due and payable.

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

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

O. Pensions:

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

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

P. Fund Equity

Fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
- **Restricted** – 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** – Amounts constrained to specific purposes by the Town, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** – Amounts the Town intends to use for a specified purpose; intent can be expressed by the governing body.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

Council establishes fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established by Council through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service, or for other purposes).

Q. Restricted Amounts

The Town applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

R. Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

S. Comparative data

Comparative total data for the prior year has been presented in the financial statements in order to provide an understanding of the changes in the financial position and operations.

Note 2. Deposits and Investments

Deposits

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

Investments

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). The Town has not formally adopted deposit and investment policies that limit the Town's allowable deposits or investments or address the specific types of risk to which the Town may be exposed.

At June 30, all of the Town's investments were in LGIP. \$900,157 of these investments are restricted for specific capital projects.

Note 3. Receivables

Receivables for individual major funds are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables			
Taxes	\$ 371,551	\$ -	\$ 371,551
Accounts	147,427	584,506	731,933
Ambulance services	92,016	-	92,016
Decals	19,109	-	19,109
	<hr/>	<hr/>	<hr/>
Gross receivables	630,103	584,506	1,214,609
Less: allowance for uncollectibles	(395,784)	(122,612)	(518,396)
	<hr/>	<hr/>	<hr/>
	\$ 234,319	\$ 461,894	\$ 696,213
	<hr/>	<hr/>	<hr/>

(Continued)

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 4. Due from Other Governmental Units

A summary of funds due from other governmental units follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Total</u>
Due from other governments			
Tazewell County			
Sales Tax	\$ 52,086	\$ -	\$ 52,086
Commonwealth of Virginia			
Personal property tax relief	54,820	-	54,820
Community Development			
Block Grant	-	20,833	20,833
	<u>\$ 106,906</u>	<u>\$ 20,833</u>	<u>\$ 127,739</u>

Note 5. Interfund Receivables and Payables

\$53,944 was due to the general fund from the water and sewer fund for water and sewer expenses paid out of General Fund cash.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 6. Capital Assets

Capital asset activity was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 1,983,576	\$ -	\$ -	\$ 1,983,576
Construction in progress	767,257	202,455	-	969,712
	<u>2,750,833</u>	<u>202,455</u>	<u>-</u>	<u>2,953,288</u>
Capital assets, depreciated:				
Vehicles	1,977,404	99,625	(155,210)	1,921,819
Buildings and improvements	2,795,821	-	-	2,795,821
Equipment, furniture, and fixtures	1,031,820	19,369	(50,598)	1,000,591
	<u>5,805,045</u>	<u>118,994</u>	<u>(205,808)</u>	<u>5,718,231</u>
Less accumulated depreciation for:				
Vehicles	1,519,513	144,296	(155,210)	1,508,599
Buildings and improvements	1,296,622	77,417	-	1,374,039
Equipment, furniture, and fixtures	967,205	28,715	(50,598)	945,322
	<u>3,783,340</u>	<u>250,428</u>	<u>205,808</u>	<u>3,827,960</u>
Capital assets, depreciated, net	<u>2,021,705</u>	<u>(131,434)</u>	<u>-</u>	<u>1,890,271</u>
Governmental activities capital assets, net	<u>\$ 4,772,538</u>	<u>\$ 71,021</u>	<u>\$ -</u>	<u>\$ 4,843,559</u>

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 6. Capital Assets (Continued)

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 21,581	\$ -	\$ -	\$ 21,581
Construction in progress	2,843,427	732,645	-	3,576,072
	<u>2,865,008</u>	<u>732,645</u>	<u>-</u>	<u>3,597,653</u>
Capital assets, depreciated:				
Distribution/transmission systems	5,683,422	5,200	-	5,688,622
Water and wastewater plants	6,194,257	-	-	6,194,257
Machinery and equipment	727,554	50,553	(43,486)	734,621
	<u>12,605,233</u>	<u>55,753</u>	<u>(43,486)</u>	<u>12,617,500</u>
Less accumulated depreciation	<u>7,568,423</u>	<u>282,682</u>	<u>(43,486)</u>	<u>7,807,619</u>
Capital assets, depreciated, net	<u>5,036,810</u>	<u>(226,929)</u>	<u>-</u>	<u>4,809,881</u>
Business-type activities capital assets, net	<u>\$ 7,901,818</u>	<u>\$ 505,716</u>	<u>\$ -</u>	<u>\$ 8,407,534</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 34,973
Public safety	146,517
Public works	55,943
Parks, recreation, and cultural	<u>12,995</u>
	<u>\$ 250,428</u>
Business-type activities:	
Water and sewer	<u>\$ 282,682</u>

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 7. Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Notes payable	\$ 151,347	\$ -	\$ (40,140)	\$ 111,207	\$ 29,046
General obligation bonds	-	900,000	-	900,000	79,489
Due to County	18,066	-	(14,416)	3,650	3,650
Net OPEB obligation	-	105,996	-	105,996	-
Compensated absences	63,880	3,125	-	67,005	-
	<u>\$ 233,293</u>	<u>\$ 1,009,121</u>	<u>\$ (54,556)</u>	<u>\$ 1,187,858</u>	<u>\$ 112,185</u>
<u>Business-Type Activities</u>					
General obligation bonds	\$ 1,532,841	\$ -	\$ (33,404)	\$ 1,499,437	\$ 34,458
Revenue bonds	1,662,763	648,058	-	2,310,821	132,369
Net OPEB obligation	-	39,204	-	39,204	-
Compensated absences	41,193	1,431	-	42,624	-
	<u>\$ 3,236,797</u>	<u>\$ 688,693</u>	<u>\$ (33,404)</u>	<u>\$ 3,892,086</u>	<u>\$ 166,827</u>

Water and sewer fund revenues are pledged for the payment of principal and interest for water and sewer fund bonds. Governmental activities compensated absences are generally liquidated by the general fund.

Short-term borrowing:

The Town has a line of credit with an interest rate of 4.25% to cover cash shortfalls during the year, depositing proceeds in the general fund. Draws of \$250,000 were made and repaid on the line during the year.

TOWN OF TAZEVELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 7. Long-Term Liabilities (Continued)

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

Fiscal Year	Governmental Activities						Totals	
	General Obligation Bonds		Notes Payable		Due to County			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 79,489	\$ 24,570	\$ 29,046	\$ 3,052	\$ 3,650	\$ -	\$ 112,185	\$ 27,622
2017	81,659	22,400	29,995	2,103	-	-	111,654	24,503
2018	83,888	20,171	30,967	1,131	-	-	114,855	21,302
2019	86,178	17,881	21,199	199	-	-	107,377	18,080
2020	88,531	15,528	-	-	-	-	88,531	15,528
2021-2025	480,255	40,038	-	-	-	-	480,255	40,038
	<u>\$ 900,000</u>	<u>\$ 140,588</u>	<u>\$ 111,207</u>	<u>\$ 6,485</u>	<u>\$ 3,650</u>	<u>\$ -</u>	<u>\$ 1,014,857</u>	<u>\$ 147,073</u>

Fiscal Year	Business-Type Activities						Totals	
	Revenue Bonds		General Obligation Bonds					
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 132,369	\$ 45,814	\$ 34,458	\$ 48,270	\$ 166,827	\$ 94,084		
2017	134,429	43,754	35,595	47,133	170,024	90,887		
2018	136,520	41,662	36,769	45,959	173,289	87,621		
2019	138,644	39,538	37,982	44,746	176,626	84,284		
2020	140,802	37,381	39,235	43,493	180,037	80,874		
2021-2025	737,561	153,351	216,464	197,176	954,025	350,527		
2026-2030	796,758	94,155	254,602	159,038	1,051,360	253,193		
2031-2035	93,738	11,316	299,461	114,179	393,199	125,495		
2036-2040	-	-	352,223	61,417	352,223	61,417		
2041-2044	-	-	192,648	8,079	192,648	8,079		
	<u>\$ 2,310,821</u>	<u>\$ 466,971</u>	<u>\$ 1,499,437</u>	<u>\$ 769,490</u>	<u>\$ 3,810,258</u>	<u>\$ 1,236,461</u>		

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 7. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Original Amount</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
<u>Bonds and Notes Payable</u>						
General Obligation Bond	2.73%	10-14	10-24	\$ 900,000	\$ 900,000	\$ -
Garbage Truck	3.15%	01-14	01-19	\$ 148,155	111,207	-
					<u>\$ 1,011,207</u>	<u>\$ -</u>
<u>Bonds</u>						
Rural Development, General Obligation	3.25%	2003	2043	\$ 1,800,000	\$ -	\$ 1,499,437
Virginia Resources Authority, Revenue Loan	1.55%	06-13	10-34	\$ 2,988,696	-	2,310,821
					<u>\$ -</u>	<u>\$ 3,810,258</u>

Virginia Resources Authority – Revenue Loan

During 2013, the Town received financing from the Virginia Resources Authority totaling \$2,988,696. Through June 30, 2015, \$2,310,821 has been drawn and used for water and sewer capital projects. The remaining undrawn amount of \$677,875 is anticipated to be used during 2016 for eligible projects.

Due to County

During 2010, the Town entered into an agreement with Tazewell County to pay back \$72,081 for sales tax amounts received in prior years due to inaccurate child count numbers within the Town. This amount was to be paid over a five-year period at \$1,200 per month and does not include an interest component. As of June 30, 2015, the remaining balance was \$3,650.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan

Plan Description

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

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1</p> <p>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2</p> <p>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan</p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

(Continued)

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

<p>Eligible Members</p> <p>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election</p> <p>VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Eligible Members</p> <p>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election</p> <p>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>Eligible Members</p> <p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members</p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
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TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Retirement Contributions	Retirement Contributions	Retirement Contributions
<p>Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.</p>	<p>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

<p>Creditable Service</p> <p>Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service</p> <p>Same as Plan 1.</p>	<p>Creditable Service</p> <p><u>Defined Benefit Component:</u></p> <p>Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u></p> <p>Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
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TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

		<p>Vesting (Continued)</p> <p><u>Defined Contributions Component:</u> (Continued)</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit</p> <p>The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit</p> <p>See definition under Plan 1.</p>	<p>Calculating the Benefit</p> <p><u>Defined Benefit Component:</u></p> <p>See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u></p> <p>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

<p>Average Final Compensation</p> <p>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation</p> <p>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation</p> <p>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier</p> <p>VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier</p> <p>VRS: Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier</p> <p><u>Defined Benefit Component:</u></p> <p>VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u></p> <p>Not applicable.</p>

(Continued)

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Earliest Reduced Retirement Eligibility	Earliest Reduced Retirement Eligibility	Earliest Unreduced Retirement Eligibility
<p>VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p><u>Defined Benefit Component:</u></p> <p>VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
Cost-of-Living Adjustment (COLA) in Retirement	Cost-of-Living Adjustment (COLA) in Retirement	Cost-of-Living Adjustment (COLA) in Retirement
<p>The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.</p> <p><u>Eligibility:</u></p> <p>For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p>	<p>The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.</p> <p><u>Eligibility:</u></p> <p>Same as Plan 1.</p>	<p><u>Defined Benefit Component:</u></p> <p>Same as Plan 2.</p> <p><u>Defined Contribution Component:</u></p> <p>Not applicable.</p> <p><u>Eligibility:</u></p> <p>Same as Plan 1 and Plan 2.</p>

(Continued)

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Cost-of-Living Adjustment (COLA) in Retirement (Continued)	Cost-of-Living Adjustment (COLA) in Retirement (Continued)	Cost-of-Living Adjustment (COLA) in Retirement (Continued)
<p><u>Eligibility:</u> (Continued)</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u></p> <p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. 	<p><u>Exceptions to COLA Effective Dates:</u></p> <p>Same as Plan 1.</p>	<p><u>Exceptions to COLA Effective Dates:</u></p> <p>Same as Plan 1 and Plan 2.</p>

(Continued)

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

<p>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</p> <p><u>Exceptions to COLA Effective Dates:</u> (Continued)</p> <ul style="list-style-type: none"> • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
<p>Disability Coverage</p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage</p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage</p> <p>Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Purchase of Prior Service	Purchase of Prior Service	Purchase of Prior Service
<p>Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Same as Plan 1.</p>	<p><u>Defined Benefit Component:</u></p> <p>Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4.00% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u></p> <p>Not applicable.</p>

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>30</u>
Inactive members:	
Vested inactive members	6
Non-vested inactive members	25
Inactive members active elsewhere in VRS	<u>27</u>
Total inactive members	58
Active members	<u>55</u>
Total covered employees	<u><u>143</u></u>

Contributions

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

The political subdivision's contractually required contribution rate for the year ended June 30, 2015 was 9.40% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2014.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$95,984 and \$98,541 for the years ended June 30, 2015 and June 30, 2014, respectively.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan (Continued)

Net Pension Liability (Assets)

The political subdivision's net pension liability (assets) was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability (assets) was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 5.35%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related.

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees (Continued)

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related.

Largest 10 – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50 %	6.46 %	1.26 %
Developed Non U.S. Equity	16.50 %	6.28 %	1.04 %
Emerging Market Equity	6.00 %	10.00 %	0.60 %
Fixed Income	15.00 %	0.09 %	0.01 %
Emerging Debt	3.00 %	3.51 %	0.11 %
Rate Sensitive Credit	4.50 %	3.51 %	0.16 %
Non Rate Sensitive Credit	4.50 %	5.00 %	0.23 %
Convertibles	3.00 %	4.81 %	0.14 %
Public Real Estate	2.25 %	6.12 %	0.14 %
Private Real Estate	12.75 %	7.10 %	0.91 %
Private Equity	12.00 %	10.41 %	1.25 %
Cash	1.00 %	(1.50)%	(0.02)%
Total	100.00 %		5.83 %
	Inflation		2.50 %
	* Expected arithmetic nominal return		8.33 %

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Assets)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Assets) (a) – (b)
Balances at June 30, 2014	\$ 5,343,936	\$ 5,010,429	\$ 333,507
Changes for the year:			
Service cost	159,643	-	159,643
Interest	368,277	-	368,277
Differences between expected and actual experience	-	-	-
Contributions – employer	-	98,541	(98,541)
Contributions – employee	-	82,807	(82,807)
Net investment income	-	793,580	(793,580)
Benefit payments, including refunds of employee contributions	(165,664)	(165,664)	-
Administrative expenses	-	(4,222)	4,222
Other changes	-	42	(42)
Net changes	362,256	805,084	(442,828)
Balances at June 30, 2015	\$ 5,706,192	\$ 5,815,513	\$ (109,321)

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan (Continued)

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

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

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
Political subdivision's net pension liability (asset)	\$ 656,962	\$ (109,321)	\$ (744,195)

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

For the year ended June 30, 2015, the political subdivision recognized pension expense of \$9,671. At June 30, 2015, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	353,958
Employer contributions subsequent to the measurement date	<u>95,984</u>	<u>-</u>
Total	<u>\$ 95,984</u>	<u>\$ 353,958</u>

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Defined Benefit Pension Plan (Continued)

Deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2016	\$ (88,489)
2017	(88,489)
2018	(88,489)
2019	(88,491)
Thereafter	-

Payable to the Pension Plan:

At June 30, 2015, \$14,354 was payable to the Virginia Retirement System for the legally required contributions related to June 2015 payroll.

Note 9. Property Taxes

The major sources of property taxes are real estate and personal property taxes. The assessments are the responsibility of Tazewell County, while billing and collection are the Town's responsibilities.

Property taxes are levied annually on assessed values as of January 1 and are due by December 5. Personal property taxes do not create a lien on property.

The annual assessment for real estate is based on 100% of the assessed fair market value. A penalty of 10% of the unpaid tax is due for late payment. Interest is accrued at 0.83% per month. The effective tax rates per \$100 of assessed value for the year ended June 30 were as follows:

Real estate	\$ 0.25
Personal property	\$ 0.60
Machinery and tools	\$ 0.60

Note 10. Risk Management

The Risk Management Programs are as follows:

Workers' Compensation Insurance is provided through the Virginia Municipal League. During 2014-2015, total premiums paid were approximately \$59,000. Benefits are those afforded through Commonwealth of Virginia as outlined in the *Code of Virginia* Section 65.2-100; premiums are based upon covered payroll, job rates, and claims experience.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10. Risk Management (Continued)

The Risk Management Programs are as follows: (Continued)

General liability and other insurance are provided through policies with a commercial insurance company. General liability and business automobile coverage have a \$2,000,000 and \$1,000,000 limit per occurrence, respectively. Property insurance is covered per statement of values and is approximately \$2,000,000. Police professional liability and public officials' liability insurance with a \$3,000,000 limit are covered through a policy with a commercial insurance company. Total premiums paid for these policies were approximately \$56,000.

Healthcare coverage is provided for employees through a policy with Anthem Blue Cross-Blue Shield. The Town contributes a percentage of the required premium amount for single coverage for each employee. The Town also pays a percentage of the coverage for dependents and spouses of employees. Total premiums paid for the year ended June 30 were approximately \$403,000.

There were no significant reductions in insurance coverage from the prior year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

Note 11. Net Position and Fund Balance

At June 30, the water and sewer fund and general fund had deficits in unrestricted net position and unassigned fund balance totaling \$161,814 and \$1,443,837, respectively. These deficits are anticipated to be recovered through future revenues.

Note 12. Commitments and Contingencies

Tazewell County Gymnasium Lease

In January 2007, the Town entered a 40 year lease agreement with Tazewell County for the Old Junior High School Gymnasium for recreational purposes with annual rent of \$1. Pursuant to the terms of the lease, the Town agreed to assume and pay the expenses related to utilities, repair, maintenance, or renovation costs, all taxes associated with the building, and hazard insurance premiums on the property.

American Legion Building Lease

In May 2007, the Town entered a 40 year lease agreement with American Legion Post #133 for the American Legion Building with annual rent of \$1. Pursuant to the terms of the lease, the Town agreed to assume and pay the expenses related to utilities, repair, maintenance, or renovation costs, all taxes associated with the building, and hazard insurance premiums on the property. Through 2015, the Town expended and capitalized approximately \$136,000 for renovations. These assets are being depreciated over 25 years and are included in the governmental activities, buildings and improvements line in Note 6.

Litigation

The Town is subject to occasional litigation in the normal course of business. At this time the Town is unable to estimate the amount of loss, but estimates any material losses will be covered by insurance.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Commitments and Contingencies (Continued)

Construction Commitments

In 2012, Council approved the commencement of the Route 61 project. To date, \$891,000 has been incurred and the total project is expected to cost \$3.0 to \$3.5 million. This project will be administered by the Virginia Department of Transportation. The Town was awarded \$2.1 million of state and federal funding for this project. At June 30, 2015, \$2,619,164 of fund balance was committed for the remaining costs of this project. The Town also started the Drytown sewer project in 2014 and has incurred \$3,962,000 in costs to date. The total project is expected to cost \$4.0 to \$4.5 million. The Town was awarded state and federal funding in the amount of \$720,000 for the Dry Town Sewer Project. The remaining cost will be financed by the Virginia Revolving Loan Program. Both projects will require a local match and additional grant funding. Financing for the local match is being pursued.

Note 13. Service Contract

Effective September 1996, the Town entered into an agreement with the Tazewell County Public Service Authority (the "PSA") to purchase water for a forty year period at which time the agreement may be renewed in additional five year increments. The Town also conveyed its water treatment plant to the PSA as part of the agreement. For 2015, the Town paid approximately \$585,000 to the PSA for water.

Note 14. Sewer Treatment Facility Capacity

During 2010, the Town entered into an agreement with the PSA whereby the Town allocated 40% of its sewer treatment plant capacity to the PSA in exchange for water lines valued at \$637,000 and a note receivable for \$750,266. The note has a term of 30 years, an annual interest rate of 4.07%, and monthly payments of \$3,612 which began in 2012.

The PSA will also pay a monthly Treatment and Disposal Volume Charge determined by the Town's total direct and indirect costs to maintain the facility and the number of gallons discharged into the facility by the PSA. Any unexpected capital expenditures along with necessary maintenance, repairs, replacements, or upgrades, of any sanitary sewer lines used to transport the PSA's flow into the facility will be paid by both parties based on their respective capacities in the facility. Both parties will each contribute \$500, \$1,000 in total, per month to a capital reserve fund not to exceed \$50,000 to assist with unexpected capital expenditures. Through June 30, 2015, the PSA has paid \$51,806 to the Town against the note receivable.

In addition, under this agreement, an annual true up of the volume charges to the PSA for wastewater and treatment and disposal charges will be calculated based on the Town's actual expenses incurred for the preceding fiscal year. The Town's policy is to recognize revenue for this true up in the year calculated and billed.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 15. Other Post-Employment Benefits

The cost of other post-employment healthcare benefits (OPEB) is associated with the periods in which employees provide services, rather than in the future years when the costs will be paid.

Plan Description

The Town provides post-employment medical coverage for retired employees through a single-employer defined benefit plan. The plan is established under the authority of Town Council, which may also amend the plan as deemed appropriate. Participants must meet eligibility requirements based on service earned with the Town to be eligible to receive benefits upon retirement. Only participants who retire directly from active service are eligible for the OPEB.

- Employees retiring who meet the eligibility requirements retiring after 50 years of age and 10 years of service.
- Employees retiring who meet the eligibility requirements retiring after 55 years of age and 5 years of service.

Benefits include medical, dental, and vision insurance. The Town contributes 80% of the premium for the lifetime of the retiree regardless of the tier coverage. The Town makes no contributions to retirees for post-65 coverage as Medicare eligible retirees pay 100% of the Medicare supplement premium cost.

The number of participants at June 30, 2015 was as follows:

Retirees currently receiving benefits	6
Retirees spouses currently receiving benefits	4
Active employees	<u>53</u>
Total	<u><u>63</u></u>

Funding Policy

The Town currently funds post-employment health care benefits on a pay-as-you-go basis.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 15. Other Post-Employment Benefits (Continued)

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

For 2015 the Town's OPEB costs were equal to the Annual Required Contribution (ARC).

Annual required contribution	\$ 239,200
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	239,200
Contributions made	<u>(94,000)</u>
Change in net OPEB obligation	145,200
Net OPEB obligation – beginning of year	<u>-</u>
Net OPEB obligation – end of year	<u><u>\$ 145,200</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 239,200	39.30%	\$ 145,200

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015 was as follows:

Actuarial Accrued Liability (AAL)	\$ 1,690,600
Actuarial Value of Plan Assets	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,690,600
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00 %
Covered Payroll (Active Plan Members)	\$ 1,620,000
UAAL as a Percentage of Covered Payroll	104.36 %

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 15. Other Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions

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

In the 2015 actuarial valuation, the alternative measurement method, as described in Governmental Accounting Standard No. 45, was used to determine liabilities. Under this method, the postretirement health costs are assumed to be earned ratably from the date of hire to the participant's full eligibility age. The actuarial assumptions used a 3.50% discount rate, and an initial annual healthcare cost trend of 6.30% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 4.50%. A general inflation rate of 3.50% was used. The unfunded accrued liability is being amortized as a level percent of payroll. The open amortization period for 2015 was 30 years.

Note 16. Adoption of New Standard and Prior Period Restatement

In the current year, the Town adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. This standard replaces the requirements of GASB Statements No. 27 and No. 50 as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The new Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

The following is a summary of the restatements to net position, resulting from the adoption of GASB Statement No. 68:

	<u>Governmental Activities</u>	<u>Water and Sewer Fund</u>
Net position, July 1, 2014, per above	\$ 4,957,726	\$ 4,121,446
Recognition of pension related liabilities and deferred outflows in accordance with GASB No. 68	<u>(171,525)</u>	<u>(63,441)</u>
Net position, July 1, 2014, as restated	<u>\$ 4,786,201</u>	<u>\$ 4,058,005</u>

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 17. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

GASB Statement No. 72, *Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ending June 30, 2016.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* identifies—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ending June 30, 2016 and should be applied retroactively. Earlier application is permitted.

TOWN OF TAZEWELL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 17. New Accounting Standards (Continued)

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement does not consider issues related to recognition. This Statement will be effective for the year ending June 20, 2017.

Management has not yet evaluated the effects, if any, of adopting these standards.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF TAZEWELL, VIRGINIA

EXHIBIT 8

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES – BUDGET AND ACTUAL – CASH BASIS
GENERAL FUND
June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
General property taxes:				
Real property taxes	\$ 640,000	\$ 640,000	\$ 681,251	\$ 41,251
Personal property taxes	141,000	141,000	124,302	(16,698)
Penalties and interest on delinquent taxes	26,000	26,000	50,016	24,016
Total general property taxes	807,000	807,000	855,569	48,569
Other local taxes:				
Public service corporation taxes	30,000	30,000	28,279	(1,721)
Meals taxes	625,000	625,000	640,392	15,392
Cigarette taxes	84,000	84,000	64,800	(19,200)
Transient occupancy	25,000	25,000	6,812	(18,188)
Local sales and use taxes	270,000	270,000	322,401	52,401
Bank stock tax	170,000	170,000	222,290	52,290
Total other local taxes	1,204,000	1,204,000	1,284,974	80,974
Permits, privilege fees, and regulatory licenses:				
Planning and zoning	2,000	2,000	1,710	(290)
Retail sales	141,120	141,120	153,586	12,466
Real estate and professional	32,109	32,109	50,292	18,183
Personal business service	35,238	35,238	10,651	(24,587)
Decal fees	28,000	28,000	33,582	5,582
Business license taxes	-	-	14,366	14,366
Total permits and privilege fees	238,467	238,467	264,187	25,720
Fines and forfeitures:				
Court fines	50,000	50,000	47,795	(2,205)
Parking fines	1,000	1,000	260	(740)
Total fines and forfeitures	51,000	51,000	48,055	(2,945)
Revenue from use of money and property:				
Interest earned	500	500	308	(192)
Total revenue from use of money and property	500	500	308	(192)
(Continued)				

TOWN OF TAZEWELL, VIRGINIA

EXHIBIT 8

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES – BUDGET AND ACTUAL – CASH BASIS
GENERAL FUND
June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (Continued)				
Charges for services:				
Waste collection charges	\$ 393,000	\$ 393,000	\$ 393,852	\$ 852
Recreation	41,000	41,000	40,111	(889)
Fire	400	400	381	(19)
Rescue	270,000	270,000	296,244	26,244
Miscellaneous charges	5,000	5,000	7,433	2,433
Total charges for services	709,400	709,400	738,021	28,621
Other revenues:				
Debt proceeds	1,300,000	1,300,000	900,000	(400,000)
Miscellaneous	67,658	67,658	100,637	32,979
Total other revenues	1,367,658	1,367,658	1,000,637	(367,021)
Total revenue from local sources	4,378,025	4,378,025	4,191,751	(186,274)
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property tax reimbursement	54,500	54,500	54,820	320
Rolling stock	5,500	5,500	6,433	933
Fire programs	11,699	11,699	19,053	7,354
Litter control grant	2,500	2,500	2,541	41
Franchise license tax	8,000	8,000	27,627	19,627
Other	40,000	40,000	49,775	9,775
Total non-categorical aid	122,199	122,199	160,249	38,050
Categorical aid:				
Highway and street maintenance grant	1,111,000	1,111,000	1,305,711	194,711
Law enforcement aid	99,029	99,029	101,037	2,008
Total categorical aid	1,210,029	1,210,029	1,406,748	196,719
Total intergovernmental revenues	1,332,228	1,332,228	1,566,997	234,769
Total general fund revenues	\$ 5,710,253	\$ 5,710,253	\$ 5,758,748	\$ 48,495

TOWN OF TAZEWELL, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – CASH BASIS
GENERAL FUND
June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
General government administration:				
Mayor and Town Council:				
Wages - elected officials	\$ 27,600	\$ 27,600	\$ 27,300	\$ 300
Travel, training, and education	8,500	8,500	302	8,198
Dues and professional memberships	750	750	715	35
Total Mayor and Town Council	36,850	36,850	28,317	8,533
Town Attorney/legal services:				
Wages	600	600	600	-
Health insurance	6,200	6,200	6,456	(256)
Legal services	40,000	40,000	32,215	7,785
Total Town Attorney/legal services	46,800	46,800	39,271	7,529
Treasurer:				
Wages	53,350	53,350	62,883	(9,533)
Fringes/benefits	21,593	21,593	18,609	2,984
Travel, training, and education	1,000	1,000	905	95
Dues and professional memberships	500	500	-	500
Office supplies	6,000	6,000	2,817	3,183
Equipment	1,000	1,000	-	1,000
Miscellaneous	1,000	1,000	266	734
	84,443	84,443	85,480	(1,037)
Bookkeeping:				
Wages	10,695	10,695	11,108	(413)
Fringes/benefits	6,699	6,699	5,497	1,202
Travel, training, and education	1,000	1,000	-	1,000
Dues and professional memberships	500	500	-	500
Office supplies	1,000	1,000	1,115	(115)
Postage and delivery services	5,000	5,000	3,225	1,775
Equipment	500	500	-	500
Miscellaneous	500	500	449	51
	25,894	25,894	21,394	4,500

(Continued)

TOWN OF TAZEWELL, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – CASH BASIS
GENERAL FUND
June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Expenditures (Continued)				
General government administration (Continued):				
Administration:				
Wages	\$ 170,738	\$ 170,738	\$ 146,811	\$ 23,927
Fringes/benefits	56,477	56,477	49,042	7,435
Professional services	35,000	35,000	30,844	4,156
Advertising	6,000	6,000	9,833	(3,833)
Building maintenance	10,000	10,000	11,122	(1,122)
Postage and delivery services	6,000	6,000	7,097	(1,097)
Motor fuel expense	2,000	2,000	1,120	880
Vehicle maintenance	300	300	375	(75)
Utilities	24,000	24,000	19,968	4,032
Internet fees	42,766	42,766	36,094	6,672
Travel, training, and education	5,000	5,000	2,615	2,385
Dues and professional memberships	6,000	6,000	6,392	(392)
General liability insurance	40,000	40,000	40,935	(935)
Office supplies	30,000	30,000	20,436	9,564
Equipment	11,000	11,000	3,717	7,283
Equipment maintenance	50,000	50,000	47,621	2,379
Bank service charge	500	500	2,614	(2,114)
Maintenance	99,716	99,716	71,277	28,439
Miscellaneous	23,000	23,000	66,984	(43,984)
Total administration	618,497	618,497	574,897	43,600
Total general government administration	812,484	812,484	749,359	63,125
(Continued)				

TOWN OF TAZEWELL, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – CASH BASIS
GENERAL FUND
June 30, 2015

Expenditures (Continued)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety:				
Police department:				
Wages	\$ 575,008	\$ 575,008	\$ 590,187	\$ (15,179)
Fringes/benefits	246,900	246,900	216,350	30,550
Professional services	19,000	19,000	16,336	2,664
Advertising	2,000	2,000	-	2,000
Building maintenance	2,500	2,500	688	1,812
Postage and delivery services	1,000	1,000	197	803
Motor fuel expense	45,000	45,000	39,243	5,757
Vehicle maintenance	20,000	20,000	17,942	2,058
Utilities	18,000	18,000	21,953	(3,953)
Uniforms	10,000	10,000	17,274	(7,274)
Travel, training, and education	15,000	15,000	21,608	(6,608)
Dues and professional memberships	1,000	1,000	1,283	(283)
Office supplies	15,000	15,000	8,567	6,433
Equipment	47,000	47,000	62,109	(15,109)
Equipment maintenance	8,000	8,000	13,066	(5,066)
Internet fees	10,000	10,000	5,886	4,114
Public safety	20,000	20,000	38,327	(18,327)
Narcotics task force	7,000	7,000	7,000	-
Southwest Regional Jail	6,000	6,000	4,682	1,318
Miscellaneous	12,829	12,829	10,400	2,429
Total police department	1,081,237	1,081,237	1,093,098	(11,861)
Volunteer fire department:				
Personnel cost	30,000	30,000	26,617	3,383
Building maintenance	3,000	3,000	7,363	(4,363)
Motor fuel expense	5,000	5,000	3,225	1,775
Utilities	5,700	5,700	6,371	(671)
General liability insurance	-	-	3,291	(3,291)
Miscellaneous	-	-	3,349	(3,349)
Supplies	20,000	20,000	2,160	17,840
Equipment	5,000	5,000	-	5,000
Equipment maintenance	2,500	2,500	4,219	(1,719)
Internet fees	5,650	5,650	4,874	776
Vehicle maintenance	5,000	5,000	4,329	671
Fire fund transfer	9,500	9,500	15,802	(6,302)
Total volunteer fire department	91,350	91,350	81,600	9,750
Volunteer rescue squad:				
Rescue squad expense	322,904	322,904	421,085	(98,181)
Total volunteer rescue squad	322,904	322,904	421,085	(98,181)
Total public safety	1,495,491	1,495,491	1,595,783	(100,292)

(Continued)

TOWN OF TAZEWell, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – CASH BASIS
GENERAL FUND
June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Public works:				
Sanitation:				
Wages	\$ 99,349	\$ 99,349	\$ 94,193	\$ 5,156
Fringes/benefits	76,292	76,292	57,317	18,975
Uniforms	3,000	3,000	2,725	275
Fuel	25,000	25,000	19,943	5,057
Miscellaneous	3,000	3,000	373	2,627
Supplies	2,000	2,000	385	1,615
Vehicle maintenance	6,000	6,000	30,318	(24,318)
Total sanitation	214,641	214,641	205,254	9,387
Administration:				
Wages	269,863	269,863	367,245	(97,382)
Fringes/benefits	124,763	124,763	140,568	(15,805)
Signage	-	-	2,319	(2,319)
Fuel	43,000	43,000	38,280	4,720
Utilities	19,800	19,800	16,072	3,728
Vehicle maintenance	10,000	10,000	32,975	(22,975)
Building maintenance	10,000	10,000	1,391	8,609
Miscellaneous	59,399	59,399	18,288	41,111
Supplies	5,000	5,000	7,290	(2,290)
Uniforms	7,000	7,000	11,047	(4,047)
Travel, training, and education	500	500	1,304	(804)
Internet fees	3,040	3,040	3,193	(153)
Equipment	5,000	5,000	26,880	(21,880)
Equipment maintenance	11,000	11,000	32,903	(21,903)
Snow removal	30,000	30,000	26,872	3,128
Mowing	160,000	160,000	174,525	(14,525)
Total public works administration	758,365	758,365	901,152	(142,787)
Paving	500,000	500,000	455,921	44,079
Street lights	40,000	40,000	62,843	(22,843)
Street, bridge, sidewalk maintenance	100,000	100,000	130,635	(30,635)
Total public works	1,613,006	1,613,006	1,755,805	(142,799)
(Continued)				

TOWN OF TAZEWELL, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – CASH BASIS
GENERAL FUND
June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Parks, recreation, and cultural:				
Wages	\$ 79,058	\$ 79,058	\$ 94,074	\$ (15,016)
Fringes/benefits	36,396	36,396	49,497	(13,101)
Advertising	300	300	-	300
Utilities	11,500	11,500	18,131	(6,631)
Uniforms	1,600	1,600	1,702	(102)
Travel, training, and education	100	100	-	100
Dues and professional memberships	100	100	38	62
Planning commission	11,900	11,900	5,875	6,025
Community development	71,201	71,201	110,727	(39,526)
American Legion building	9,500	9,500	14,357	(4,857)
Motor fuel expense	2,500	2,500	2,501	(1)
Adult activities	2,500	2,500	434	2,066
Building maintenance	7,000	7,000	6,034	966
Miscellaneous	53,501	53,501	38,225	15,276
Supplies	8,000	8,000	5,788	2,212
Youth activities	5,000	5,000	7,941	(2,941)
Equipment maintenance	3,000	3,000	1,943	1,057
Internet fees	5,650	5,650	5,400	250
Equipment	3,000	3,000	144	2,856
Vehicle maintenance	1,500	1,500	672	828
Other recreation	1,500	1,500	251	1,249
Pool operation	28,000	28,000	11,924	16,076
Parks and playground	3,000	3,000	2,416	584
Groundskeeping	2,000	2,000	1,335	665
Total parks, recreation, and cultural	<u>347,806</u>	<u>347,806</u>	<u>379,409</u>	<u>(31,603)</u>
Non-departmental:				
Capital improvements	319,810	319,810	305,786	14,024
Total non-departmental	<u>319,810</u>	<u>319,810</u>	<u>305,786</u>	<u>14,024</u>
Debt service:				
Principal retirement	1,121,656	1,121,656	61,184	1,060,472
Total debt service	<u>1,121,656</u>	<u>1,121,656</u>	<u>61,184</u>	<u>1,060,472</u>
Transfers out	-	-	-	-
Total general fund expenditures	<u>\$ 5,710,253</u>	<u>\$ 5,710,253</u>	<u>\$ 4,847,326</u>	<u>\$ 862,927</u>

TOWN OF TAZEWELL, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
June 30, 2015

Total Pension Liability

Service cost	\$ 159,643
Interest on total pension liability	368,277
Benefit payments, including refunds of employee contributions	<u>(165,664)</u>
Net change in total pension liability	362,256
Total pension liability - beginning	<u>5,343,936</u>
Total pension liability - ending	<u>5,706,192</u>

Plan Fiduciary Net Position

Contributions - employer	98,541
Contributions - employee	82,807
Net investment income	793,580
Benefit payments, including refunds of employee contributions	(165,664)
Administrative expenses	(4,222)
Other	<u>42</u>
Net change in plan fiduciary net position	805,084
Plan fiduciary net position - beginning	<u>5,010,429</u>
Plan fiduciary net position - ending	<u>5,815,513</u>

Net pension liability (asset) - ending	<u><u>\$ (109,321)</u></u>
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Plan fiduciary net position as a percentage of total pension liability	<u><u>102%</u></u>
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Covered employee payroll	<u><u>\$ 1,631,863</u></u>
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Net pension liability (asset) as a percentage of covered employee payroll	<u><u>-7%</u></u>
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Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

TOWN OF TAZEWELL, VIRGINIA

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2015

Year Ended June 30	Actuarially Determined Contribution (1)	Contributions in Relation to Actuarially Determined Contribution (2)	Contribution Deficiency (Excess) (3)	Covered Employee Payroll (4)	Contributions as a percentage of Covered Payroll (5)
2015	\$ 95,984	\$ 95,984	\$ -	\$ 1,631,863	5.88%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available.

TOWN OF TAZEWELL, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS - OPEB
June 30, 2015

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
June 30, 2015	\$ -	\$ 1,690,000	\$ 1,690,000	0.00%	\$ 1,620,000	104.32%

TOWN OF TAXEWELL, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2015

Note 1. Changes of Benefit Terms

There have been no significant changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012 (fiscal year 2014 for the teacher cost sharing pool). The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013, and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Note 2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Teacher cost-sharing pool

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

OTHER INFORMATION SECTION

TABLE 1

TOWN OF TAZEWELL, VIRGINIA

GENERAL GOVERNMENT REVENUES BY SOURCE
Last Five Fiscal Years (1)

Fiscal Years Ended June 30,	General Property Taxes	Other Local Taxes (3)	Permits, Privilege Fees, and Regulatory Licenses	Fines and Forfeitures	Investment Earnings	Charges for Services (2)	Refuse Charges	Inter- governmental (3)	Other	Totals
2015	\$ 855,569	\$ 1,274,358	\$ 270,571	\$ 46,172	\$ 308	\$ 344,169	\$ 398,036	\$ 1,529,203	\$ 100,637	\$ 4,819,023
2014	797,897	1,107,274	252,986	65,190	632	357,001	393,884	1,406,412	75,949	4,457,225
2013	854,002	1,069,875	263,122	73,316	2,504	321,025	395,795	1,350,960	38,552	4,369,151
2012	687,229	1,054,672	270,842	39,955	555	292,073	356,750	1,647,913	25,270	4,375,259
2011	758,235	719,556	234,322	39,793	1,060	342,756	366,462	1,429,278	14,292	3,905,754

(1) Consists solely of general fund revenues.

(2) Increase in 2011 due to new ambulatory and fire services.

(3) Beginning in 2012, sales tax revenue was reclassified from intergovernmental to other local taxes.

Source: Financial report for respective year.

TOWN OF TAZEWELL, VIRGINIA

TABLE 2

**GENERAL GOVERNMENT EXPENDITURES BY FUNCTION
Last Five Fiscal Years (1)**

Fiscal Years Ended June 30,	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Capital Outlay	Debt Service	Totals
2015	\$ 749,359	\$ 1,596,981	\$ 1,764,012	\$ 379,408	\$ 305,786	\$ 61,184	\$ 4,856,730
2014	735,709	1,445,140	1,289,641	342,256	479,339	98,449	4,390,534
2013	708,674	1,402,518	1,354,398	224,035	228,610	458,402	4,376,637
2012	758,981	1,371,358	1,557,247	262,698	417,481	92,245	4,460,010
2011	650,049	1,370,597	1,182,570	289,902	112,164	87,331	3,692,613

(1) Consists solely of general fund expenditures.

Source: Financial report for respective year.

TOWN OF TAZEWELL, VIRGINIA

TABLE 3

LEGAL DEBT MARGIN INFORMATION
Last Five Fiscal Years

	2015	2014	2013	2012	2011
Debt limit	\$ 27,633,030	\$ 27,654,930	\$ 27,615,780	\$ 25,176,660	\$ 25,071,740
Total net debt applicable to limit	4,825,115	3,365,017	1,715,688	2,216,959	2,247,234
Legal debt margin	<u>\$ 22,807,915</u>	<u>\$ 24,289,913</u>	<u>\$ 25,900,092</u>	<u>\$ 22,959,701</u>	<u>\$ 22,824,506</u>
Total net debt applicable to the limit as a percentage of debt limit	17%	12%	6%	9%	9%

Legal Debt Margin Calculation for Fiscal Years 2015, 2014, 2013, 2012, and 2011

	2015	2014	2013	2012	2011
Assessed value	<u>\$ 276,330,300</u>	<u>\$ 276,549,300</u>	<u>\$ 276,157,800</u>	<u>\$ 251,766,600</u>	<u>\$ 250,717,400</u>
Debt limit (10% of assessed value)	\$ 27,633,030	\$ 27,654,930	\$ 27,615,780	\$ 25,176,660	\$ 25,071,740
Less debt applicable to limit:					
Revenue bonds	2,310,821	1,662,763	36,545	138,428	407,192
General obligation bonds	2,399,437	1,532,841	1,565,574	1,596,482	1,626,785
Notes payable	111,207	151,347	81,098	350,000	-
Other long-term obligations	3,650	18,066	32,471	132,049	213,257
Legal debt margin	<u>\$ 22,807,915</u>	<u>\$ 24,289,913</u>	<u>\$ 25,900,092</u>	<u>\$ 22,959,701</u>	<u>\$ 22,824,506</u>

Source: Financial report for respective year.

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S 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**

Honorable Members of Town Council
Town of Tazewell, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Tazewell, Virginia (the "Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 12, 2016.

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. **We consider the deficiencies described in the accompanying schedule of findings and responses as items 2008-001 and 2008-002 to be material weaknesses.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed 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 responses as item 2015-001.**

Town of Tazewell's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
February 12, 2016

TOWN OF TAZEWELL, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2015

As more fully described in the Independent Auditor's 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*, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts, and grants shown below:

STATE COMPLIANCE MATTERS

Code of Virginia:

Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Debt Provisions
Local Retirement Systems
Procurement Laws
Uniform Disposition of Unclaimed Property Act

State Agency Requirements:

Highway Maintenance Funds

LOCAL COMPLIANCE MATTERS

Town Charter

TOWN OF TAZEWELL, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2015

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2008-001: Segregation of Duties (Material Weakness)

Condition:

In general, internal control is designed to safeguard assets and help prevent losses from employee dishonesty or error. A fundamental concept of internal control is the separation of duties. The basic premise of this concept is that no one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. Due to the limited size of the Finance Department, a proper separation of duties has not been established and maintained.

Recommendation:

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

Management's Response:

Management concurs and is in the process of implementing controls, where possible, to alleviate such findings.

2008-002: Financial Reporting Controls (Material Weakness)

Condition:

As more fully discussed in the letter on internal control matters, we noted a significant number of control deficiencies over the financial reporting process. These deficiencies resulted in material audit adjustments and are summarized as follows:

- There is no documentation of internal reviews over various financial system updates, changes, or billing reports.
- Certain accounts are not reconciled to subsidiary ledgers.
- Improper accounting of debt related items.
- Inadequate access controls over information technology systems.
- Improper accounting for grant related expenditures and the resulting revenue accrual.

Recommendation:

Management should review the current financial reporting process and related controls to avoid such instances in the future.

Management's Response:

Management concurs and is in the process of implementing controls, where possible, to alleviate such findings. Management is also currently working on an accounting manual.

TOWN OF TAZEWELL, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2015

B. FINDINGS – COMMONWEALTH OF VIRGINIA

2015-001: General Fund Budget Appropriations

Condition:

As noted in the Schedule of Expenditures – Budget and Actual – Cash Basis, Exhibit 9, certain general fund expenditure categories exceeded budgeted appropriations.

Recommendation:

Steps should be taken to ensure budgetary compliance.

Management's Response:

Management will monitor expenses and adjust the budget or issue amendments if necessary.

2015-002: Highway Maintenance Program

Condition:

During our review of the Highway Maintenance Program, we noted excess expenditures reported due to the usage of an incorrect rate for employee fringe benefit rates.

Recommendation:

Steps should be taken to ensure proper reporting of expenditures.

Management's Response:

Management will monitor expenses and adjust the expenditures reported as necessary.

2015-003: Virginia Retirement System Payments

Condition:

At times management did not submit monthly contributions to the Virginia Retirement System by the 10th of the following month as required.

Recommendation:

Steps should be taken to ensure timely submission of payment.

Management's Response:

Management will take steps necessary to ensure timely submission of payments.